Schroders Personal Wealth MIFIDPRU Disclosures

Based on Financial Data As at 31 December 2022

Schroders personalwealth | We Change Lives

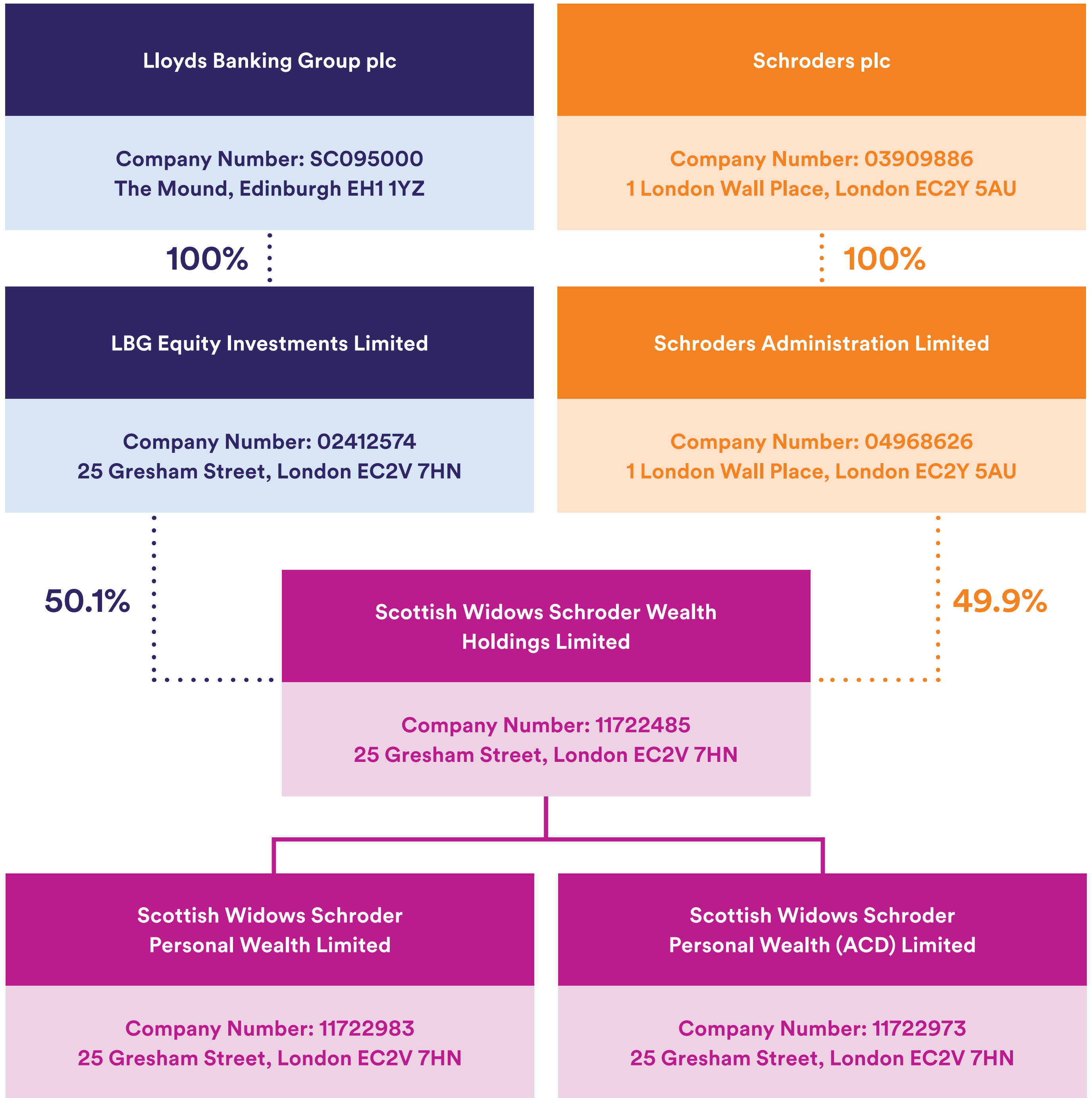
Contents

1 Overview

1.1 Group Structure

Schroders Personal Wealth ("SPW") is a wealth management joint venture between Lloyds Banking Group plc ("LBG") and Schroders plc ("Schroders"). The corporate structure is shown in Figure 1.

Figure 1. SPW Corporate Structure



1.2 Prudential Classification

The prudential classification of SPW entities as at 31 December 2022 is detailed below.

Figure 2. Prudential Classification of SPW entities

Schroders Personal Wealth	Prudential classification
Scottish Widows Schroder Wealth Holdings Limited (firm 11722485)	UK parent financial holding company
Scottish Widows Schroder Personal Wealth Limited (firm 11722983)	Prudential Sourcebook for MIFID Investment Firms ("MIFIDPRU") 75k firm
Scottish Widows Schroder Personal Wealth (ACD) Limited (firm 11722973)	Collective Portfolio Management ("CPM") subject to IPRU-INV chapter 11

1.3 Name and Contact Details of the Supervisory Authority

Financial Conduct Authority ("FCA")
12 Endeavour Square
London
E20 1JN

1.4 Name and Contact Details of the External Auditor

Deloitte LLP
1 City Square
Leeds
LS1 2AL

1.5 Regulatory Framework

The FCA implemented the Investment Firms Prudential Regime ("IFPR") on 1 January 2022. As a result, SPW as a Group and Scottish Widows Schroder Personal Wealth Limited ("SPW OpCo"), are required to comply with the provisions of Prudential Sourcebook for MIFID Investment Firms ("MIFIDPRU"), which replaced the BIPRU/GENPRU rulebooks. For the purpose of MIFIDPRU, SPW has been classified as a non-small and non-interconnected ("non-SNI") firm.

