

MIFIDPRU 8 Disclosure

For the Year Ended 31 December 2023

FNZ (UK) Limited

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Glossary

Term	Definition
3LoD	Three Lines of Defence Model
ASA	Assets Safeguarded and Administered
AUM	Assets Under Management
BaU	Business as Usual
BLAR	Basic Liquid Asset Requirement
BRCC	Board Risk & Compliance Committee
CET1	Common Equity Tier 1
CMG	Clearing Margin Given
CMH	Client Money Held
COH	Client Orders Handled
CON	Concentration
CRR	Capital Requirements Regime
DDoS	Distributed denial-of-service
DTF	Daily Trading Flow
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EWI	Early Warning Indicator
ExCo	Executive Committee
FCA	Financial Conduct Authority
FNZ Group	FNZ Group Limited and their subsidiaries
FNZ	FNZ Group Limited and their subsidiaries
FNZ UK	FNZ (UK) Limited
FRRMF	Financial Resources Risk Management Framework
FOR	Fixed Overheads Requirement
FSMA	Financial Services and Markets Act 2000
ICARA	Internal Capital Adequacy and Risk Assessment
IFPR	Investment Firms Prudential Regime
KFR	K-Factor Requirement
KPI	Key performance Indicator
KRM	Key Risk Metrics
LATR	Liquid Assets Threshold Requirement
MEP	Management Equity Schemes
MIFIDPRU	The prudential sourcebook for MiFID investment firms
MRT	Material Risk Taker
Non-SNI	Non-Small & Interconnected
NPR	Net Position Risk
OFAR	Overall Financial Adequacy Rule
OFTR	Own Funds Threshold Requirement
PMR	Permanent Minimum Requirement
RAF	Risk Appetite Framework
RAS	Risk Appetite Statements
RMF	Risk Management Framework
RTS	Regulatory Technical Standards
SDLC	Software Development Life Cycle
SLA	Service Level Agreements

Term	Definition
TCD	Trading Counterparty Default
TPA	Third-Party Administrator

1. Purpose and Background

FNZ (UK) Limited ('FNZ UK' or 'the Firm') is regulated by the Financial Conduct Authority ('FCA') as a FCA investment firm and is subject to the financial resource adequacy requirements set by the FCA Prudential Sourcebook for MiFID Investment Firms ('MIFIDPRU') as a MIFIDPRU £150k Non-Small & Interconnected ('Non-SNI') Firm.

MIFIDPRU establishes the framework for regulatory financial resource management and includes components that require FCA investment firms, including FNZ UK, to assess the adequacy of their financial resources.

Under MIFIDPRU 8 (Disclosure), FCA investment firms are required to disclose specific information concerning their risk management arrangements. MIFIDPRU came into force on 1st January 2022 which requires FNZ UK to publish information in relation to the following:

- Risk management objectives and policies;
- Governance arrangements;
- Own funds;
- Own funds requirements;
- Remuneration policies and practices (as required under MIFIDPRU and SYSC19G);
- Investment policy as per MIFIDPRU 8.7.

These disclosures have been prepared on an individual basis for FNZ UK and cover the financial position for the year starting on 1st of January 2023 and ending 31st of December 2023.

These disclosures have not been audited by FNZ UK's external auditors except where the information is equivalent to that included in the 31 December 2023 audited annual accounts. These disclosures have been reviewed by the relevant business areas of FNZ UK and taken through the appropriate governance with the final approval of FNZ UK Board. All the figures provided were subject to four eyes check conducted by the relevant functions.

The disclosures in this document are required to be published at least annually and if appropriate, more frequently. This document is available for download on FNZ's corporate website: <http://www.fnz.com/regulatory-disclosures>.

2. Overview of FNZ UK Ltd

FNZ UK is a wholly owned subsidiary of FNZ Group Entities Ltd (a New Zealand registered Company). The ultimate controlling party is FNZ Group Limited (a New Zealand registered Company), and the Company is a member of the FNZ Group.

FNZ UK partners with life companies, banks, asset managers and discretionary wealth managers to enable them to deliver wealth management services across three distribution channels; advised, direct and workplace. FNZ UK provides end - to - end technology, including front - office, tax wrappers and investment back - office under a platform - as - a - service model. This technology solution is combined with back - office dealing, settlement and administration services as either sub - custodian or Third-Party Administrator ('TPA') across a multitude of asset classes including collectives, exchange traded securities, direct fixed interest securities and alternative assets.

FNZ UK's principal activities give rise to a number of risks and harms which are assessed and managed regularly. FNZ UK holds financial resources as a mitigant to potential harms arising from the FNZ UK business model and activities.

3. Risk Management Objectives and Policies

FNZ UK adopts the FNZ Group Risk Management Framework ('RMF') as the structure for managing risk across the business. The RMF includes appropriate principles, strategies, policies, processes, governance arrangements, tools and reporting procedures used by all employees. These are reviewed and approved annually to ensure that they remain effective.

FNZ UK interprets harms as the impacts of risk events crystallising. The RMF tools and frameworks set out within the subsequent sections of this document are used to support the identification, assessment, mitigation, monitoring and reporting of FNZ UK's risks as well as assessing the financial resources required to address those risks that can cause material harms.

FNZ UK considers, not just the risks of harms to themselves, but also the risk of harms FNZ UK poses to their clients, end-customers and other market counterparties. FNZ UK interprets harm as the impact of a risk event crystallising. FNZ UK therefore considers not just the severity of the impact of a harm (i.e. £ amount), but who it impacts and what was the source of the harm (i.e. the risk event itself and its causes), and the controls in place to mitigate the harm. To support the wider adoption of the RMF, the FNZ UK Financial Resources Risk Management Framework ('FRRMF') articulates FNZ UK's Internal Capital Adequacy and Risk Assessment ('ICARA') approach in more detail, including specific key risk metrics which monitor and control exposures to risks that could lead to potential material harms and the adequacy of financial resources.

3.2 Three Lines of Defence Model

FNZ UK operates a three lines of defence model (3LoD), in which risk management, risk oversight and independent assurance are distinct, separate activities. 3LoD structures provide an effective way to enhance clarity regarding risks and control processes helping to deliver a strong risk management culture. The responsibilities of each line in the 3LoD are set out below.

