Equiniti Financial Services Limited

Annual MIFIDPRU disclosure report

31 December 2022

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1. Overview

1.1 Objective

Equiniti Financial Services Limited ("EFSL" or "Firm") is subject to the Investment Firms Prudential Regime (IFPR) which was introduced in January 2022 for Firms authorised in the UK under the Markets in Financial Instruments Directive (MiFID). This is implemented through the FCA handbook, Prudential Sourcebook for MiFID Investment Firms, MIFIDPRU, and this statement is prepared to meet the disclosure requirements set out in MIFIDPRU Chapter 8.

1.2 Basis of Disclosure

This report is issued for EFSL (FCA Firm Reference Number:468631) only and is undertaken on a standalone basis. However, reference will be made to the wider Equiniti Group ("Group") when this is relevant.

1.3 Means of Disclosure

This report is issued annually at the same time as the report and accounts. All information is based on the financial year ending 31 December 2022. This report will be made available on the Group's websites at https://equiniti.com/uk/about/statutory-and-regulatory-reports/ and on https://eqi.co.uk/info/contact.

2. Company Background

EFSL is a subsidiary of Equiniti Holdings Limited, a private company registered in England & Wales. Firms within the Equiniti Group provide regulated and non-regulated services focussed on UK and US share registration, UK pensions administration, UK employee schemes and credit services. Equiniti Holdings Limited is ultimately owned by Orbit Private Holdings I Limited.

EFSL is a UK focused execution only broker and nominee provider.

3. Risk Management

EFSL prioritises risk management through its functional structure, governance processes, monitoring and reporting activities and its emphasis on staff integrity and values. From the Board down, EFSL considers its risk appetite in its strategy, business plans and risk management philosophy. EFSL periodically reviews the effectiveness of its Risk Management Framework to ensure future growth continues to be effectively managed in line with its risk appetite. Ongoing reporting provides the Board, the Risk Committee and senior management with risk management information concerning EFSL's risk exposure and experience and this forms part of the Firm's Internal Capital Adequacy and Risk Assessment (ICARA) process.

3.1 Risk Management objectives and policies

EFSL continually assesses its current and planned strategic, operational and financial activities and their associated risks using an enterprise-wide risk management framework. Regular reporting provides the Board and senior management with detailed information about EFSL's risk exposure and experience. EFSL strengthened its risk framework in 2022 and will continue to embed changes made throughout 2023. It has a dedicated risk function which is responsible for the oversight of the Firm's risk management framework and risk policies.

EFSL manages the risks to the business by maintaining an effective internal control structure which includes monitoring the key risks to the business, including the use of key risk indicators, and the utilisation of a risk and control self-assessment (RCSA) process. Through independent lines of reporting for risk oversight and operations, our risk framework and governance is designed to provide objective assessment and monitoring of risks. Risk governance processes involve regular reviews and consider the amount and type of risk that management regards as appropriate for it to accept in order to fulfil its business objectives and operate within its risk appetite and regulatory obligations.

EFSL applies a three-tier risk taxonomy and the enterprise-wide nature of the risk categories ensures appropriate coverage across risks relevant to EFSL in its day-to-day activities. EFSL performs regular RCSAs, ensuring that a structured approach is taken to identifying the risks and harms to the business, including any emerging risks. It also performs periodic horizon scanning to identify external risks which are deemed relevant and material to EFSL.

In addition, as part of the ICARA process, EFSL has mapped its risks to the harms set out by the FCA, covering customers, the market and the Firm.

3.2 Business and Risk Management Strategy

EFSL's strategy is to provide regulated share trading, custodial and nominee services that are integral to the Group's UK share registration business. The principal business risks are maintaining the Firm's client relationships and the underlying volume of business, ensuring regulatory compliance, maintaining effective processes and operational resilience. To minimise exposure to these risks, management focuses on the quality of its service to its clients and the regulatory capital required to support it, whilst expanding on the range of services it has to offer through innovation and technical enhancements.

There are a number of characteristics of EFSL's business model that are relevant to its risk profile that have been taken into account when considering its capital requirements.

