untoward or adverse circumstances. The risk themselves are identified within the ICARA document. The firm's ICARA document completes an assessment of the main areas of harm associate with the Company, clients, and industry. The identification of these areas was completed through a strong process involving all areas of the business and reviewed by the senior management team. Each area of harm is evaluated by means of a risk assessment. The scale of each potential impact on the business is considered and parameters such as likelihood and duration of the disruption are taken into account. The key business processes and their respective objectives are considered within the assessment. These procedures are designed to specify what internal actions are needed for the business to be able to provide services in response to any given threat materialising.

The Business Continuity Plan sets out how S&P will respond in the event of a so-called disaster, and how the business seeks to avoid or mitigate against the impact of such potential events. S&P's aim is to plan to avoid altogether or mitigate potential threats to the extent that is deemed reasonable, practical, and commercially viable which is borne out of a duty of care to both consumers and staff alike. As part of the regular reviews S&P has a number of procedures in place to evaluate and manage potential risks including (but not limited to):

Own funds requirement risk

As a result of the ICARA assessment of harms a calculation of the own funds and liquid assets assessment was completed, including identification of any additional capital or liquid funds needed to cover the harms identified.

The principal business risk identified through this process takes the form of a fall in assets under management following a market downturn that leads to lower management fees, although other risks such as loss of advisers and systems failures are also considered. To mitigate our business risk, we regularly analyse various different economic scenarios to model the impact of economic downturns to our financial position. Further funds were allocated as a result of potential harms resulting from operational or insurance risk.

Concentration risk

The Firm has a Centralised Investment Proposition which utilises four main ranges of risk based model investment portfolios. This enables the Firm to have a strong and diverse client bank where there is limited direct exposure to a single client or group of connected clients, each individual client making up less than 1% of the annual income. The level of concentration risk for the company is reviewed quarterly.

Liquidity risk

The firm manages all cash and borrowing requirements to maximise potential interest income whilst ensuring the Firm has sufficient liquid resources to meet the continued operating needs of the business. This is supported by a robust budgeting and forecasting process which has the full involvement of the senior management team. S&P holds significant cash balances and therefore has no material liquidity risk.

The other main risks identified within the ICARA process are as follows:

Operational risk

Operational is defined as the potential risk of financial loss or impairment to reputation resulting from inadequate or failed internal processes and systems from the actions of people or from external events. S&P is a service based company that has well defined policies and procedures. Major sources of operational risk include outsourcing of operations, IT security, internal and external fraud, implementation of strategic change and regulatory non-compliance. The firm's risk management process is monitored by the compliance function and reviewed quarterly by the Board. The company is protected via £3m of professional indemnity insurance. External audits are completed on an annual basis. Any material outsourced functions are covered by contractual service level agreements, enhanced due diligence which is reviewed on an annual basis which also covers disaster recovery, data security and operational continuation of that service provider.

Group risk

Whilst S&P does trade independently from any group structure, it does form part of a trading group.

Interest rate risk

Interest rate risk is not applicable to S&P as the firm has no borrowings and no exposure to interest rate risk.

Insurance risk

S&P maintains Professional Indemnity Insurance. The policies, which are standard in market terms, cover the most likely source of loss to the firm to a level that is appropriate to the scale of the firm's business. The policies are underwritten by insurers with satisfactory credit ratings. In the event that these policies do not pay out as soon as expected, S&P existing regulatory own funds and liquidity requirement means that the firm is in a position to continue to operate. In the event of a particular loss that falls outside the terms of its insurance, the directors will, where appropriate, make provisions in the ordinary course of business for such potential losses as soon as is prudent. The policy excess has been included within the own funds and liquidity requirement to cover any exposure the firm may face outside the fixed overhead costs.

Other risks

The Firm operates a simple business model. S&P outsources its information technology provision to third party providers.