Table 1 - 3LoD Responsibilities

The first line – accountability and reporting	The second line – partnership and oversight	The third line – assurance
<p>Provision of services to clients and ultimately the end customer</p> <p>The business functions own their risks and have the primary responsibility for managing risks on a day- to-day basis and operating an effective suite of internal controls. They also are responsible for implementing corrective actions to address process and control deficiencies.</p> <p>1st line identifies, assesses, controls, and mitigates risks, guiding the development and implementation of internal policies and procedures and ensuring that activities are consistent with goals and objectives.</p>	<p>Subject matter expertise and oversight</p> <p>Risk and Compliance - independent to the first line and provide guidance, oversight and challenge to the business in relation to risk management.</p> <p>Responsible for setting risk management framework, governance policies, facilitating and monitoring the implementation of effective risk management practices by senior management.</p> <p>Provides expertise and independent challenge to risk owners.</p>	<p>Independent assurance and advice</p> <p>Internal Audit function - provides the Board and senior management with comprehensive assurance on the effectiveness of governance, risk management, and internal controls, including how the first and second lines of defence achieve risk management and control objectives.</p>

3.3 Control Management

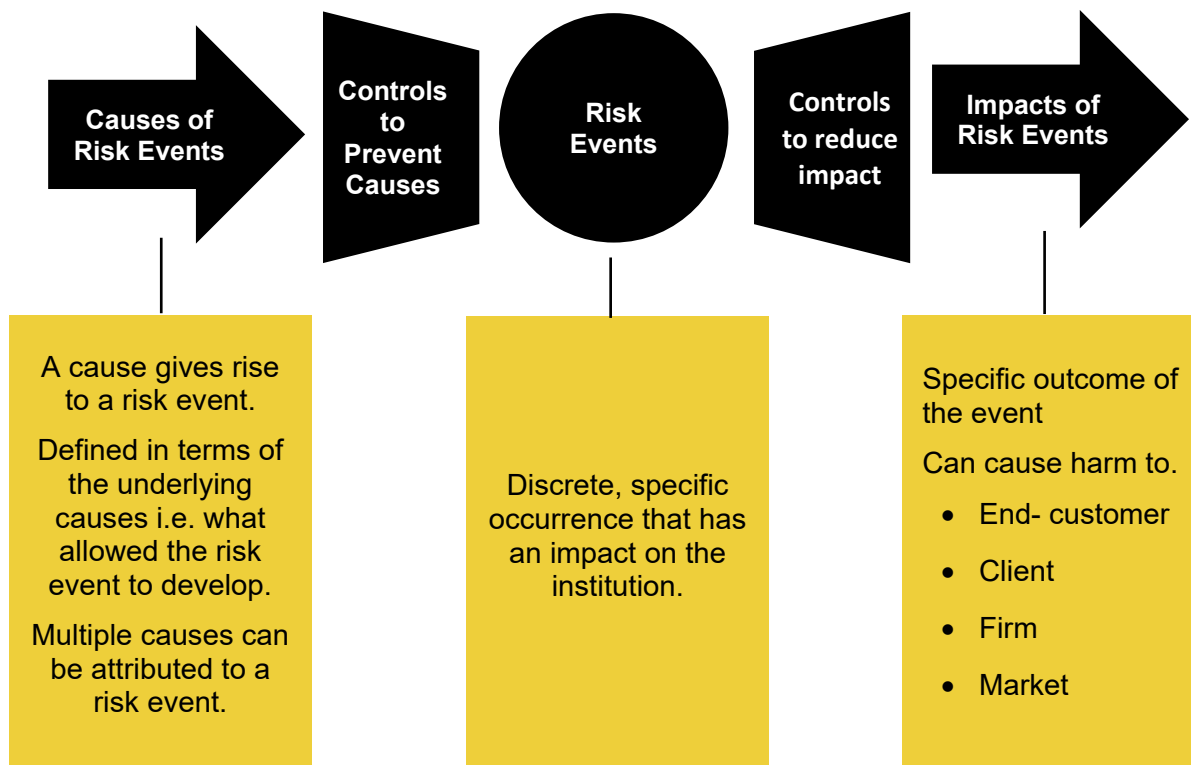
Management must ensure that risks are managed in accordance with the requirements of the RMF. Management must therefore define and maintain related governance & operational policies, standards and controls to put the requirements of the risk management framework into practice.

Controls act as safeguards to help prevent internal and external risks from crystallising and to protect against harms. A key control is a control that is relied upon to prevent or detect a significant risk exposure materialising and causing potential material harm(s). These key controls are tested on a regular basis by the first line to ensure they remain effective.

3.4 Risk Taxonomy

The risk taxonomy comprises three taxonomies: the risk cause taxonomy, the risk event taxonomy, and the risk impact taxonomy. When assessing risk events, a single event can be attributed to multiple causes and may have multiple impacts causing harm across a number of categories.

Figure 1 - Risk Management Approach



The risk taxonomy, used in conjunction with the identified harms linked to business activities, is a key tool to support the appropriate identification of scenarios within the ICARA process. By continuing to revisit and enhance the taxonomy, FNZ UK ensures the ongoing completeness of its scenario coverage. FNZ UK ensures that scenarios and stresses identified cover material harms to the business and assess all risks within the FNZ taxonomy (including those set out within MIFIDPRU 8.2). Section 6.2 contains more detail with regards to the approach and strategies deployed during the ICARA process with regards to the own funds and liquid assets FNZ UK will hold.

The FNZ UK Taxonomy is embedded in all risk management and as a minimum the taxonomy is formally reviewed on an annual basis. Any proposed changes are agreed by senior management before being presented to Board Risk and Compliance Committee who will recommend to the Board for approval.

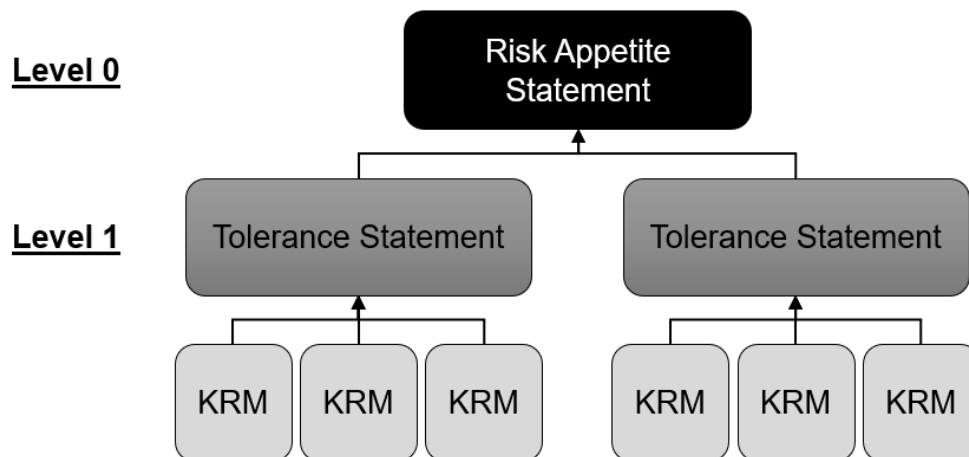
3.5 Risk Appetite Framework

FNZ UK adopts the FNZ Group Risk Appetite Framework (‘RAF’) as the structure for developing, setting, and monitoring its risk appetite. The RAF sets out the processes, methods, and the roles and responsibilities, and associated governance for managing and reporting on risk appetite. This is inherently linked with the FNZ Risk Taxonomy which categorises the different risk types which are owned by relevant members of FNZ UK’s Executive Committee. The risk types are split into four Level 0 risk categories covering:

- Operational Risk
- Business Risk
- Regulatory and Legislative Risk
- Conduct and Consumer Harm Risk

These are further split into twenty-one Level 1 risk categories. A member of the senior leadership team is assigned responsibility for each Level 0 and 1 risk category. Level 2 provides further granularity where required.