1.6 Basis of Disclosure

SPW OpCo as the individual MIFIDPRU Investment Firm, meets the level of application as defined in MIFIDPRU 8.1.7. The MIFIDPRU disclosures have been produced in line with the rules and requirements applicable to non-SNI firms.

1.7 Frequency of Disclosure

The MIFIDPRU disclosures are updated on an annual basis, or more frequently if required, and should be read in conjunction with the SPW Annual Report & Accounts dated 31 December 2022.

1.8 Approval and Verification

The disclosures are not subject to an external audit. The disclosures provide an overview of the capital structure of the SPW OpCo, risk management, and remuneration. They do not constitute financial statements and should not be relied upon for any other purpose other than that intended.

1.9 Location

The MIFIDPRU disclosures are available on the SPW website (www.spw.com).

1.10 Reporting Period

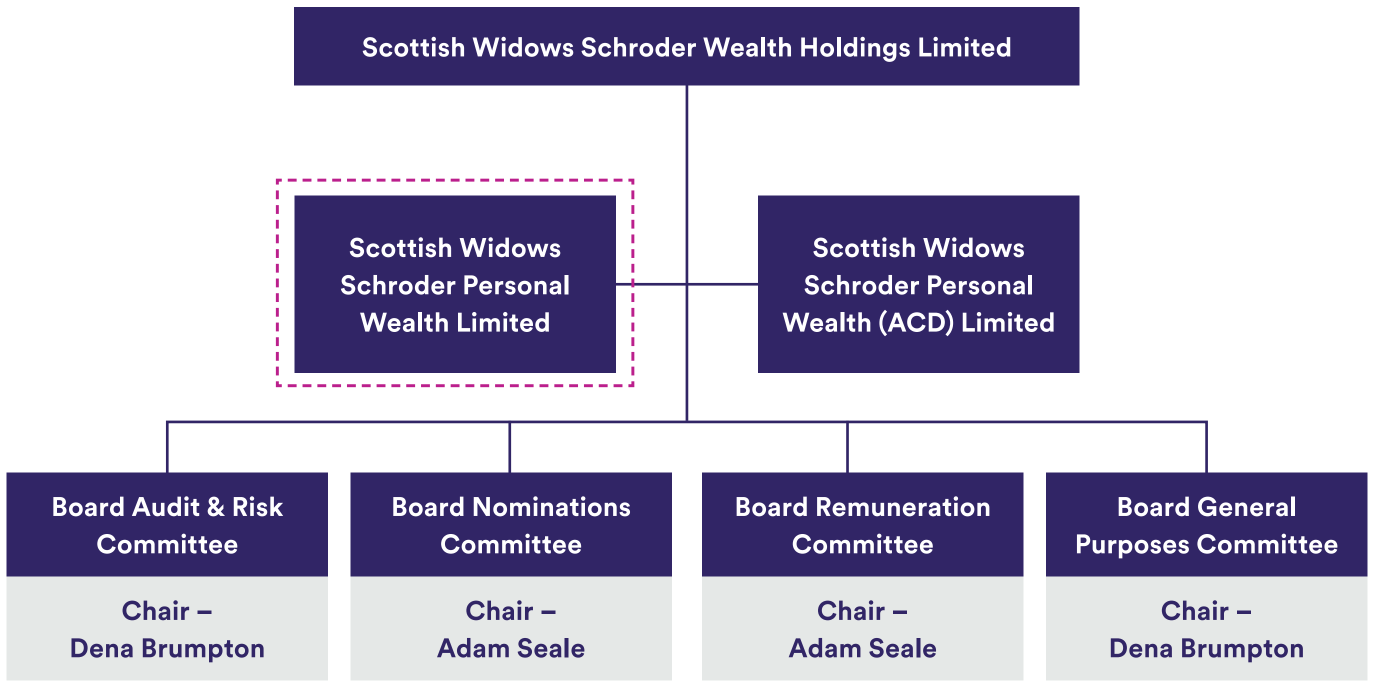
The report covers the financial position as at 31 December 2022.

2 Governance Framework

This section applies to the SPW Group. The Board and Executive operate the following Board and Committee structure to oversee the SPW business. Figures 3 and 4 show the structures at at 31 December 2022.