3. MIFIDPRU 8.3: Governance

The Firm, as a MIFIDPRU Investment Firm, is subject to the organisational requirements in 4.3A.1 R of the Senior Management Arrangements, Systems and Controls Sourcebook of the FCA Handbook ("SYSC").

Under SYSC 4.3A.1 R, the Firm must ensure that the Management Body defines, oversees and is accountable for the implementation of governance arrangements that ensure effective and prudent management of the Firm, including the segregation of duties in the organisation and the prevention of conflicts of interest, in a manner that promotes the integrity of the market and the interests of the Firm's clients.

In order to comply with the requirement in SYSC 4.3A.1 R, the Firm has procedures in place to ensure that members of the Management Body fit the following criteria:

- they are of sufficiently good repute.
- they possess necessary and sufficient knowledge, skills, and experience to perform the relevant duties.
- their addition will complement the Management Body's collective knowledge, skills, and experience in relation to the Firm's activities, including the main risks it faces.
- they reflect an adequately broad range of viewpoints and experiences.
- they commit sufficient time to perform their functions at the Firm; and
- they act with honesty, integrity, and independence of mind, enabling them to effectively assess and challenge the decisions of senior management of the Firm where necessary, and to effectively oversee and monitor management decision-making.

The Firm has a risk management objective to develop systems and controls to mitigate risk to within its risk appetite. S&P recognises that risk taking is an essential part of doing business and therefore cannot be eliminated. Risks must by fully understood and adequately measured to ensure that the business risk exposure is appropriate and is consistent with the strategic objective and consumer outcomes. The Board of directors of S&P are responsible for setting out S&P's risk appetite and risk management policy. The risk management policy and risk exposure is included within the ICARA document where it is reviewed at least annually to ensure they remain appropriate.

The Board ensures that at all times enough capital is maintained to exceed the own funds and liquid asset requirements.

Governance

S&P operates with a board of directors and a management committee. The board is the Governing Body of the Firm and has the daily management and oversight responsibility. It meets quarterly unless otherwise required and represents the principal forum for conducting the Firm's business and takes day to day responsibility for the efficient running of the business. The board is responsible for the entire process of risk management, as well as forming its own opinion on the effectiveness of the process. In addition, the board decides the Firm's risk appetite or tolerance for risk and ensures that the Firm has implemented an effective, ongoing process to identify risks, to measure its potential impact and then to ensure that such risks are actively managed. The board is responsible for ensuring appropriate risk mitigation is in place. The board delegates many of the functions of the day-to-day operation of the company to the management team comprising people from the Investment Oversight, Finance, Marketing, Advisory and Compliance parts of the business. The management team is fully accountable to the board of directors. This allows for segregation of duties across the main sections of the organisation. Conflicts of interest are avoided through allocating responsibilities appropriately within the management team and the board of directors.

Directorships

The Firm is not a significant SYSC firm and therefore is not subject to restrictions as to the number of directorships that the members of its Management Body may hold.

The directors have the following commercial directorships of companies outside of The Smith and Pinching Group Limited. This analysis does not include, in respect of each member of the Management Body, any directorships the member holds in an organisation which does not pursue a predominantly commercial objective (for example, a charitable organisation) and separate directorships held for multiple entities within the same group.

Director	External commercial directorships
David Hughff	1
Carl Lamb	1
Scott Pinching	-
Julian Bradshaw	-
Jeremy Woodruff	-
David Pring	-

Risk Committee

Pursuant to MIFIDPRU 7.1.3R and 7.1.4R, MIFIDPRU 7.3 does not apply to the Firm. Accordingly, the Firm is not required to establish a risk committee and therefore has not established such a committee.

Diversity Policy

In accordance with SYSC 4.3A.10, the Firm maintains a policy for promoting the fair treatment of staff. This includes details that ensure diversity and equal treatment within the Management Body (the “Fair Treatment Policy”).