Figure 2 - Risk Appetite Statement



The RAF requires that a Risk Appetite Statement (‘RAS’) is set for each Level 0 risk category, and a supporting Tolerance Statement for each Level 1 risk category. These are proposed by the relevant risk owners to the Board for review, challenge and approval. The RAS and Tolerance Statements are then supported with a suite of Key Risk Measures (KRM) and the associated thresholds (red, amber and green). Other supporting limits, such as binding liquid asset limits which trigger specific management action are also in place.

3.6 The Financial Resources Risk Management Framework (‘FRRMF’)

The main purpose of the FRRMF is to supplement the wider RMF with regards to FNZ UK regulatory prudential obligations. The FRRMF sets out, at a high-level, FNZ UK’s approach to identifying, assessing, mitigating, monitoring and reporting risks of harm as well ensuring the adequacy of its financial resources to address said harms.

Key objectives of the FRRMF are to ensure that:

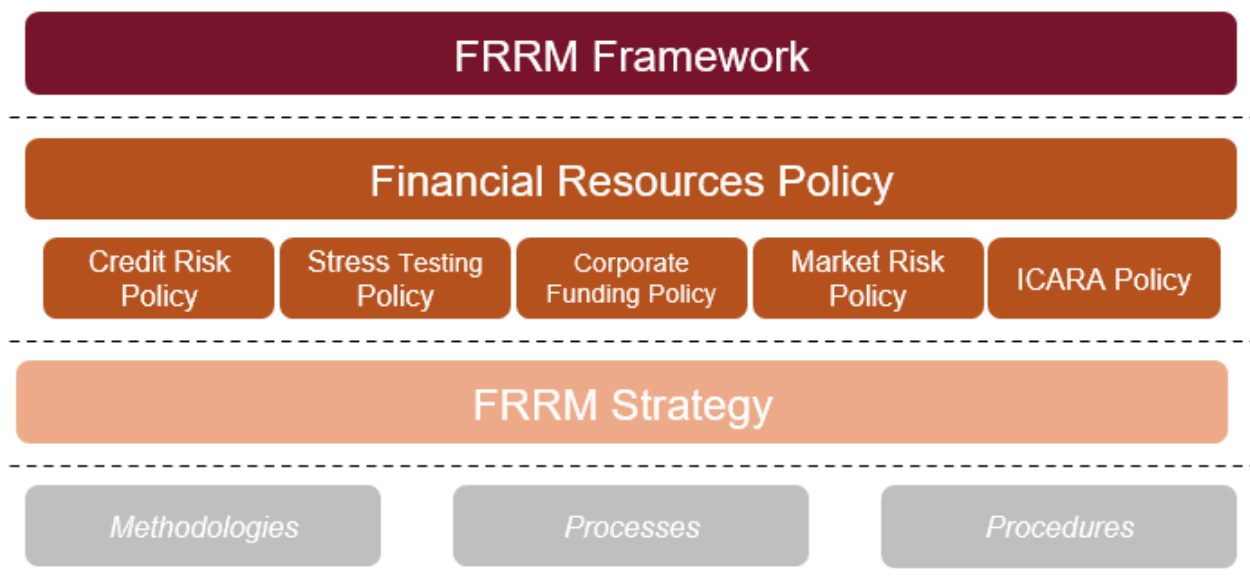
- FNZ UK identifies, assesses, monitors and reports the risk of harms that it could cause its clients, end-customers, other market counterparties and itself;
- risk appetites and the tolerances for the risks that could lead to harms is reviewed, challenged and approved ultimately by the Board;

- the effectiveness of the risk management systems and controls is properly assessed and addressed if deficiencies are detected and/or the residual risk and potential material of harm is outside of the agreed risk appetite;
- FNZ UK holds, at all times, adequate financial resources to address the residual risk of harm by holding amounts greater than the relevant threshold requirements;
- FNZ UK determines the appropriate recovery actions to address harms should they crystallise and to restore its financial resources should a stress scenario crystallise and threaten its ability to satisfy the threshold requirements;

Financial resources risk is defined as the risk that FNZ UK does not have sufficient financial resources available to enable it to meet its obligations as they fall due or can only secure such resources at excessive cost.

The key principle of the financial resources policy is to ensure that FNZ UK maintains sufficient financial resources to meet its MIFIDPRU own funds and liquidity threshold requirements along with incorporating considerations from the FCA guidance in *FG20/1 Our framework: assessing adequate financial resources* and remain within its risk appetite limits in both Business-as-Usual ('BaU') and stressed scenarios.

Figure 3 - Financial Resources Risk Management Artefact Structure



The framework with the underlying, policies and procedures as well as processes and methodologies in place, enable FNZ UK to manage the material risks of harm and assess the adequacy of its financial resources. The ICARA policy and the underlying policies are reviewed and approved by the Board and set the minimum standards which FNZ UK's senior management must meet regarding financial resources adequacy.

The Board also approve the risk strategies and risk appetite statements which set a tolerance for the key risks of material harm. These are informed by FNZ UK's various risk assessments, including Risk & Control Self-Assessments (bottom-up), strategic risk assessments (top-down) and ICARA assessments.

The table below describes the potential for harm associated with FNZ UK business strategy, the key processes and controls it uses to manage the risk associated with own funds requirements, concentration risk and liquidity as per MIFIFIDPRU 8.2.1 R.

Table 2 – Potential for harms and key processes and controls

Risk Category	Potential For Harm	Key Processes & Controls
Own Funds Requirements	If not managed or mitigated, there is a potential for harm to arise from the Firm’s on-going operations. Therefore, FNZ UK identify, assess, and control all key risks whilst also ensuring that it maintains adequate own funds to address all material harms in the unlikely event that they do occur.	<ul style="list-style-type: none"> • ICARA assessment which includes stress testing, reverse stress testing and wind down assessment. • 12 months forward looking capital resources forecast. • FX exposure monitored and hedges in place. • The Financial Resources Management Committee reviews of the key items on the balance sheet.
Concentration Risk	If not monitored or controlled, there is a potential for harm to arise from being too heavily reliant on a single client or banking counterparty. Therefore, FNZ UK has a diverse range of business partners with monitoring in place to take action if needed.	<ul style="list-style-type: none"> • Banking counterparty diversification. • Monitoring of amounts outstanding from customers or a group of customers. • Monitoring clients’ credit rating.
Liquidity Risk	For internal risks which require funding, these are identified, assessed and controlled across the entire business. For other risk events, primarily external stresses, FNZ UK carries out stress testing to ensure it maintains adequate liquidity to address all potential material funding needs.	<ul style="list-style-type: none"> • Recovery and funding plan in place. • Banking counterparty credit rating monitoring. • Banking counterparty diversification. • Recoverable operational funding reconciliation. • Aged debtor monitoring. • Daily liquid resources monitoring and 12 months forward looking forecast.