2.1 Board and Board Committee Structure

Figure 3. SPW Board and Committee Structure



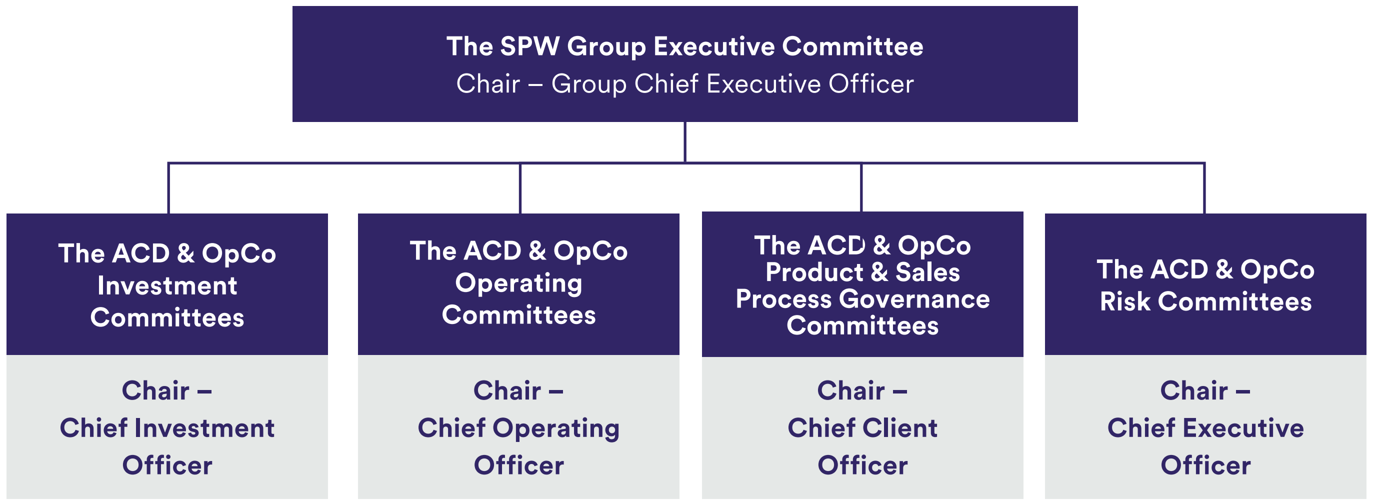
Each Committee has its own Terms of Reference, which are held centrally by the Company Secretariat. In summary, the functions of these committees are as follows:

- **Audit & Risk Committee ("BARC"):** Responsible for the integrity of the financial reporting, controls and internal / external audit functions, and for oversight of the effectiveness of risk management.
- **Nominations Committee:** Responsible for the suitability of independent non-executive Board members and the approval of new independent non-executive Board members.
- **Remuneration Committee:** Responsible for the remuneration policy for senior management.
- **General Purposes Committee:** an ad hoc Board Committee that can be convened at any time to conduct Board Committee business outside of the regular quarterly meeting schedule.

The BARC met six times in 2022: January, April, July, September, November and December. September and December BARC meetings were ad-hoc meetings.

2.2 Executive Committee Structure

Figure 4. SPW Executive Committee Structure



The following committees form the Executive governance model depicted above and are run on a specific legal entity basis with the OpCo and the ACD both having each of these committees:

- **Executive Committee (chaired by the Chief Executive Officer ("CEO")):** Implementing the strategy and day to day management of SPW.
- **Investment Committee (chaired by the Chief Investment Officer ("CIO")):** Responsible for the formulation, review, recommendation, and implementation of investment strategy for the SPW Group.
- **Operations Committee (chaired by the Chief Operating Officer ("COO")):** Responsible for driving the operating agenda of the SPW Group, overseeing business operations and reviewing the quality and extent of the services received through the External Supplier Management arrangements.
- **Products & Sales Process Governance Committee (chaired by the Chief Client Officer ("CCO")):** Responsible for ensuring that products and sales processes deliver fair outcomes for customers, are well managed and that risks and issues are identified, understood, and managed effectively.
- **Risk Committee (chaired by the CEO):** Responsible for monitoring and challenging the enterprise-wide risk profile for all risk categories for the SPW Group.

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2.3 Board of Directors

Figure 5 shows the members of the Board and the number of directorships held by those members as at 31 December 2022. For the purpose of MIFIDPRU disclosures, this section discloses SPW Group and SPW OpCo only.

Figure 5. Board of Directors

Scottish Widows Schroder Wealth Holdings Limited				
Name	**Role**	**Date of joining/leaving**	**No. of directorships held within the SPW Group**	**No. of directorships held external to the SPW Group**
Dena Brumpton	Independent Non-Executive Director	Joined 24/06/2019	3	3
Mark Duckworth	Executive Director	Joined 02/11/2020	3	3
Peter Hall	Non-Executive Director	Joined 03/10/2019	1	2
Joanna Harris	Non-Executive Director	Joined 07/10/2022	1	2
Peter Harrison	Non-Executive Director	Joined 04/10/2019	1	4
Antonio Lorenzo	Chairman & Non-Executive Director	Joined 30/05/2019	1	9
Donald MacKechnie	Non-Executive Director	Joined 30/05/2019	1	3
Joel Ripley	Executive Director	Joined 11/12/2018	3	0
Adam Seale	Independent Non-Executive Director	Joined 04/10/2019	3	3

Scottish Widows Schroder Personal Wealth Limited				
Name	**Role**	**Date of joining/leaving**	**No. of directorships held within the SPW Group**	**No. of directorships held external to the SPW Group**
Dena Brumpton	Chair & Independent Non-Executive Director	Joined 28/11/2022	3	3
Rupert Dickinson	Independent Non-Executive Director	Joined 22/06/21	1	0
Mark Duckworth	Executive Director	Joined 02/11/2020	3	3
Joel Ripley	Executive Director	Joined 11/12/2018	3	0
Ben Waterhouse	Executive Director	Joined 29/11/2022	1	0

2.4 Board Diversity

The SPW Group appreciates the value and importance of diversity, both in the boardroom and throughout the SPW Group where the Diversity, Equality and Inclusion strategy, monitored through the Board Remuneration Committee, is currently focused on:

(1) data and measurement,

(2) building a more diverse senior leadership cohort,

(3) raising awareness in areas beyond gender and ethnicity and

(4) developing a more diverse recruitment pipeline.