- All products and services offered are provided on an execution-only basis, as the Firm does not provide investment advice.
- EFSL does not undertake any share trading activity in its own right or take any market positions, which limits its market exposure to the counterparty risk arising from placing orders with its panel of brokers.
- The Firm does not use clients' assets for the purposes of securities financing transactions as it does not have any title transfer clients, known commonly as TTCA clients.
- The Firm does not engage in external lending or the provision of any other form of credit and derives the majority of its revenue at the point at which customers use its products and services; as such it has limited credit risk.

EFSL does not provide financial advice or fund management and has minimal levels of credit exposure. Credit risk is mainly taken as receivables due from medium and large corporate clients to whom EFSL provides sponsored services and therefore relates to fee income. EFSL's transactional role is that of receiver and transmitter of instructions, or as an agency broker, but it does not take positions. Credit risk is limited as trades are matched back-to-back and a default from one party would result in the cancellation of both trades which would only incur a minimal penalty. Retail customers are normally required to fund purchase transactions in advance. The Firm has therefore largely mitigated its credit risk in relation to settlements and does not accept any market risk.

Operational risk is taken as a necessary consequence of undertaking its core business and EFSL seeks to minimise these risks to the extent possible by putting in place robust internal risk and business controls, and using its or Group's Internal Audit, Compliance Monitoring and Compliance Policy teams to reinforce and oversee the operation of these controls. EFSL aims to minimise operational risk at all times through a strong and well-resourced control and operational infrastructure.

Cyber risk involves the disruption or corruption of systems and connectivity, or loss or leakage of data from accidental or malicious actions in addition to risks arising from a physical security breach including property damage, staff injury, theft or inappropriate access to premises, systems or information. An information or physical security breach could reduce the quality of our services to customers or result in us breaching the law (including data protection), or our contracts, which in turn could damage our reputation, increase our costs and reduce our revenues.

EFSL mitigates these risks in the following ways:

- By ongoing investment in internal and external cyber security;
- Aligning the control framework to ISO27001;
- Implementation of SOC2 for Information Security;
- Ongoing review of cyber security capability and emerging threats;
- Regular penetration testing;
- Security measures to prevent unauthorised access to systems and premises and to protect personnel; and
- Staff training and awareness programmes.

3.3 Risk Appetite & Risk Ownership

Risk appetite is defined as the level of risk EFSL is willing to take in pursuit of its business objectives. The risk appetite of EFSL is articulated by the EFSL Board through the Risk Appetite Statement, using a mixture of quantitative and qualitative risk statements and ratings. It has a low risk appetite.

The Risk Appetite Statement uses a series of risk categories to provide the structure against which risks are defined and appetite levels set, providing appropriate coverage across risks to which EFSL is exposed and aligns with the broader risk practices of the Group.

Quantifiable risk appetite "tolerance levels" are set by the EFSL Board using a risk quantification matrix and enable comparison between residual risk exposures and risk appetite tolerances across EFSL.

The quantification of risk appetite tolerance levels within the Risk Appetite Statement is a forward looking practice which requires the EFSL Board to consider multiple factors, such as:

- The strategic objectives of EFSL;
- The risk appetite of EFSL's parent company;
- The legal and regulatory environments in which the business operates;
- The volumes and values of transactions currently undertaken, or those expected to be undertaken;
- The potential impact on the markets in which the business operates;
- The type of products and services offered by the business;
- The risk profile of its customers and clients; and
- Historic risk events or incidents experienced by the business.

The Risk Appetite Statement therefore acts as a documented set of risk exposure tolerances to guide the day-to-day management of risk across EFSL, as it seeks to achieve its strategic objectives. It provides a reference point against which existing residual risk assessments resulting from risk identification and assessment can be monitored to determine whether the risk in question is currently inside or outside of risk appetite. It also provides the context upon which risk-related decisions are made at all seniority levels throughout the business, providing a greater level of consistency in making risk-related decisions.

Instances where a risk is assessed to be outside of appetite triggers further action under the Risk Framework through the potential use of a risk acceptance process.