4. Governance Arrangements

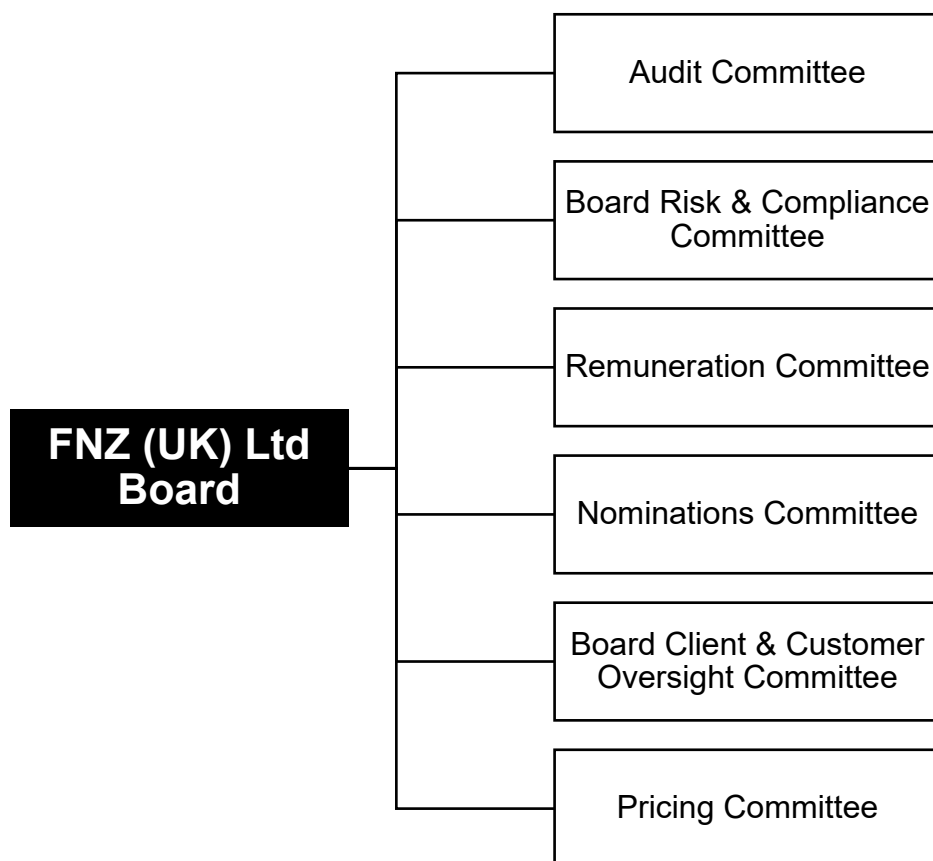
4.1 Governance Overview

The FNZ UK Board has ultimate responsibility for the management of FNZ UK. It is responsible for establishing and monitoring the effectiveness of FNZ UK’s corporate governance framework. The Board is also responsible for determining FNZ UK’s strategic direction and risk appetite.

In order to meet its responsibilities, the Board has delegated the day-to-day running of FNZ UK to the CEO. The CEO has, in turn, delegated certain responsibilities to senior management within the organisation. The CEO has established the Executive Committee (‘ExCo’) which has the objective of assisting the CEO with the task of providing continuous oversight of the key business areas in the context of approved budgets, business plans and risk appetite.

FNZ UK’s Board Committees are in place to ensure that significant risks are identified, managed, and escalated in a timely fashion. The key committees and their responsibilities are outlined below.

Figure 4 - FNZ (UK) Ltd Board Committees



FNZ (UK) Ltd Board

The Board retains the responsibility for risk management but delegates the implementation of the processes to oversee the management of risk within FNZ UK to management. Responsibility for embedding the Risk Management Framework ('RMF' or 'the framework') sits with the UK Board and its management teams.

The directors (executive and non-executive) on the FNZ UK Board and the number of directorships held by each member, including external directorships, is summarised in the table below. Directorships held in organisations which do not pursue predominantly commercial objectives and directorships held within the same group are not within the scope of MIFIDPRU 8.

Table 3 – Summary of directorships held by each member of FNZ UK Board as at 31 December 2023

Name	Position FNZ UK Board	Directorships held overall ¹	
		Executive	Non-Executive
Richard Wohanka	Chairman of the Board	0	4
John Tomlins	Non-Executive Director	1	2
Susan Harris	Non-Executive Director	0	4
Wallace Dobbin	Non-Executive Director	1	2
Catherine Brown	Non-Executive Director	0	4
Alastair Conway	Executive	1	0
Andrew Ring	Executive	1	0

¹ Per MIFIDPRU 8.3.2(R) Directorships held in the same Group or within an undertaking in which the firm holds a qualifying holding and the directorships held in organisations which do not pursue predominantly commercial objectives are excluded.

Board Risk & Compliance Committee

FNZ UK is required to establish a risk committee and its Board Risk & Compliance Committee ('BRCC') is comprised of non-executive Board directors and assists the Board with the oversight of FNZ UK risks and risk management activities. It has oversight of FNZ UK's overall risk management and reviews its risk profile on a quarterly basis.

Audit Committee

The Audit Committee monitors the financial integrity of the financial statements of FNZ UK and the audit process. The Audit Committee is comprised of non-executive directors and assists the Board with the oversight of FNZ UK's financial management. It focuses on compliance with accounting policies and ensuring that an effective system of internal and external audit and financial controls is maintained, which includes consideration of the scope of the annual audit, the extent of the non-audit work undertaken by the external auditors.

Remuneration Committee

The Remuneration Committee is responsible for determining the remuneration packages for each of FNZ UK's executive directors and certain senior executives. It also recommends and monitors the level and structure of remuneration for senior management, and the implementation of share incentive or other performance related schemes.

Nominations Committee

The Nominations Committee is responsible for reviewing the leadership needs of the business to ensure it can continue to succeed in the marketplace. The Nominations Committee is comprised of non-executive directors and assists the UK Board with the oversight of FNZ UK's processes and governance with regard to senior appointments. This includes succession planning, as well as considering and making recommendations to the Board.

Board Client & Customer Oversight Committee

The primary purpose of the Board Client & Customer Oversight Committee is to advise the Board in its oversight of the effectiveness of FNZ UK's ability and capacity to meet its obligations and reduce the risk of harm to the end customer with specific focus on oversight of delivery and servicing activities.

Pricing Committee

The primary purpose of the Pricing Committee is to review material changes to existing client contracts to assess impacts on operational and financial resources and new business propositions for both existing and new clients.

4.2 Diversity Policy

The Diversity and Equality policy for the Board is a group wide policy that is applicable to FNZ UK. FNZ UK values the different perspectives and experiences of its employees and is committed to operating a diverse workforce, in which everyone is treated fairly.

The law protects individuals from discrimination and harassment in the workplace and this policy allows FNZ UK to protect employees, promote diversity and respond to changing demographics and working patterns. The intention is that no employees will receive unfair treatment in the workplace on the grounds of: Age, marital status, gender, religion, ethnic origin, ethical beliefs, colour, race, employment status, disability (including illness), sexual orientation, political opinion, family status and involvement or non-involvement in the activities of a union (this is not an exhaustive list).