SPW has set objectives related to these measure to track progress.

In relation to Board appointments, the Board Nominations Committee considers all aspects of diversity (including skillset, experience, gender and ethnicity) amongst many other factors prior to making any changes to any SPW Group Board composition. At the current time and given the Diversity, Equality and Inclusion strategy focus across the wider SPW Group, the Board Remuneration Committee does not have prescriptive targets either for gender or ethnicity on the SPW Group Boards.

Both of the SPW Group shareholders also have their own publicly disclosed Board Diversity Policies, which they adhere to when nominating candidates for SPW Group Board positions.

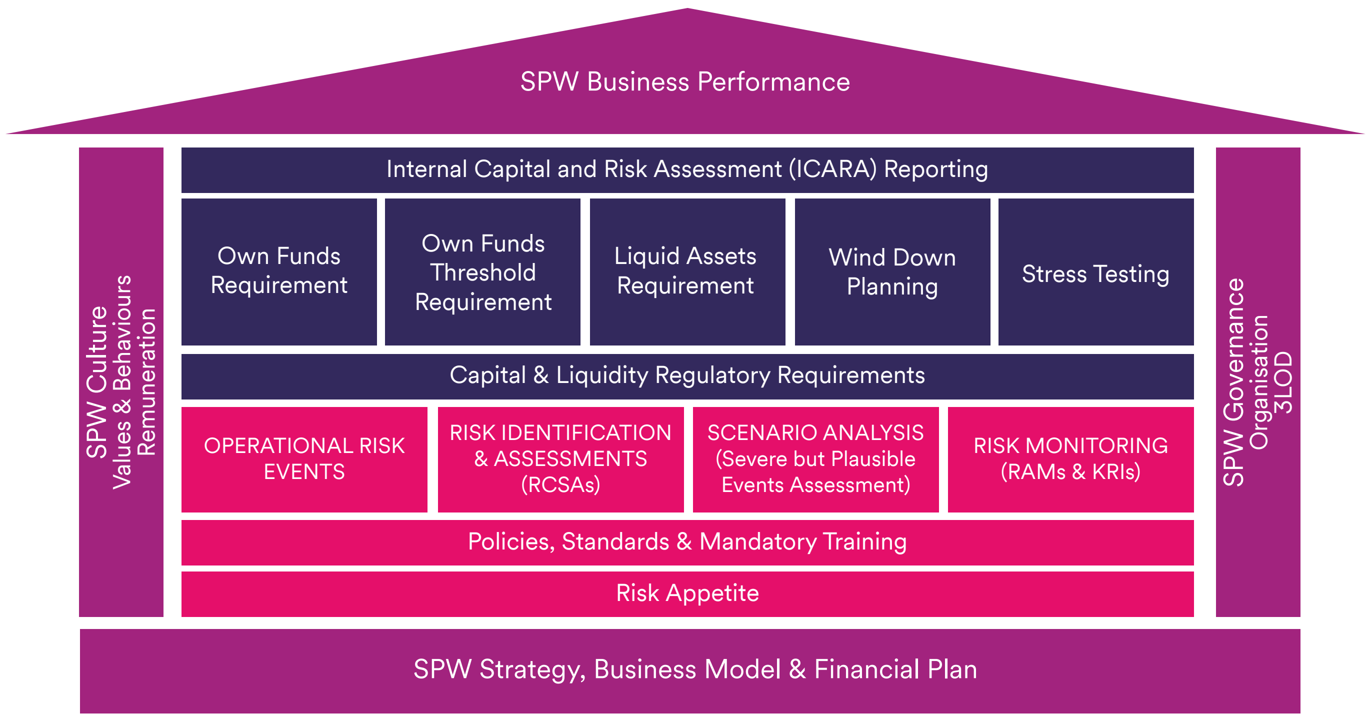
3 Risk Management Objectives and Framework

3.1 Risk Management Framework

This section outlines SPW's approach to risk management including its Risk Management Framework ("RMF"), which is used to identify, manage and monitor the risks the business is exposed to. It applies to all entities in the SPW Group. The RMF is approved by BARC at least annually. Managing risk is central to the delivery of SPW's strategic objectives and whilst we accept the risks inherent in our core business model and strategy including advice risk, investment management risk and other operational and financial risk, our RMF aims to ensure a robust and consistent approach to controlling risk and avoiding harm across the group.