3.4 Effectiveness of Risk Management

EFSL is subject to FCA regulatory capital requirements which require, based on its regulated trading permissions, maintenance of minimum levels of capital. The Firm has well-embedded processes for assessing its capital and liquidity requirements. This includes stress testing and analysis of a range of severe, but plausible scenarios, in order to assess that it has sufficient capital in the event that material risks crystallise. The ICARA is regularly reviewed to assess the level of capital required, taking account of these risks and how EFSL mitigates these.

3.4.1 Own funds and own funds requirements

In order to assess the level of capital that EFSL should hold, it follows the requirements of the ICARA process and performs an assessment from ongoing operations and wind down.

In assessing the required capital for ongoing operations, in 2022, EFSL performed a review of the key risks to the business to identify which would be the most appropriate scenarios to model. The material risks to the business were identified from the risk register and from the RCSA work. These were mapped against the relevant risk categories in the risk framework to ensure that there was good coverage for the material risks across each category.

The following scenarios were selected:

- Technology failure or outage
- Significant data loss
- Internal fraud
- Operational processing error
- Regulatory non-compliance
- Counterparty default
- Loss of critical third party
- Employee discrimination
- Loss of EQ Group

The assessment from ongoing operations is a two-stage process, starting with the K-factors applicable to the Firm, overlaid with an assessment as to whether EFSL's systems and controls are sufficient to mitigate the risk of harm, based on the material risks of the business and how they are mitigated and controlled. A series of scenarios were considered to identify the appropriate level of capital EFSL should hold to mitigate the risk of harms to customers, the Firm and markets.

These scenarios were mapped against the K-factors to determine the following:

- Which of the harms, if any, identified in the relevant scenario could be mapped to one or more of the K factors;
- Which of the harms did not map to the K-factors and would require additional capital.

The harms were then aggregated and, for those matching to K-factors, compared to the K-factor value to determine whether any exceeded the relevant K-factor calculation. The remaining harms were aggregated as 'other'.

In addition, as required under the ICARA process, EFSL considered a series of scenarios whereby the Firm would be required to perform an orderly wind down of its business. The scenarios considered were a strategic exit from the market, the failure of the Group and the failure of EFSL, from which the cost of wind down was assessed and the capital required to manage an orderly wind down was derived.

Finally, it should be noted that, in 2022, EFSL remained subject to the transitional provisions in MIFIDPRU TP 10, which was also a material consideration in determining the Own Funds Threshold Requirement and hence, the appropriate and prudent level of capital that it should hold to meet its regulatory requirements.

3.4.2 Liquidity management

EFSL has robust strategies, policies, processes and systems in place enabling it to identify, measure, manage and monitor liquidity risk over various time horizons, including intra-day risk, so as to ensure the maintenance of adequate liquidity.

The Board is responsible for providing oversight of liquidity risk management within EFSL, including:

- setting the appetite for liquidity risk as deemed appropriate to the Firm's business strategy, allowing for financial conditions;
- approving the strategies, policies, processes and systems relating to the management of liquidity risk, tailored to business lines and including adequate allocation mechanisms of liquidity costs, benefits and risks;

- monitoring management information on a monthly basis, including a review of liquidity key risk indicators;
- monthly review of the Group's financial and cash performance for the purpose of monitoring the Group's ability to trade as a going concern and recoverability of the Firm's loan to the Group; and
- ensuring that reviews on the adequacy of strategies, policies, processes and systems and liquidity risk appetite are completed.

Senior managers, through their appointed roles, have responsibility for defined aspects of liquidity risk, including maintaining an ongoing review of their liquidity position. Operations identifies, monitors and manages intra-day and end-of-day exposures as a consequence of operational activities, whilst Finance monitors compliance with the overall liquidity adequacy rule.

Escalation policy and procedures exist so that any risk issues or concerns senior managers have are brought to the attention of Finance and Treasury, which manage bank due diligence and the daily diversification of corporate funds.

The Board is provided with the results of the following assessments:

- Nature of the liquidity risk the Firm is exposed to.
- Adequacy of the Firm's funding arrangements.
- Adequacy of controls to ensure senior management receive early notification of any increase to liquidity risk such that it would be outside the Firm's tolerance levels.