Our principles are:

- Our leaders understand how diversity and inclusion supports the business and are committed to driving this forward.
- We search for, recruit, and retain top talent from the widest possible sources, reflecting the diversity of the available pool of talent.
- All employees are aware that bullying, discrimination, and harassment will not be tolerated on any level, and we are committed to dealing with any instances under our Bullying and Harassment Policy.
- All employees will have the same level of access to training and development regardless of if they are part-time or full-time.
- We comply with all legislation to ensure we protect the company and our employees.

The commitments to drive diversity and inclusion forward in the workplace are:

- Deliver training to ensure all employees understand the policy and their responsibilities.
- Monitor equal pay for all genders and job role benchmarking/job design, making improvements where needed.
- Make it possible for employees to achieve a balance between personal and work commitments through flexible working.
- Develop new products and services to help meet the needs of all our customers.
- Track performance in recruitment and make improvements where needed.
- Monitor and review the Diversity and Inclusion policy regularly.
- Utilise fresh perspectives and nurture creativity and innovation.
- Benchmark progress against other organisations to adopt and adapt ideas where appropriate.

The Board regularly monitors both overall gender diversity and senior gender diversity, with annual targets set against each. For 2023, a target was set to have at least 53% female representation overall and 38% senior female representation within FNZ UK. The overall target was exceeded at the end of the year (56.6%), with senior female diversity being at 31.6%.

In 2023 FNZ launched the Diversity Toolkit to encourage and embed our gender diversity goals. The toolkit focused on diversity governance, goals and KPIs, systematic bias and how to apply a gender diversity lens across hiring, promotion and retention practises, to support a diverse workforce.

5. Own Funds

Under MIFIDPRU 8.4 (Own funds), FNZ UK must disclose the following information:

- a) a reconciliation of common equity tier 1 items, additional tier 1 items, tier 2 items, and the applicable filters and deductions applied in order to calculate the own funds of the firm,
- b) a reconciliation of (a) with the capital in the balance sheet in the audited financial statements of the firm, and
- c) a description of the main features of the common equity tier 1 instruments, additional tier 1 instruments and tier 2 instruments issued by the firm.

MIFIDPRU 8.4 requires the above information be presented in the template found in Appendix 1.

A summary of the own funds as at the reference date is presented below:

Table 4 – Own Funds (Resources) as at 31 December 2023

Item	Amount (GBP 000's)
Fully paid-up capital instruments	125,890
Share premium	4,243
Retained earnings	199,933
Other reserves	-1,680
Deductions from CET 1 ²	-104,476
OWN FUNDS	223,910

6. Own Funds Requirement

The Own Funds requirement establishes the ‘base’ or ‘minimum’ amount of regulatory own funds that must be held at all times by an investment firm.

The own funds requirement for a non-SNI MIFIDPRU firm, such as FNZ UK is **the higher of:**

- its permanent minimum own funds requirement under MIFIDPRU 4.4;
- its fixed overheads requirement under MIFIDPRU 4.5; or
- its K-factor requirement under MIFIDPRU 4.6.

Under MIFIDPRU 8.5 (Own funds requirement), FNZ UK must disclose the following information:

- a) a breakdown of its K-Factor Requirements (‘KFRs’) and Fixed Overheads Requirement (‘FOR’) (MIFIDPRU 4.3), and
- b) FNZ UK’s approach to assessing the adequacy of its own funds in accordance with the Overall Financial Adequacy Rule (‘OFAR’) (MIFIDPRU 7.4.7R).

6.1 Own Funds Requirement

MIFIDPRU 8.5 specifies a breakdown for the disclosure of the KFRs, split into the sum of each of the following groupings, which essentially reflect:

- (1) assets for which the firm is responsible for

² Deduction for the Intangible assets, the Deferred Tax Asset and the £100m of instruments capital instruments issued in Dec 2023. The £100m were not included as at 31/12/2023 due to 20 business days (see MIFIDPRU 3.3) required to pass from the FCA notification and the date the Firm intends to classify the issuance as common equity tier 1 capital.

- K-AUM, K-CMH and K-ASA
- (2) execution activity undertaken by the firm
 - K-DTF and K-COH
- (3) its exposure-based risks
 - K-NPR, K-CMG, K-TCD, K-CON

FNZ UK calculates fixed overheads using the subtractive approach proposed by the EBA Regulatory Technical Standards ('RTS') own funds requirements based on Fixed Overheads (EBA/RTS/2014/01) as amended by MIFIDPRU 4.5.3R, whereby variable cost items are deducted from the total audited expenses. The FOR is a quarter of the relevant expenditure. Given the growth of FNZ UK, and in compliance with MIFIDPRU 4.5.7, the FOR is calculated based on the projected relevant expenditure, rather than the relevant expenditure from the preceding year.

FNZ UK does not have regulatory permissions to deal on own account, therefore as at 31 December 2023, the calculation for the exposure-based risks, including the K-CON was nil.

FNZ UK's own funds requirement as at the reference date is summarised below:

Table 5 – FNZ UK Breakdown of Own Funds Requirement as at 31 December 2023

Breakdown of own funds requirement	
Item	Amount (GBP 000's)
<u>Permanent Minimum Requirement (A)</u>	150
<u>Fixed Overheads Requirement (B)</u>	56,141
<u>K-Factor Requirements (C)</u>	41,650
- K-AUM, K-CMH and K-ASA	39,438
- K-DTF and K-COH	2,213
- K-NPR, K-CMG, K-TCD and K-CON	0
<u>Own Funds Requirement (Max A, B and C)</u>	56,141

6.2 Overall Financial Adequacy Rule approach ('OFAR')

The OFAR, as laid out in MIFIDPRU 7, requires that FNZ UK must, at all times, hold own funds and liquid assets which are adequate, both as to their amount and their quality, to ensure that:

- a) FNZ UK is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities, and
- b) FNZ UK's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

The ICARA process sets out what are the minimum requirements for FNZ UK, areas where additional financial resources need to be held to ensure FNZ UK has adequate financial resources at all times and how FNZ UK ensures availability of these resources in the form of own funds and liquid assets.