The following diagram sets out how risk management is designed to operate throughout SPW. The RMF consists of components that help our business to manage and govern risks in a structured and holistic way across the company whilst striving to achieve our goals. These components incorporate our strategy, culture, governance and organisational arrangements, including our Three Lines Of Defence ("3LOD") model as well as the establishment of risk appetite setting (supported by a comprehensive suite of metrics), policies, risk and control assessments, risk event tracking, scenario analysis, risk monitoring and enterprise-wide risk reporting. These components are underpinned by risk management technology applications, the information from which feeds into our risk-capital management processes.

Figure 6. Risk Management Framework



RCSAs – Risk & Controls Self Assessments, RAMs – Risk Appetite Metrics, KRIs – Key Risk Indicators

3.2 SPW Culture

SPW's responsible, inclusive, open and transparent culture aims to ensure colleagues consistently do the right thing for clients and feel empowered to challenge decisions or behaviours that are not in line with the way SPW wants to do business and manage risk. Senior leaders set a clear tone from the top and lead by example reflecting our values, encouraging a culture of intellectual curiosity and proactive risk management amongst all colleagues, welcoming and encouraging challenge throughout the business. Risk colleagues work in collaboration with the business to support effective risk management, understand root cause when things go wrong, share lessons learned and provide constructive challenge. Remuneration, performance management and succession planning support our core values and our client advice needs.

3.3 Risk Governance & 3 Lines of Defence Model

The SPW Board is the ultimate authority in the oversight of risk management and control. It is supported by the Board level committees. Below Board level, all authority and accountability for risk decision-making is delegated to individuals in full compliance with the FCA's Senior Managers Regime. The CEO and Senior Management are supported in their decision-making responsibilities by the Executive Committee and the executive-level committees.

The SPW three lines of defence model distinguishes between risk management, risk oversight and assurance, enabling clear ownership and accountability for managing risk and ensuring we have the right risk resource and capabilities across the business.

Figure 7. Three Lines of Defence

First Line of Defence
Business Operations

Senior management in the business 'owns' risk and must ensure effective controls are in place to manage risk appropriately within risk appetite.
All colleagues have a responsibility for the management of risks within the business.

Second Line of Defence
Risk Oversight Function

The risk oversight function supports and challenges the first line of defence. It owns the RMF. The risk oversight function provides independent oversight of governance, risk management and controls across SPW operations.
This ensures significant risks are identified, managed and reported appropriately to the Board and executive management.

Third Line of Defence
Internal Audit Function

A separate independent function from the second line, under the supervision of the SPW Chief Internal Auditor. The Internal Audit function provides independent assurance over SPW's activities.

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3.4 Risk Appetite

Risk appetite is a core component of the RMF. Risk appetite is holistic and it is defined as the amount and type of risk that our company is prepared to tolerate or accept. Risk appetite statements have been defined for each of SPW's seven risk types:

- Conduct Risk
- Investment Management Risk
- Regulatory & Legal Compliance Risk
- Operational Risk
- People Risk
- Financial Risk
- Business Risk

Risk appetite is reviewed by both the Risk Committee and BARC on at least an annual basis. Ad-hoc updates are also made following the same approval process. Examples of instances whereby ad-hoc updates may be required include changes to operational structures, regulatory requirements and business strategy. Any changes to SPW's risk appetite are communicated across the business by the Risk Function.

The impact on SPW's risk appetite must be considered when determining desired business culture, strategy and business plans (including major change and acquisitions), competitive positioning in the market place and responses to events. Any breaches of SPW's risk appetite are identified, escalated in a timely manner for senior management attention, with acceptance made and/or action taken as required.

Risk appetite is translated into mandatory requirements through policies, standards and procedures, which the business must adhere to.

Own Funds Requirements – MIFIDPRU 4

As a non-small and non-interconnected ("non-SNI") firm without permission to hold client money, SPW OpCo is subject to a Permanent Minimum Requirement ("PMR") of £75,000.

SPW OpCo calculates its Own Funds Requirement ("OFR") based on the Fixed Overhead Requirement ("FOR") and K-Factor Requirement calculation (as defined in Section 5.1.3). The K-Factors applicable to SPW OpCo are K-Assets Under Management ("K-AUM") and K-Client Order Handled ("K-COH"). The firm's OFR is primarily driven by the FOR.

SPW OpCo has further assessed any risks facing its business operations within its Internal Capital Adequacy and Risk Assessment ("ICARA") process and quantified additional own funds, where required.

Concentration Risk – MIFIDPRU 5

SPW OpCo does not conduct any trading on its own account and does not have regulatory permissions for dealing as principal. The firm therefore does not have concentration risk on and off-balance sheet, nor does it operate a trading book.

SPW OpCo monitors client, geographic and product concentration as part of the annual ICARA process; however, it is not exposed to material levels of concentration risk from a business risk perspective. The SPW OpCo separately considers its counterparty risk with regards to its holding of cash and cash equivalents.

Liquidity – MIFIDPRU 6

SPW OpCo maintains minimum liquidity at all times in compliance with the Basic Liquid Asset Requirement ("BLAR"), being at least one-third of its FOR. The firm does not provide any client guarantees, therefore its BLAR is captured by the FOR.

As part of the ICARA process, SPW OpCo identifies and maintains additional liquidity required to support the ongoing business activities of the firm and to satisfy its net wind down costs.

3.5 Continuous Risk Management

SPW operates a continuous risk management approach in order to support business performance and capital management.