EFSL undertakes stress testing and scenario analysis on an annual basis. Strategies, policies and limits on liquidity risk are subsequently adjusted where appropriate, as a result of the testing. The Firm also has a liquidity contingent funding plan.

With regard to the liquidity requirements under ICARA, EFSL reviewed the required liquidity requirements from its assessment of ongoing operations and wind down to determine the Liquid Assets Threshold Requirement, which informed the requirement for the prudent management of liquidity.

3.4.3 Concentration risk

EFSL is required to monitor and control its concentration risks using sound administrative and accounting procedures and robust internal control mechanisms. The key areas of exposure to EFSL are as follows:

- The Firm holds significant amounts of client money in its role as provider of a nominee service, including that which is provided in agreement with the share issuer. This is managed as part of an agreed diversification policy, which requires due diligence to be performed on a bi-annual basis on any legal entity identified to hold client money using an agreed set of criteria. The diversification of client money is also managed in accordance with the agreed limits.
- The Firm also maintains a significant holding of custody assets as provider of a nominee service including that which is provided in agreement with the share issuer. Most of these assets are held directly on the share register, or in the form of Crest Depository Interests. In addition, these assets are held via a small number of providers, but they are only held with significant market participants that are put through a rigorous annual due diligence process.
- EFSL uses a panel of brokers to place trades with the market. Trading is spread across this panel of brokers, albeit a significant percentage of overall trades are concentrated with some of the larger Firms. The vast majority of trades settle within two business days of being executed. All brokers are subject to an annual due diligence process with agreed exposure limits. Directed trades are undertaken at the risk of the instructing party. As a consequence of these factors, we believe that concentration risk is low.
- With regard to cash holdings, the Firm's own funds' diversification policy requires diversification across at least three banks to mitigate the risk of bank failure. Any bank that the Firm utilises must have at least one short-term credit rating equal to, or better than P-2 from Moody's or F2 from Fitch or A-2 from Standard & Poor's. Cash holdings are managed on a daily basis with formally documented due diligence reviews on a bi-annual basis.
- EFSL has a diverse customer base and hence, the risk of material harm due to the loss of several key clients or through bankruptcy is considered unlikely. In addition, a significant amount of EFSL's revenue is transaction driven and hence, the client revenue at risk at any point from a bankruptcy situation is relatively low.

Accordingly, the Firm does not have any material concentration exposure beyond its risk appetite.

4. Governance Arrangements

EFSL has its own governance arrangements that are distinct from the Group, which have been designed to ensure it has its own independent authority and decision-making ability, clearly prioritising its statutory and regulatory obligations, whilst operating within the Group's framework.

4.1 Board of Directors

EFSL's Board of Directors defines and oversees the governance arrangements of the Firm. It has responsibility for the overall leadership and strategic direction of the Firm and setting the Firm's values, purpose, culture and standards.

The EFSL Board is responsible for the maintenance of a sound system of internal control and risk management including:

- determining the Firm's risk appetite;
- approval of the Firm's risk framework and risk tolerance statements; and
- receiving reports on, and reviewing the effectiveness of, the Firm's risk and control processes to support its strategy and objectives.

The EFSL Board is responsible for carrying out an assessment of the principal risks facing the Firm and to report on such assessment in the Firm's financial statements and for the maintenance of an effective system of assurance and risk management.

The Board meets at least ten times a year and has three non-executive and five executive directors. It is led by the Chair, who is a non-executive director.

4.2 Board Committees

There are sub-committees of the Board that cover Audit, Risk, Remuneration and Nominations which meet regularly.