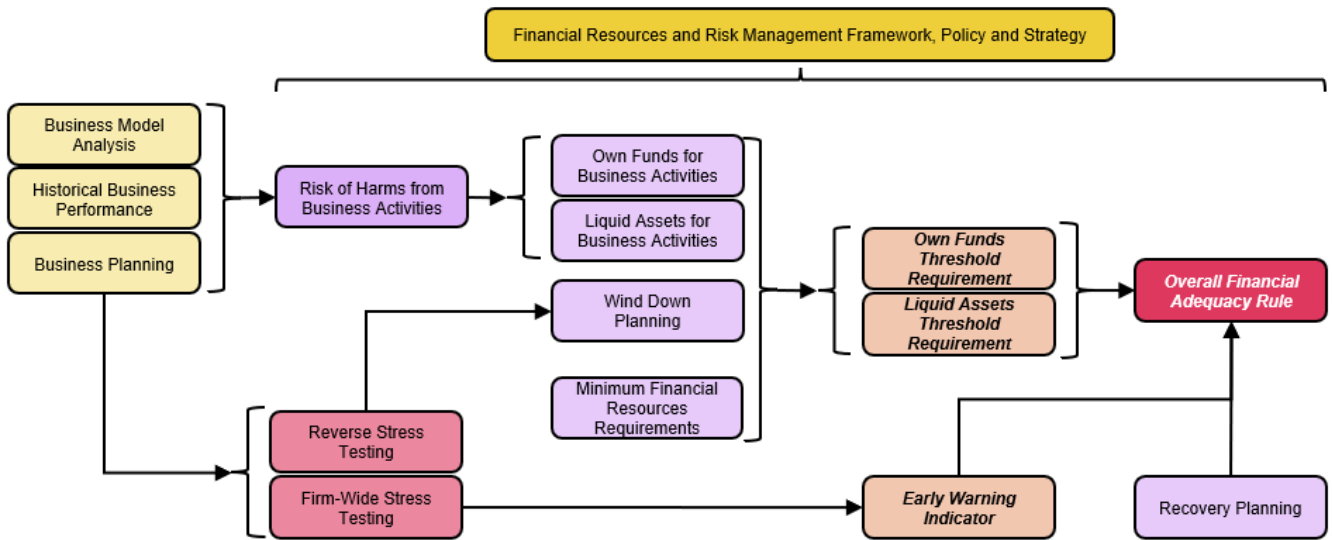
The ICARA is the cornerstone of FNZ UK's risk management. It is a continuous process that:

- identifies and monitors potential material harms and their underlying risks;
- considers and develops appropriate financial and non-financial mitigants to minimise the likelihood of risk crystallisation and the impact of potential material harm;
- assesses own funds and liquid assets requirements on an ongoing basis against BaU and stressed operating conditions;

- develop and implement appropriate and credible recovery actions tied to specific intervention points to restore own funds and/or liquid assets where there is a risk of breaching threshold requirements; and
- develop and implement a robust and comprehensive wind-down plan including timelines for when and how the plan is to be triggered and administered over the wind down horizon.

The following figure illustrates the 2023 ICARA process undertaken:

Figure 5 - ICARA Approach



The overall own funds resources and liquid assets that FNZ UK hold are based on the regulatory requirements (as set out in MIFIDPRU) and FNZ UK’s internal buffers.

FNZ UK reviews its ICARA process and updates the ICARA document at least every 12 months or more frequently if there are material changes to the business model or operating model.

7. Remuneration

7.1 Remuneration Governance

The purpose of the Remuneration Code is to ensure firms establish, implement, and maintain remuneration policies, procedures and practices that are consistent with, and promote, sound and effective risk management. The Remuneration Code applies to ‘Remuneration Code Staff’ (‘Code Staff’). The remuneration policy is in line with the business strategy, objectives, values, and long-term interests of the firm. The remuneration policy also has measures to avoid conflicts of interest.

Code Staff are defined as employees whose professional activities have a material impact on FNZ UK’s risk profile, in accordance with SYSC 19G and include senior management (including Senior Management Functions) risk takers, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on FNZ UK’s risk profile.

In line with guidance provided by the FCA for a non-SNI Investment firm a Remuneration Committee has been appointed and is responsible for setting and overseeing FNZ UK’s policy on all aspects of remuneration. FNZ UK’s Remuneration is reviewed annually by the Remuneration Committee to ensure that it remains consistent with the Remuneration Code principles and FNZ UK’s business objectives. FNZ UK became a large Non-SNI Investment firm in June 2023.

The Remuneration Committee is comprised of three members, all of whom are independent Non-Executive Directors.

The Committee met seven times during 2023.

The Committee did not utilise external consultants during the year.

7.2 Remuneration principles

The following principles of remuneration are applied across FNZ UK:

- **Competitive Total Reward** - Consideration of market pay within relevant sector (Tech, Fintech and Financial Services) and geography.
- **Fair and Consistent** - Reward decisions that are compliant and equitable, subject to the job/role/level, individual's experience, performance over time.
- **Pay for Performance** - Rewarding according to our Company and individual achievements / performance. Superior awards for our outstanding Performers
- **Affordable** - Balancing cost and value in an appropriate way.
- **Cares about people and their family** - Supporting our employees and their family through a competitive benefit offering.

7.3 Link between Pay and Performance

Remuneration at FNZ UK is made up of fixed and variable components. FNZ UK is treated as one business unit.

- **Fixed remuneration** is set in line with market competitiveness at a level to retain, and when necessary, attract skilled staff.
- **Variable remuneration** - FNZ UK operates an annual bonus scheme for which all employees are eligible. As part of that scheme, bonuses are considered and paid on an annual basis. Bonuses are determined based on:
 - the performance of an individual in contributing to the success of FNZ UK,
 - meeting financial and non-financial targets (including conduct),
 - adherence to effective risk management and compliance requirements, in line with the risk profile of FNZ UK,
 - alignment with culture, and promotion of equality and diversity.

Objectives are set annually on an individual basis and individual performance is reviewed based on achievement of such goals; and the performance of the business unit and the overall results of FNZ.

The measurement of financial performance will be based principally on EBITDA and not on revenue or turnover.

Awards granted will reflect the financial performance of FNZ and FNZ UK and as such, variable remuneration may be reduced due to negative financial performance.

FNZ UK will not ordinarily make any bonus awards should it make a loss. In exceptional circumstances, such payments can be considered. In such cases, the Remuneration Committee will consider and document its decisions.

Bonuses are subject to malus and clawback, under which payments may be cancelled, reduced or clawed back in certain circumstances.

For 2023, FNZ UK's bonus scheme equated to approximately 3% of the total cost of remuneration and had no material impact on the capital or liquidity held by FNZ UK. The scheme does not incentivise risk taking activities and has appropriate consideration of the risk profile and activities of FNZ UK (as set out in Section 2 of this document and other ICARA documentation). Finance has in place a quarterly accrual

which is reviewed by the Remuneration Committee to ensure that the scheme is affordable with reference to FNZ UK's financial performance and its capital and liquidity position. Based on the individual proportionality of bonus payments, all bonuses were paid in cash without deferral.

The Risk and Compliance function advise on both ex-ante and ex-post risks (e.g. liquidity, conduct, operational, capital risks) throughout the year and consideration is given by the Remuneration Committee of such risks at both the time of determination of any bonus and the time of payment. Any risk and compliance concerns are flagged and considered within relation to the annual reward proposals. In addition, on at least an annual basis, Risk and Compliance review FNZ UK's remuneration policy and the implementation of FNZ UK's remuneration policy to provide reasonable assurance it aligns to regulatory requirements and to FNZ UK's remuneration policy. In certain circumstances, annual bonus outcomes may be adjusted downwards in respect of current and future risks.

No variable remuneration payments are guaranteed.