Risks are reviewed on an ongoing basis to identify any new threats to clients, our business objectives and the wider market. In particular, this includes consideration of the impact of change, such as the launch of new propositions and information gathered from horizon scanning activities. Where control weaknesses are identified or further mitigating actions are required, remedial action plans are agreed and tracked. Risks are scored using an impact and probability rating matrix enabling prioritisation of risks, control weaknesses and corresponding action.

It is the responsibility of first line risk owners to ensure that all risks, harms and controls for their business area are identified, assessed and reported via SPW's centralised risk management system. SPW's second line risk monitors risks, harms and controls and oversight actions to ensure progress is appropriately prioritised.

Based on the risks and harms identified during the continuous management process, SPW formulates risk scenarios (severe but plausible events) to model and stress test the balance sheet. This informs our risk-based capital requirements.

Enterprise-wide risk reporting is produced centrally on a monthly basis and the SPW Risk Committee convenes on a quarterly basis at which Executives present their functional risk profiles for discussion, challenge and decision making. Topics requiring more in-depth review are allocated dedicated agenda time during Risk Committee.

3.6 Risk Management System

SPW contracts with Riskonnect to use its Risk Management Application to support the key components of our RMF.

The system affords SPW many benefits and efficiencies. By bringing all risk information together in one place and having the ability to link risks, harms, controls, indicators and actions, its saves time, provides real time information and enables more sophisticated data analysis and reporting.

Riskonnect helps the Executives and Senior Managers to demonstrate reasonable steps as required by the FCA's Senior Managers and Certification Regime ("SMCR") requirements.

4 Capital Adequacy

4.1 Own Funds Resources

This section applies to SPW OpCo as a MIFIDPRU investment firm.

Own funds (audited) for the SPW OpCo comprise exclusively of Common Equity Tier 1 (“CET1”) capital. CET1 capital consists of fully issued ordinary shares, satisfying all criteria for a CET 1 instrument in accordance with the IFPR.

The below tables are in compliance with MIFIDPRU 8 disclosure requirements:

- Figure 8 details the composition of regulatory own funds for the year ended 31 December 2022.
- Figure 9 details a reconciliation of own funds to the capital in the balance sheet per the audited financial statements of the SPW OpCo.
- Figure 10 provides a description of the main features of the CET1 capital issued by the SPW OpCo for the year ended 31 December 2022.

Figure 8. Capital Resources

OF1: Composition of regulatory own funds			
	Item	Amount (GBP thousands)	Source based on reference numbers/ letters of the balance sheet in the audited financial statements
1	OWN FUNDS	52,562	Note 21
2	TIER 1 CAPITAL	52,562	
3	COMMON EQUITY TIER 1 CAPITAL	61,856	
4	Fully paid up capital instruments	1	Note 16
5	Share premium	0	
6	Retained earnings	61,855	
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	(9,294)	
19	CET1: Other capital elements, deductions and adjustments	(9,294)	Note 9 & 13
20	ADDITIONAL TIER 1 CAPITAL	0	Note 21
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		

Figure 9. Reconciliation of Regulatory Own Funds

OF2: Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements				
		a	b	c
		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross-reference to template OF1
		As at period end	As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Property, plant and equipment	4,230		
2	Right of Use Asset	5,647		
3	Intangible assets	6,808		Item 19
4	Deferred tax asset	2,486		Item 19
5	Cash and cash equivalents	50,720		
6	Trade and other receivables	21,440		
7	Deferred Bonus asset	3,583		
8	Current tax asset	226		
	Total Assets	**95,140**		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Trade and other payables	22,543		
2	Provisions for liabilities and charges	2,219		
3	Deferred Bonus liability	552		
4	Current lease liability	967		
5	Non-current lease liability	5,483		
6	Deferred Bonus liability	1,520		
	Total Liabilities	**33,284**		
Shareholders’ Equity				
1	Share capital	1		Item 4
2	Retained Earnings	61,855		Item 6
	Total Shareholders' equity	**61,856**		

Figure 10. Own Funds: main features of own instruments issued by the firm

OF3: Own funds: main features of own instruments issued by the firm
The SPW OpCo own funds are predominantly made up of ordinary shares. All ordinary shares rank equally (‘pari-passu’) in all respects, including the right to receive all dividends and other distributions declared, made or paid on the ordinary share capital of the SPW OpCo.

5 Own Funds Requirement

5.1 Own Funds Requirement

This section applies to SPW OpCo as a MIFIDPRU investment firm.

SPW OpCo's Own Funds Requirement ("OFR") is calculated as a non-SNI firm in accordance with MIFIDPRU 4.3 for non-SNI firms.

The SPW OpCo's OFR is the highest of:

- Permanent Minimum Requirement under MIFIDPRU 4.4
- Fixed Overheads Requirement under MIFIDPRU 4.5; or
- K-Factor Requirement under MIFIDPRU 4.6

The OFR prescribed regulatory minimum requirement is shown below.