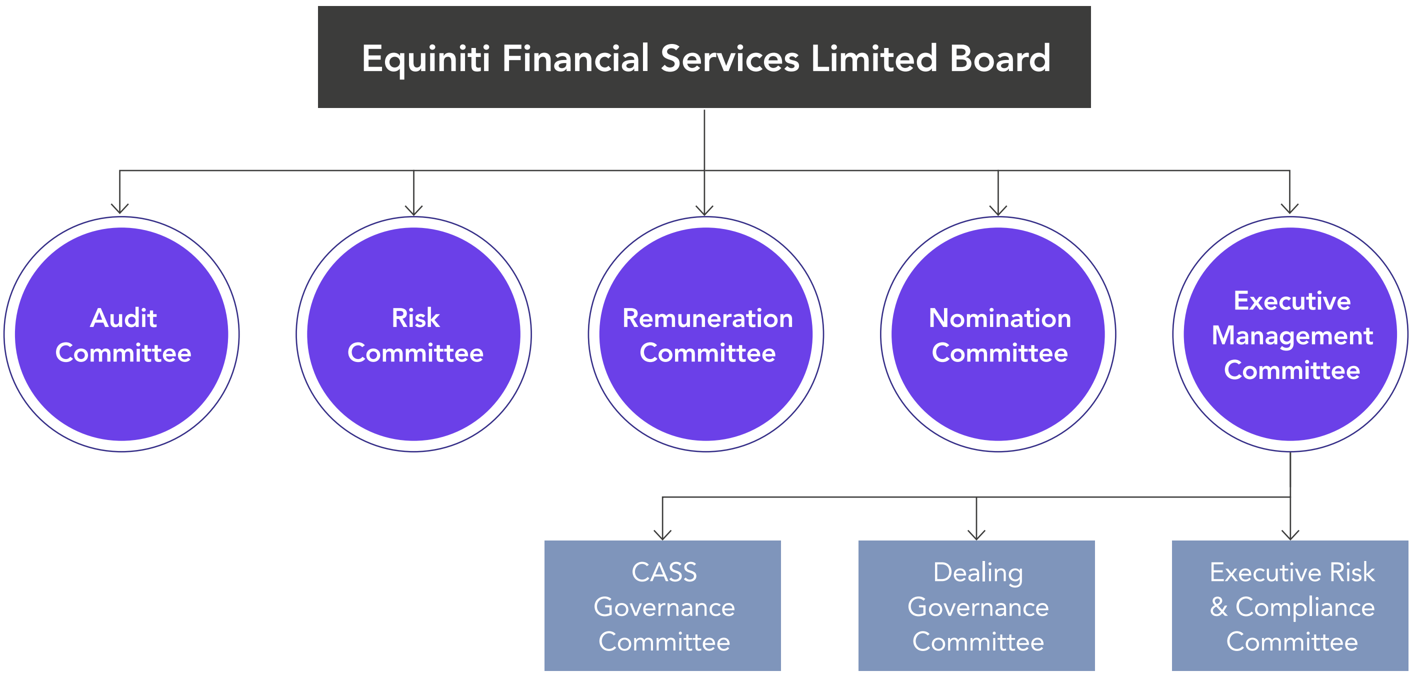
The Audit Committee meets at least four times a year. It is responsible for the integrity of the Firm's reporting processes, the effectiveness of internal controls, adherence to the FCA client asset rules, the performance of internal audit and the relationship with the CASS and external auditors. The committee comprises two non-executive directors.

The Risk Committee also meets at least four times a year. It oversees the current and potential future risk exposures of the Firm, the strategy for the management of risk, the performance of the second line assurance function; the risk and liquidity risk management frameworks and the promotion of risk awareness and a compliance culture within the Firm. The committee comprises two non executive directors.

The Remuneration Committee meets at least twice a year. Its responsibilities are set out in Section 7 (Remuneration Policy and Practices). The committee comprises two non-executive directors.

The Nomination Committee meets at least twice a year. It is responsible for overseeing the composition and performance of the Board, the policy for selection and appointment of Directors and senior executives, succession planning and the operation of the Board and its principal Committees in accordance with the appropriate governance standards. The committee comprises three non executive directors.

The EFSL Board has delegated day to day operational responsibility to the Chief Executive Officer and the Executive Management Committee, which ensures that EFSL operates in a compliant manner and has effective oversight of risks.