Where payable, severance payments are determined in a manner reflective of the role and remuneration of the individual involved, the circumstances in which they leave FNZ UK, and so as not to reward failure. Typical severance payments range from 1-3 months' salary dependent upon length of service and are made following a period of garden leave if applicable.

The remuneration of the Control Functions (Risk, Compliance, and Internal Audit) is overseen by the Remuneration Committee.

FNZ prohibits any exemption from the Remuneration Code regarding personal investment strategies, pension policy or recurring remuneration through any form of instrument/vehicle. The types of Material Risk Takers that FNZ (UK) Ltd has identified are set out below:

- Members of the Executive Committee, Board members and Senior Management (if not a Senior Management Function) (SYSC 19G 5.3.R (1), (2),(3);
- Staff member has managerial responsibility for business units that are carrying on regulated activities specifically SYSC 19G 5.3. R 4 (a) and (b). FNZ UK is not carrying on other regulated activities as listed in this section.
- Staff member has managerial responsibilities for the activities of a control function (including prevention of money laundering and terrorist financing) SYSC 19 5.3 R (5) and (6);
- Staff member is responsible for managing a material risk within the firm SYSC 19 5.3 R (7);
- Staff member is responsible for managing one of the following activities SYSC 19 5.3 R (8):
 - (a) information technology;
 - (b) information security; and/or
 - (c) outsourcing arrangements; and
- Staff member has authority to take decisions approving or vetoing the introduction of new products SYSC 19 5.3 R (9).
- FNZ also considers the seniority of staff, their reporting lines, their ability to make key strategic decisions and responsibilities to determine whether they can have a material impact on the risk profile of FNZ UK. This includes consideration of the group matrix management structure, inter-company relationships and other relevant regulatory guidance. Furthermore, FNZ considers all types of risks involved in its professional activities. These may include prudential, operational, market, conduct and reputational risks.

There are two management equity schemes (MEP and MIP) allowing equity participation in the FNZ Group, both of which are considered to be long-term reward. Under the MEP, certain employees and other specific individuals (including Executive and Non-Executive Directors) hold direct and/or indirect ownership interests in FNZ, the value of which will depend on the achievement of value- creation hurdles. All MEP interests have now exceeded the original four-year vesting schedule and are fully vested.

Under the MIP, certain employees and other specified individuals (including Executive and Non-Executive Directors) hold beneficial ownership interests in FNZ, the value of which will depend on the

achievement of value-creation hurdles. Awards under the MIP vest over the long term, with a proportion vesting annually.

Any participation in the MEP and MIP is funded by a cash bonus and invitation to participate in a co-investment opportunity. Returns from this co-investment opportunity are not considered “compensation”.

7.4 Quantitative Remuneration Disclosures

FNZ UK operates as a single business unit. For the year ended 31 December 2023, aggregate remuneration for Code Staff was £8.1m and aggregate remuneration for all staff in FNZ UK was £83m.

The aggregate quantitative information for Code Staff has been broken down into the following categories:

1. Senior Management: defined as executives whose roles need to be approved by the FCA under the Senior Management Functions (SMFs).
2. Board of Directors: including five Non-Executive Board members of FNZ (UK) Ltd and two parent company board members who hold SMF responsibilities for FNZ (UK) Ltd.
3. Code Staff: as defined in Section 7.1 but excluding categories 1 and 2 above.

The aggregate quantitative information has been broken down into the following categories:

1. Senior Management: defined as executives whose roles need to be approved by the FCA under the Senior Management Functions (SMFs).
2. Other Material Risk Takers (‘MRT’): defined as per SYSC 19G.5 a staff member at a non-SNI MIFIDPRU investment firm whose professional activities have a material impact on the risk profile of FNZ UK or of the assets that FNZ UK manages.
3. Other Staff.

Table 6 - Remuneration amounts for the financial year-ended 31 December 2023

Fixed and Variable Remuneration of Code Staff (£'000)				
Remuneration Type	Senior Management	Other MRTs	Other Staff	Total
Fixed	1,442	6,210	64,658	72,310
Variable	-	459	10,277	10,736
- of which Cash	-	0	10	11
- of which Shares	-	-	-	-
- of which Share-linked instruments	-	-	-	-
- of which Other	-	-	-	-
Total Staff Payout	1,442	6,669	74,935	83,046
Number of Staff	6	45	2,581	

For the financial year ending 2023, in relation to the MIFIDPRU 8.6.8 R (5) disclosures (severance payments) FNZ UK is taking advantage of the exemption in MIFIDPRU 8.6.8 R (7). FNZ UK can confirm that £327k was paid in severance payments with the highest single severance award being £230k.

7.5 Remuneration of the Board of Directors

Remuneration for Non-Executive Board members is set at a level that is aligned to market and reflects the qualifications and competencies required in view of FNZ UK's size and complexity, and the time the Board members are expected to allocate to fulfil their duties as Board members.

Non-executive Board members do not receive performance-based remuneration or pension contributions.

Where investment opportunities are offered to Non-Executive Directors in the Group, prior shareholder approval is sought. Neither allocation nor vesting is subject to performance criteria.

8. Investment Policy

For the financial year ending 31 December 2023, FNZ UK did not have any investments meeting the requirements laid out in MIFIDPRU 8.7.6 R. All the investments FNZ UK has are in its nominee companies which are dormant and used to ensure compliance with the FCA CASS rulebook.

Appendixes

Appendix 1 – Own Funds: Composition of regulatory own funds as at 31 December 2023

Table 7 – Composition of regulatory own funds as at 31 December 2023

Composition of regulatory own funds as at 31 December 2023			
	Item	Amount	Source of the balance sheet in the audited financial statements
		(GBP 000's)	
1	OWN FUNDS	223,910	
2	TIER 1 CAPITAL	223,910	
3	COMMON EQUITY TIER 1 CAPITAL	223,910	
4	Fully paid up capital instruments	125,890	(a)
5	Share premium	4,243	(b)
6	Retained earnings	199,933	(c)
7	Accumulated other comprehensive income		
8	Other reserves	(1,680)	(d)
9	Adjustments to CET1 due to prudential filters		
10	Other funds	-	
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-4,476	(e)&(f)
19	CET1: Other capital elements, deductions and adjustments	-100,000	(a)
20	ADDITIONAL TIER 1 CAPITAL	-	
21	Fully paid up, directly issued capital instruments	-	
22	Share premium	-	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	
24	Additional Tier 1: Other capital elements, deductions and adjustments	-	
25	TIER 2 CAPITAL	-	
26	Fully paid up, directly issued capital instruments	-	
27	Share premium	-	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	-	
29	Tier 2: Other capital elements, deductions and adjustments	-	