In accordance with the Equality Act 2010, the Company is committed to being an equal opportunities employer and to maintaining a working environment free from discrimination, victimisation, harassment, and bullying. At all stages of recruitment and employment, including the management body the Firm’s aim is to ensure that all receive equal treatment irrespective of sex, gender reassignment, marital and civil partnership status, sexual orientation, race, religion or belief, age, disability, pregnancy, and maternity. These differences are considered in determining the optimal composition of the Management Committee and when possible are balanced appropriately.

All appointments to the Management Body are made on merit against objective criteria having due regard for the benefits of diversity within the Management Body (for example, also taking into account whether an appointment would complement and expand the knowledge, skills, diversity and experience of the Management Body as a whole). Where the Management Body is considering appointing candidates to the

Management Body, it ensures that objective criteria are defined for any such position that include measurable skills, experience, knowledge, and personal qualities. The Management Body, in conjunction with the Firm's compliance and HR team where applicable, ensure that these criteria above do not place any candidate with a protected characteristic at a disadvantage.

4. MIFIDPRU 8.4/MIFIDPRU 8.5: Own Funds and Own funds requirements

The Firm is a Non SNI MIFIDPRU Investment Firm and subject to the disclosure requirements stipulated in MIFIDPRU 8.4.1 R. S&P has completed an ICARA Document which is formally approved by the Board. The ICARA Document includes the senior management business model, strategy, risk profile and resulting capital and liquidity requirements. This ensures that the identification of risks and resulting risk profile have been assessed, controls put in place and sufficient capital and liquid resources maintained to ensure that the residual risk remains within the risk appetite set out by the Board. The process is undertaken in order to establish the level of capital and liquid resources that the Firm deems sufficient to support its business activities. The additional own funds required to cover the risks of harm identified within the ICARA process are included within the K factor requirement in the own funds calculation below.

Reconciliation of own funds

The reconciliation of own funds has been provided in line with the template at MIFIDPRU 8 Annex 1R.

OF1	**Composition of regulatory own funds**		
	Item	**Amount (£'000)**	**Reference to audited financial statements**
1	**OWN FUNDS**	5,184	Total of item 2 and 25
2	**TIER 1 CAPITAL**	5,184	Total of below items 3 and 20.
3	**COMMON EQUITY TIER CAPITAL**	5,184	Total of below items
4	Fully paid up capital instruments	100	See "Called up share capital" in the Statement of changes in equity in the financial statements
5	Share premium		
6	Retained earnings	5,110	See Profit and loss account line "At 1 July 2023" in the Statement of changes in equity in the financial statements
7	Accumulated other comprehensive income		
8	Other reserves		
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(26)	See "Fixed asset investments" in the Balance sheet in the financial statements
19	CET1: Other capital elements, deductions and adjustments		
20	**ADDITIONAL TIER 1 CAPITAL**	0	
21	Fully paid up, directly issued capital instruments		
22	Share premium		
23	(-)TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1		

24	Additional Tier 1: Other capital elements, deductions and adjustments		
25	**TIER 2 CAPITAL**	0	
26	Fully paid up, directly issued capital instruments		
27	Share premium		
28	(-)TOTAL DEDUCTIONS FROM TIER 2		
29	Tier 2: Other capital elements, deductions and adjustments		

OF2	**Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements. All figures are included in GBP thousands.**			
	Item	**Balance sheet as in audited financial statements**	**Under regulatory scope of consolidation**	**Reference to OF1**
	Assets			
1	Fixed asset Investments	26		OF1.11
2	Debtors: amounts falling due after more than one year	18		
3	Debtors: amounts falling due within one year	1,169		
4	Cash at bank and in hand	4,618		
	Total Assets	**5,831**		
	Liabilities			
1	Creditors: amounts falling due within one year	613		
	Other provision	8		
	Total Liabilities	**621**		
	Shareholders' Equity			
1	Called up share capital	100		OF1.4
2	Profit and loss account brought forward	5,110		OF1.6
	Total Shareholders' equity	**5,210**		

OF3	Own funds: main features of own instruments issued by the firm.
	The common equity tier 1 instruments issued by the Firm consist of fully paid ordinary share capital. The ordinary share capital has a nominal value of £1. There is no additional Tier 1 or Tier 2 capital.