4.3 Directorships

As at 31 December 2022 the number of directorships held by members of the EFSL Board is as follows:

Director	Number of directorships in other Equiniti Group entities	Number of directorships of non-Group commercial entities
Burr, Rosanna		
French, Andrew		
Green, Adam	9	
Husker, Mark		
Johnson, Steven	6	
Lund, Mark		3
Miller, Timothy		2
Pearson, Richard	1	

In accordance with the FCA Handbook: (1) Directorships within the Firm and its subsidiary undertakings are counted as a single directorship; and (2) Directorships in organisations which do not pursue predominantly commercial objectives are excluded.

4.4 Allocation of Responsibilities

Under its established senior management arrangements, EFSL has defined and allocated responsibility for every area of the business, both revenue-generating and operational, to a specific senior manager. Ownership of the Firm's risks and controls are aligned under the senior manager framework to ensure clarity of ownership and accountability. These arrangements are regularly reviewed and redefined where necessary to optimise segregation of duties.

4.5 Conflicts of Interest

EFSL maintains a policy to ensure all conflicts of interest are appropriately identified and managed. EFSL holds details of all potential or actual conflicts of interest, including with the Group, its shareholder and other entities within the Group. In addition, it maintains details of the steps taken to eliminate or manage the conflicts and enables EFSL to declare any conflicts which it is unable to eliminate or manage should these arise.

EFSL ensures all staff undertake periodic training to enable them to identify conflicts of interest and ensures there is a simple method to report identified conflicts.

4.6 Approach to Diversity

The Group seeks to achieve a diverse, open and inclusive culture, which represents the society in which we all live and work. Our Equality, Diversity and Inclusion (EDI) approach is implemented through a variety of mechanisms, with a Global EDI Statement and policy which seeks to demonstrate the fundamental commitment to be a fully diverse and inclusive employer and business partner, across all its entities and geographical locations and ensure that there is zero tolerance for any form of discrimination anywhere within the Group. The vision and strategy for diversity and inclusion is underpinned by the fundamental principle of treating all people with dignity and respect.

The Group is committed to providing a safe workplace, free of any form of bullying, harassment or discrimination. All colleagues are bound by the scope of this policy, supported by policies that enable colleagues to be held accountable. Diversity and inclusion underpins all of our organisational values, which is reflected in the behaviours we demonstrate in our day-to-day life, and the way we conduct our business.

EFSL plays a full part in the Group diversity framework and follows the same standards and expectations as the rest of the Group. It does not set its own targets, but follows those set by the Group.

5. Own Funds Held

EFSL is required to disclose its own funds held. This comprises three elements in the tables below.

- Table 1 shows Common Equity Tier 1; Additional Tier 1; and Tier 2 capital along with applicable deductions in order to calculate the value of own funds held by EFSL.
- Table 2 shows a reconciliation of Table 1 with the capital in the balance sheet in the audited financial statements
- Table 3 describes the main features of any tier 1, additional tier 1, and tier 2 equity instruments issued by EFSL

Table 1 - Composition of regulatory own funds

Item Number	Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	**OWN FUNDS**	40,679	n/a – sum of items below
2	**TIER 1 CAPITAL**	40,679	
3	**COMMON EQUITY TIER 1 CAPITAL**	40,679	
4	Fully paid up capital instruments	12,754	Note 20
5	Share premium	0	
6	Retained earnings	27,925	
7	Accumulated other comprehensive income	0	
8	Other reserves	0	
9	Adjustments to CET1 due to prudential filters	0	
10	Other Funds	0	
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	0	
19	CET1: Other capital elements, deductions and adjustments	0	
20	**ADDITIONAL TIER 1 CAPITAL**	0	
21	Fully paid up, directly issued capital instruments	0	
22	Share premium	0	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	0	
24	Additional Tier 1: Other capital elements, deductions and adjustments	0	
25	**TIER 2 CAPITAL**	0	
26	Fully paid up, directly issued capital instruments	0	
27	Share premium	0	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	0	
29	Tier 2: Other capital elements, deductions and adjustments	0	