Appendix 2 – Own Funds: reconciliations and description of the main features

Table 8 – Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements			
Item	Balance sheet as in published/audited financial statements	Cross reference to Appendix 1	
	As at 31 December 2023 (GBP 000's)		
Assets – Breakdown by asset classes according to the balance sheet in the audited financial statement			
Non-current assets			
1	Property, plant and equipment	51,139	
2	Intangible assets	4,441	(e)
3	Contract assets	241,528	
4	Deferred tax asset	35	(f)
Total non-current assets		297,143	
Current assets			
5	Cash and cash equivalents	76,970	
6	Trade and other receivables	36,191	
7	Derivative financial instruments	-	
8	Contract assets	145,895	
9	Current tax asset	-	
Total current assets		259,056	
Total assets		556,198	
Liabilities – Breakdown by liability classes according to the balance sheet in the audited financial statements			
Current liabilities			
10	Trade and other payables	140,699	
11	Contract liabilities	6,584	
12	Current tax liability	1,081	
13	Lease liabilities	11,599	
14	Derivative financial instruments	674	
15	Borrowings	10,000	
Total current liabilities		170,637	
Non-current liabilities			
16	Lease liabilities	42,376	
17	Trade and other payables	6,255	
18	Other provisions	8,545	
Total non-current liabilities		57,176	
Total liabilities		201,265	

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

Item	Balance sheet as in published/audited financial statements	Cross reference to Appendix 1
As at 31 December 2023 (GBP 000's)		

Shareholders' Equity

19	Share capital	125,890	(a)
20	Share premium	4,243	(b)
21	Retained earnings	199,933	(c)
22	Foreign currency translation reserve	(1,680)	(d)
Total Shareholders' Equity		328,386	

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

The Company's Own Funds consist solely of Common Equity Tier 1 instruments which are compliant with the requirements under Article 26 of the UK CRR. The features of the share capital issued are highlighted in the table below.

Table 9 – Features of Share Capital

Features of Share Capital										
Issuer	FNZ (UK) Ltd	FNZ (UK) Ltd	FNZ (UK) Ltd	FNZ (UK) Ltd	FNZ (UK) Ltd	FNZ (UK) Ltd	FNZ (UK) Ltd	FNZ (UK) Ltd	FNZ (UK) Ltd	FNZ (UK) Ltd
Unique Identifier	Private Placement	Private Placement	Private Placement	Private Placement	Private Placement	Private Placement	Private Placement	Private Placement	Private Placement	Private Placement
Governing laws of the instrument	UK	UK	UK	UK	UK	UK	UK	UK	UK	UK
Regulatory treatment										
Transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1
Post-transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1
Eligible at solo/(sub)-consolidated /solo & (sub)-consolidated	Solo	Solo	Solo	Solo	Solo	Solo	Solo	Solo	Solo	Solo
Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares
Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	£1.1m	£3.8m	£2.5m	£1.4m	£0.3m	£6.5m	£5m	£1.5m	£8m	£100m
Nominal amount of instrument	£1	£1	£1	£1	£1	£1	£1	£1	£1	£1
Issue Price	£1	£1	£25,000	£13,966	£3,466	£1	£1	£1	£1	£1
Redemption price	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Accounting classification	Shareholders' equity	Shareholders' equity	Shareholders' equity	Shareholders' equity	Shareholders' equity	Shareholders' equity	Shareholders' equity	Shareholders' equity	Shareholders' equity	Shareholders' equity
Original date of issuance	26-Apr-05	23-May-16	23-May-16	28-Jun-16	28-Jun-16	31-Dec-16	28-Jun-19	23-Oct-19	29-Sep-20	29-Dec-23
Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
Original maturity date	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Issuer call subject to prior supervisory approval	No	No	No	No	No	No	No	No	No	No

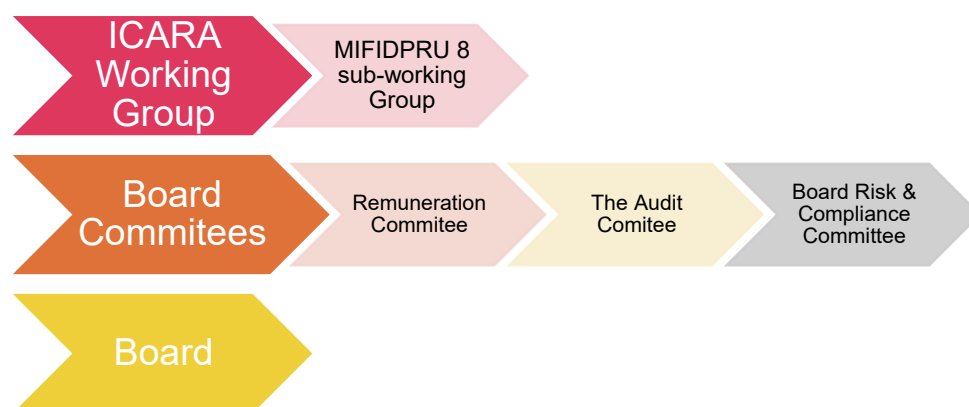
Features of Share Capital										
Optional call date, contingent call dates and redemption amount	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Coupons/dividends										
Fixed or floating	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Coupon rate and any related index	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Existence of a dividend stopper	No	No	No	No	No	No	No	No	No	No
Fully discretionary, partially discretionary or mandatory (in terms or timings)	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
Fully discretionary, partially discretionary or mandatory (in terms or amount)	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
Existence of step up or other incentive to redeem	No	No	No	No	No	No	No	No	No	No
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
Write-down features	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-compliant transitioned features	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Appendix 3 – Governance of the MIFIDPRU 8 Disclosure document

The disclosures have been subject to review, challenge and approval by senior management with engagement and approval (where appropriate) by the Board. Board engagement has enabled a robust and comprehensive challenge of both the process undertaken by senior management and outputs of the assessments. In addition, the information obtained from the financial statements (e.g. own funds as at 31 December 2023) was also subject to external audit review.

The day-to-day drafting of the disclosures was supported by FNZ UK’s ICARA Working Group, which set up a sub-working group to complete the MIFIDPRU 8 Disclosures. The sub-working group was chaired jointly by the Chief Risk Officer (CRO) and Chief Financial Officer (CFO). This sub-working Group met on a weekly basis, to provide oversight and challenge regarding the robustness of the work conducted to assess MIFIDPRU 8 requirements.

Figure 6 - MIFIDPRU 8 Document Governance



The role of each forum or committee is described below:

Table 10 – MIFIDPRU 8 Committee/Forum Responsibilities

Forum / Committee	Responsibility
MIFIDPRU 8 Sub-working Group	The sub-working group oversaw the programme of work and coordinated the information gathering, the review and sign off for the MIFIDPRU 8 disclosures at the working level.
The Remuneration Committee	Review and challenge the remuneration information (qualitative and the quantitative) included in the disclosures.
The Audit Committee	Review and challenge the financial resources information disclosed, including the own fund resources which streams from the audited accounts as well as the other financial information included in the disclosures.
Board Risk & Compliance Committee ('BRCC')	Review and challenge the risk management and governance information included in the disclosures. The BRCC has delegated responsibilities from the Board in relation to the review and challenge of ICARA components, including approach to assessing the adequate financial resources, stress testing and wind-down plan.
Board	Review, challenge and approval of the disclosures.

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