The own funds calculation

As part of its ICARA process, the Firm assesses the adequacy of its own funds in accordance with the overall financial adequacy rule in MIFIDPRU 7.4.7 R.

In particular, the Firm assesses the amount of own funds it requires to:

- address any potential harms it has identified which it has not been able to mitigate;
- address any residual harms remaining after mitigation; and
- ensure an orderly wind down of its business.

As the Firm is not an SNI firm, it is required to use its K-factor requirement as a starting point for determining the appropriate amount of own funds to cover risks of harm to the business as a going concern, to the extent that such risks have not or cannot be mitigated.

The Firm assesses whether and to what extent a K-factor requirement covers each risk of harm identified during the ICARA process on a going concern basis (to the extent the risk of harm is not or cannot be adequately mitigated).

For this purpose, each risk of harm is mapped, where relevant, to the corresponding K-factor requirement to assess whether such K-factor requirements are sufficient to cover the post mitigation risk of harm. For risks of harm not sufficiently covered by K-Factor requirements, the Firm will assess whether such risks are adequately mitigated through the Firm's systems and controls and whether, accordingly, the Firm holds sufficient own funds.

As part of its ICARA, the Firm also assesses the level of own funds that it would need in order to effect an orderly wind down, taking into account any additional risks of harm it identifies and whether the Firm's fixed overheads requirement adequately covers such risks.

The own funds calculation is determined based on the following assessment:

The own funds threshold requirement for ongoing operations, is the higher of:

1. The Fixed Overhead Requirement (25% of audited fixed overheads calculated in line with MIFIDPRU4.5).
2. Permanent minimum capital requirement.
3. K factor requirement (sum of K-AUM, K-COH requirement and additional own funds from ICARA document).

The wind down assessment and calculation is performed giving:

4. Wind down funds needed in the event that a wind down of the Firm is required.

The total own funds required is the higher of the own funds threshold requirement and the wind down assessment.

The elements of the K-factor requirements detailed within MIFIDPRU 4.6 have been reviewed and assessed that K-AUM and K-COH are applicable for the Firm. The remaining K-factors are not considered to be applicable as the Firm does not trade in its own name and does not hold client assets and client money.

<table>
<tr><td colspan="3">The below table relates to the Firm's own funds requirement under MIFIDPRU 4.3. Figures are provided in GBP thousands, based on the Firm's latest audited financial statements for financial year ended 30 June 2023.</td></tr>
<tr><td>K-Factor requirement (calculated by the Firm in accordance with MIFIDPRU 4.6)</td><td>The Firm's K-Factor Requirement is:
£309</td><td>The Firm's K-Factor Requirement can be further broken down as follows:</td></tr>
<tr><td></td><td>£259</td><td>K-AUM requirement</td></tr>
<tr><td></td><td>£0</td><td>K-COH requirement</td></tr>
<tr><td></td><td>£50</td><td>ICARA additional own funds required to cover risk</td></tr>
<tr><td>Fixed Overheads requirement (calculated by the Firm in accordance with MIFIDPRU 4.5)</td><td colspan="2">The Firm's Fixed Overheads Requirement is:

£1,739</td></tr>
</table>

S&P's own funds requirement has been determined to be the higher of the own funds threshold requirement which is based on the Firms fixed overhead requirement, this being the highest figure within the above assessment.

The own funds requirement for S&P was £1,739k at 30th June 2023.