Figure 11. Own Funds Requirement

Own fund requirement as at 31 December 2022	£'000
(A) Permanent minimum requirement (PMR)	75
(B) K-Factor requirement, broken down as follows:	2,201
Sum of K-AUM, K-CMH and K-ASA	2,200
Sum of K-COH and K-DTF	1
Sum of K-NPR, K-CMG, K-TCD and K-CON	
(C) Fixed Overhead Requirement (FOR)	19,555
Total Capital Requirement (highest of A, B, C)	19,555
Surplus over Own Funds	33,007

5.1.1 Permanent Minimum Requirement

The PMR represents the minimum amount of capital SPW OpCo must hold at all times. PMR is specified in the regulation and for SPW OpCo, the PMR is £75,000.

5.1.2 Fixed Overhead Requirement

In accordance with MIFIDPRU 4.5, the FOR has been calculated on total adjusted expenditure, less deductions for discretionary expenditure, per the latest audited financial statements for year ended 31 December 2022.

5.1.3 K-Factor Requirement

The K-Factor requirement represents a mixture of activity and exposure-based requirements and is dependent on the type of MIFID services the firm provides. The K-Factors applicable to SPW OpCo are K-Assets Under Management ("K-AUM") and K-Client Order Handled ("K-COH").

5.2 Overall Financial Adequacy Rule ("OFAR")

In order for the firm to comply with the Overall Financial Adequacy Rule ("OFAR") as laid out in MIFIDPRU 7.4, a firm must ensure adequate capital and liquidity be held at all times, both as to their amount and quality, to ensure that:

- The firm is able to remain financially viable throughout the economic cycle, with the ability to address any material potential risks from its ongoing activities; and
- The firm's business can be wound down in an orderly manner, minimising harm to clients or to other market participants.

The SPW OpCo undertakes its own capital and liquidity assessment under the ICARA process in line with MIFIDPRU 7.9.5. This has replaced the former Internal Capital Adequacy Assessment Process ("ICAAP"). The ICARA is designed to be an ongoing process, embedded within the RMF, that continuously ensures the firm's financial resources adequacy. The ICARA identifies and assesses SPW's material harms through scenario analysis, stress testing and wind down planning to determine the level of own funds and liquid assets SPW needs to hold. The process is formally reviewed on an annual basis, or more frequently should a material change in the firm's business model or operating model arise.

5.3 Harms Assessment

In accordance with the OFAR, SPW OpCo has completed an internal assessment of harms (that may result from its ongoing activities) and mitigating actions to determine if additional capital should be held against those risks not fully captured by the OFR (K-Factor requirement). The process examines key harm categories to identify exposures that could result in detriment to the SPW OpCo's capital (to the extent the risk of harm is not or cannot be adequately mitigated).

5.4 Wind Down

As part of its ICARA, the SPW OpCo also assesses the level of own funds and liquid assets that it would need in order to effect an orderly wind down. The plan sets out the timeline and resources (both financial and non-financial) that are required to ensure the business can be wound down in an orderly manner, while ensuring minimal adverse impact to clients, markets or its counterparties.

5.5 Stress Testing

Stress testing is completed as part of the ICARA and supports the identification, analysis and management of risks within the business. It is performed on the business plan and considers the impact of a number of key risks crystalising over the assessment period.

5.6 Liquidity

Liquidity risk is the risk that although solvent, the business does not have either sufficient financial resources to meet its financial obligations as they fall due, as a result of the inability to liquidate assets or obtain short-term funding, or can only secure such financial resources at an excessive cost.

While the business is exposed to liquidity risk through the normal course of business, liquidity risk has been considered as part of the ICARA process and in compliance with the OFAR. It has resulted with the identification of a minimum amount of liquid assets to maintain, and any additional liquidity requirements to determine the Liquid Asset Threshold Requirement ("LATR"). Additional liquidity requirements have been identified based on specific liquidity stress scenarios and through wind down planning.

SPW manages its liquidity through maintaining high quality liquid assets and banking facilities and by continuously monitoring forecast and actual cash flows.

6 Remuneration Disclosure

6.1 Remuneration Policy

The SPW Remuneration Policy and the associated Reward Governance Framework define the remuneration policies, procedures and practices that apply in full to all colleagues. The policy supports the long-term business strategy and recognises the interests of all relevant stakeholders. It supports consistent and effective risk management that accepts risk-taking in line with the risk appetite of SPW.

In accordance with the Shareholder Agreement, SPW continues to seek the views of shareholders with regard to Remuneration Policy, which seeks to motivate, incentivise and retain talent. The SPW remuneration approach has a particular focus to recognise and reward high-performing colleagues who successfully achieve client objectives. The Remuneration Committee reviews the policy at least annually.

An essential component of SPW's approach to remuneration is the governance process that underpins it. The Remuneration Committee is made up of independent non-executive directors, as well as non-executive directors of both LBG and Schroders. The Remuneration Committee reviews all compensation decisions for Executive Directors, senior management, high earners and any other Material Risk Takers ("MRTs").

For the purpose of this disclosure, SPW is subject to the IFPR, Undertakings for Collective Investment in Transferable Securities ("UCITS") and Alternative Investment Fund Managers Directive ("AIFMD") FCA Remuneration Codes. SPW is treated as a non-SNI firm under the IFPR.