Table 2 - Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements

	Amount in GBP (thousand) as at period end	Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross-reference to Table 1 (above)
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Deferred tax assets	1	n/a	
2	Trade and other receivables	4,265	n/a	
3	Contract assets	1,780	n/a	
4	Agency broker receivables	7,370	n/a	
5	Other current financial assets	24,556	n/a	
6	Cash and cash equivalents	16,333	n/a	
	Total Assets	**54,305**		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Trade and other payables	1,698	n/a	
2	Contract liabilities	1,148	n/a	
3	Income tax liability	3,410	n/a	
4	Agency broker payables	7,370	n/a	
	Total Liabilities	**13,626**		
Shareholder's Equity				
1	Share Capital	12,754	n/a	4
2	Retained Profit	27,925	n/a	6
	Total Shareholder's Equity	**40,679**		

Table 3 - Own funds: main features of own instruments issued by the Firm

Capital instrument main features	
Public or private placement	Private
Instrument type	Ordinary shares
Issuer	Equiniti Financial Services Limited
Governing law(s) of the instrument	England and Wales
Instrument Type	Equity
Regulatory Treatment	
Transitional CRR rules	Common Equity Tier 1
Post-transitional rules	Common Equity Tier 1
Instrument type	Ordinary Shares
Amount recognised in regulatory capital (GBP thousands as of most recent reporting date)	12,754
Nominal amount of instrument	12,754
Issue price	100%
Redemption Price	Not applicable
Accounting classification	Shareholders Equity
Perpetual or dated	Perpetual
Maturity date	Not applicable
Issuer call subject to prior supervisory approval	No
Optional call date, contingent call dates and redemption amount	Not applicable
Subsequent call dates, if applicable	Not applicable
Fixed or floating dividend/coupon	Variable
Coupon rate and any related index	Not applicable
Existence of a dividend stopper	No
Fully discretionary, partially discretionary or mandatory	Fully discretionary
Convertible or non-convertible	Non-convertible
Write-down features	No

6. Own Funds requirements

In accordance with the MIFIDPRU requirements EFSL is required to calculate the own funds requirement. This is the highest of three factors:

Requirement	Amount (£m)
Permanent Minimum Requirement	0.750
Fixed Overhead Requirement	5.831
Sum of the K-Factors	10.886
Own funds requirement	**10.886**

6.1 K-Factors

There are 9 K-factors set out in MIFIDPRU. Those relevant to EFSL are

- K-CMH – Client Money Held. The applicable factor is 0.4% of the average client money held.
- K-ASA – Assets safeguarded and administered. The applicable factor is 0.04% of the average assets safeguarded and administered.
- K-COH – Client Orders handled. The applicable factor is 0.1% of the average client orders handled.
- K-DTF – daily trading flow. The applicable factor is 0.1% of the average daily trading flow.

K-AUM; K-NPR; K-CMG; K-TCD and K-CON are not relevant to EFSL.

The sum of the K-factors as at 31 December 2022 is set out in the table below.

Sum of K-AUM; K-CMH; K-ASA	£10.880m
Sum of K-COH; K-DTF	£0.006m
Sum of K-NPR; K-CMG; K-TCD; K-CON	£0
Sum of all K factors	£10.886m

6.2 Meeting the Overall Financial Adequacy Rule (OFAR)

EFSL must always meet the OFAR. This means that EFSL must, at all times, hold sufficient own funds and liquid assets, both in their amount and quality, to ensure it 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. Additionally, EFSL must ensure that it has sufficient own funds and liquid assets that its business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

This requirement is met by EFSL through regular monitoring of:

- Own funds held by EFSL compared with the Own Funds Threshold Requirement calculated according to MIFIDPRU; and
- Liquid assets held by EFSL compared with the Liquid Assets Threshold Requirement calculated according to MIFIDPRU.

These assessments are dynamic and reflect the evolution of the 'K' factors above as well as the assessments of risks explained earlier. EFSL met the OFAR throughout 2022 and expects to do so throughout 2023.

6.3 ICARA process

As a non-SNI (small and non-interconnected) MIFIDPRU investment Firm, EFSL has conducted an ICARA. As part of the ICARA process, EFSL undertakes an internal analysis assessing additional own fund requirements, considering the harm posed to customers, the market and the Firm.