5. MIFIDPRU 8.6: Remuneration Policy and Practices

The remuneration information set out below has been prepared in accordance with the rules within SYSC19G, MIFIDPRU 8.6, Remuneration policy and practices. Smith and Pinching Financial Services Limited is a non-SNI MIFIDPRU investment firm. The on and off balance sheet items for the preceding 4 years are below £100m and therefore the additional requirements of SYSC 19G.1.1 (4) do not apply. The firm therefore applies the MIFIDPRU Remuneration Code as detailed within application table SYSC 19G.1.7.

Smith & Pinching recognises the importance of its employees to the success of the Group and consequently the remuneration policy is designed to be market competitive to attract, motivate and retain high calibre individuals. The remuneration policy applies to all staff with variances in remuneration types for administration staff, consultants, and team leaders/directors.

The Group Board reviews the regulatory and legislative framework with the aim of ensuring that the remuneration policy is in line with best practice, including the FCA codes of practice ("the FCA Codes") which set out the standards and policies that regulated firms are required to meet when setting pay and bonus awards for staff. External data is used to validate rather than to benchmark the total reward and the Remuneration Committee takes into consideration the current economic climate, budgeted future income, remuneration policies of comparable businesses and pay and employment conditions elsewhere in the Group when considering Executive Directors' and other senior managers' pay.

The Companies revenue is derived from ongoing income received through ongoing investment management services and initial income for one off services. Initial income can be incurred either through additional ad hoc services provided to existing clients or new clients. Where the initial income level is higher this leads to rising turnover for the firm and where this is linked to new clients an increase in the number of clients that the company services. The companies aim is to increase the level of turnover and the number of the clients within the client bank.

The remuneration arrangements are designed to:

• Promote value creation;
• Support the business strategy;
•Promote the long-term success of the Group;
• Deliver a competitive level of pay;
• Encourage the retention of staff through variable compensation, where appropriate;
• Be fair for both the staff member and the Group, with some element of discretion;
• Comply with financial services rules and regulations;
• Discourage excessive risk taking and short-termism;
• Encourage more effective risk management; and
• Support positive behaviours and a strong and appropriate conduct culture.

Link between pay and performance

The policy of the Board is to reward the staff in line with the current remuneration policy in comparable businesses in order to recruit, motivate and retain high quality staff including executives within a competitive marketplace. Remuneration is made up of fixed ("salary") and variable ("bonus") elements designed to reward performance, with the overall performance package intended to reflect market practice for any given role. Individual performance is a key component used in the calculation of variable remuneration.

The main elements of the remuneration package for Code Staff are:

- Basic annual salary and benefits
- Company Car
- Pensions
- Benefits include death-in-service and private health insurance.

The Board establishes the objectives that must be met for each financial year for a cash bonus to be paid. The Board decides the minimum level of operating profit that must be delivered before staff cash bonus will be attributable. Additional cash bonuses are awarded based on performance criteria linked to initial business levels achieved by staff members. The purpose of the bonus is to reward staff members for delivery in excess of the objectives that also benefits the owners of the company.

The timing of payment, and form of delivery, of any variable remuneration is at the absolute discretion of the Firm.

Material Risk Takers

In line with the requirements in SYSC 19G.5, material risk takers within the company are considered to be those individuals that have a material impact on the risk profile of the firm or the assets that the firm manages.

In line with the application requirements, it has been identified that the 6 executive directors and 1 members of the senior management team are considered to be the material risk takers. They are all members of the management body and take responsibility for the management, direction, risk profile and decisions of the firm. All other staff members within the firm report directly into one or more of the executive directors and therefore in line with SYSC 19G.5.4 there would be no other people within the firm who are not directly supervised by another senior material risk taker on a day to day basis.

A full breakdown of the remuneration by category and type is detailed below.

Category	Fixed remuneration	Variable remuneration
Material risk takers	891,362	111,397
Other staff	3,927,323	391,776
Total	4,818,685	503,173

Included within the above figures are no amounts of guaranteed variable remuneration and severance payments

The Firm has 6 executive directors and 1 other material risk takers.