6.2 Remuneration and Performance

SPW's reward package is made up of fixed and variable components. Fixed remuneration is made up of base salaries, benefits and pension contributions, and the variable component is made up of bonuses, long-term incentive plans; buy-out awards; severance and retention awards. Base salaries reflect the role, responsibility and experience of a colleague. In order to attract and retain talent, our aim is to pay base salaries in line with UK Wealth Market medians. SPW provides a market-aligned benefits package including pension, benefits and private medical cover to encourage and enable saving for retirement, and to support health and wellbeing. SPW maintain a strong belief that the variable reward should be driven by individual, regional and business performance. The approach to variable reward is intended to provide a clear link between remuneration and delivery of key strategic objectives. Performance measures are embedded throughout the reward structure, which are challenging and reflect overall business performance in addition to personal contribution

In setting the approach for remuneration, a reasonable balance of fixed versus variable remuneration is applied to ensure that fixed and variable components are appropriately balanced, with the fixed portion representing a sufficiently high proportion of total remuneration. This allows the operation of a flexible policy on variable remuneration components, including the possibility of paying no variable remuneration. The maximum ratio of fixed-to-variable components of total remuneration is 1-to-14.

6.3 Performance Measurement

The Remuneration Policy has four principles that underpin the remuneration approach and strategy:

Figure 12. Remuneration Policy Principles

Client Alignment

- Rewards actions and behaviours that enable good client outcomes and avoid causing foreseeable harm to clients
- Supports the People Strategy

Simple, Affordable and Motivating

- Flexible and simple
- Transparent and understood (by colleagues and other stakeholders)
- Motivating awards that are valued by colleagues

Shareholder Alignment

- Supports delivery of long-term, superior and sustainable returns
- Promotes sound and effective risk management
- Complies with regulations

Competitive, Performance Driven and Fair

- Drives successful change
- Encourages working together as one team
- Delivers fair outcomes, based on performance, not personal characteristics

The use of Key Performance Indicators at firm, business unit and individual level allows the Remuneration Committee to assess the performance in a consistent and performance-driven way, with appropriate attention to risk performance.

All variable remuneration is performance-dependent, subject to performance against strategic objectives. These objectives include: quality and quantity of advice given to clients; investment performance; risk performance and financial performance. SPW's robust performance management framework assesses both performance and behaviours, and ensures any ex-ante risk adjustment of variable remuneration. All variable remuneration is subject to deferral in line with our regulatory requirements. Awards for MRTs typically include an element of deferral in phantom SPW fund units, to align interests to those of our clients, and to aid retention.

All variable remuneration is also subject to malus and clawback in line with the SPW Malus and Clawback Policy. The policy includes a non-exhaustive list of triggers under which the Remuneration Committee may consider the application of malus and/or clawback to be necessary.

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6.4 Long term remuneration

The SPW Long-Term Incentive Plan ("LTIP") for senior leadership is intended to align employee interests to the growth in value of SPW over the performance period.

The LTIP will not vest unless stretching Operating Profit targets are met at the end of financial years ended 2025 to 2028 inclusive. If the target is satisfied, the award will pay out in four equal tranches at the end of each year.

6.5 Variable Renumeration

The Remuneration Committee determines whether the proposed bonus pool and proposed long-term incentive plan awards adequately reflect profit and business performance, including:

- the capital adequacy of the business
- risk appetite
- current and future risks

The Remuneration Committee has the discretion to adjust the overall bonus or long-term incentive plan pools (upwards or downwards, potentially to nil) to take into account other factors.

The Remuneration Committee ensures that the aggregate of the variable remuneration for all colleagues is appropriate and balanced with the interests of shareholders and all other stakeholders.

Guaranteed variable remuneration is paid only in exceptional circumstances. All guaranteed awards are in line with the terms in place with the previous employer, are subject to deferral, retention and performance adjustment, are in line with the prevailing policy, have documentary evidence of loss from the previous employer, are dependent on satisfactory performance and approved in line with the Reward Governance Framework.

All severance payments follow the prevailing policy, and any amounts greater than contractual entitlement require approval in line with the SPW Reward Governance Framework.

6.6 Quantitative disclosures

For the purpose of the MIFIDPRU disclosures, this section discloses SPW OpCo only.

The aggregate quantitative information on remuneration shown below relates to the 28 MRTs for performance year ending 31 December 2022.

SPW follows the MIFIDPRU criteria when determining MRTs, which includes the following types of staff: Senior Managers; Non-Executive Board members; Executive Committee members; Investment Office team who manage key activities; Heads of Risk, Legal, Finance, Human Resources, Audit, Information Technology, Information Security and outsourcing arrangements.

Figure 13. Quantitative Disclosures

	Senior Management	Other MRTs	Other staff
Total Fixed Remuneration	£ 1,853,744	£ 3,619,852	£ 65,228,797
Total Variable Remuneration	£ 1,471,875	£ 868,100	£ 10,337,295
Total	**£ 3,325,619**	**£ 4,487,952**	**£ 75,566,092**

Guaranteed Variable Remuneration	Senior Management	Other MRTs	Other staff
Amount awarded	£ -	£ -	£ 80,000
Number of recipients	0	0	6

Severance Payments	Senior Management	Other MRTs	Other staff
Amount awarded	£ -	*	£ 397,683
Number of recipients	0	1	8
Highest award	£ -	*	£ 259,532

*Figure has been redacted as it relates to 1 individual

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