The ICARA process ensures the EFSL board:

- Identifies and monitors risks and harms;
- Details any implemented financial and non-financial mitigations;
- Forecasts capital and liquidity needs on an ongoing basis and identifies the circumstances when EFSL may have to wind down;
- Determines suitable recovery actions to prevent it breaching a threshold requirement;
- Assesses that EFSL holds sufficient own funds;
- Undertakes scenario analysis to identify the impact of a scenario and whether this would impact EFSL's ability to continue as a going concern; and
- Formally reviews the ICARA on an annual basis and at any time when there is a material change to the business.

The FCA requires EFSL to calculate its capital based on the higher of the Fixed Overhead Requirement, the Assessment from Ongoing Operations and Wind-down. As part of the ICARA process, EFSL considers whether it has sufficient capital based on its assessment of remaining risks and harms after any mitigation has taken place. Should additional capital be required this is documented and approved within the ICARA process.

During 2022, EFSL was subject to the transitional provisions under MIFIDPRU TP 10, which was also a factor to consider when determining the required level of capital. However, this requirement will fall away during 2023.

Analysis carried out as part of the ICARA is reported to the FCA through the annual regulatory return MIF007 and quarterly reports for specific data items.

7. Remuneration Policy & Practices

EFSL as a non-SNI MIFIDPRU investment Firm meets the conditions in MIFIDPRU 7.1.4R(1) for reduced disclosure requirements on the basis that the value of the Firm's on and off-balance sheet items over the preceding four-year period is below £300 million and EFSL has no trading book assets.

EFSL has established a Remuneration Committee (RemCo) which meets at least twice a year to consider issues relating to terms and conditions of employment, remuneration and pension benefits. Within the authority delegated by the Board, RemCo is responsible for approving remuneration policy and in doing so takes into account the pay and conditions of all employees linked to EFSL's business activities. This includes the terms of any bonus schemes and the individual remuneration packages of executive directors and other senior employees, including all staff in positions of significant influence and those having a material impact on EFSL's risk profile (Code Staff).

RemCo takes full account of EFSL's strategic objectives, risk appetite and regulatory capital requirements in setting remuneration policy and is mindful of its duties to customers and other stakeholders. The Committee seeks to preserve stakeholder value by ensuring the successful retention, recruitment and motivation of employees.

The link between pay and performance for Code Staff remuneration is made up of fixed pay (i.e. base salary and benefits) and performance-related pay (commission arrangements and/or bonus schemes). Performance related pay is set and awarded in a manner which promotes sound risk management and does not induce excessive risk taking in the performance of their duties. This is done by (a) ensuring that there is an appropriate balance between fixed and performance-based components and (b) ensuring that the fixed component represents a sufficiently high proportion of the total remuneration to enable non-payment of the performance-based component.

7.1 Identification of Material Risk Takers

EFSL has identified the following as material risk takers

- Board Members
- Senior Managers
- Dealers
- Managers relating to Compliance; Risk; and Internal Audit functions
- Money Laundering Reporting Officer
- Those with responsibility for designing and changing products
- Other individuals who have a material impact on EFSL

7.2 Aggregate Remuneration

In accordance with the requirements for the remuneration section of this document, the number of staff includes individuals within the wider Equiniti Group who carry out support activities or undertake processing for EFSL, even if such activities only take up a small part of their time.

	Senior Management Material Risk Takers	Other Material Risk Takers	Other Staff	Total
Number of staff	12	30	1058	1100
Total amount of remuneration awarded	£1,915,717	£2,500,689	£38,123,866	£42,540,272
Fixed remuneration awarded	£1,621,693	£2,289,311	£35,439,440	£39,350,444
Variable remuneration awarded	£294,024	£211,378	£2,684,426	£3,189,828
Amount of guaranteed variable remuneration awards	0	0	0	0
Number of material risk takers receiving guaranteed variable remuneration awards	0	0	0	0
Total amount of severance payments awarded	£0	£0	n/a	£0
Number of material risk takers receiving severance payments	0	0	n/a	0
Highest severance payment awarded to an individual material risk taker	£0	n/a		

8. Investment Policy

In accordance with MIFIDPRU 8.7.3 EFSL is exempt from providing details of an investment policy as it provides an execution only service and all voting rights can only be exercised when the underlying shareholder gives a direct instruction.