Investment Firm Prudential Regime

Public Disclosures

30 June 2024

Contents

1. Introduction and context

The Investment Firm Prudential Regime ('IFPR') constitutes a regulatory framework governing MIFIDPRU investment firms, which became enforceable on 1 January 2022. In accordance with IFPR, investment firms are required to publicly disclose information on the firms' own funds (financial strength), behaviour (investment policy) and culture (risk management, governance, and remuneration). Essentially the document provides transparency and assurance to a variety of external stakeholders on how the Group is run and how business practices are conducted.

In accordance with the requirements of MIFIDPRU, the information and supporting calculations in this document have been based on the consolidated prudential group basis, for Brooks Macdonald Group plc ('the Group'). These disclosures will be updated on an annual basis and will be made available alongside the publication of the audited annual financial statements on the Group website.

1.1. Group overview

The Group is an independent, AIM-listed wealth management firm that offers a wide range of investment management services to high-net-worth individuals, pension funds, institutions, charities and trusts. It also provides financial planning services and acts as a fund manager to a range of onshore and international funds. The Group had £18.0 billion of funds under management ('FUM') as at 30 June 2024. The Group employs over 430 people and operates across the UK and the Crown Dependencies. The Group's ultimate parent company is Brooks Macdonald Group plc.

The categorisation of the Group firms as small non-interconnected firms ('SNI') has been assessed on an individual basis according to MIFIDPRU 1.2.12G; the relevant SNI thresholds have been exceeded for Brooks Macdonald Asset Management Limited ('BMAM') and the consolidated Group thereby classifying them as non-small non-interconnected firms ('Non-SNI').

The Group's subsidiary legal entities alongside their regulatory classification are outlined in the table below:

Prudential Group Subsidiary	Regulated Firm	Regulator(s)	Prudential Consolidation Group	Notes	IFPR Prudential Categorisation
Brooks Macdonald Asset Management Limited ('BMAM')	✓	FCA	✓	PMR - £150,000	MIFIDPRU ('Non-SNI')
Brooks Macdonald Asset Management (International) Limited ('BMI')	✓	JFSC GFSC IOM FSA FSCA	✓	Non-FCA regulated firm	Non-FCA regulated firm
Brooks Macdonald International Fund Managers Limited ('BMIFM')	✓	JFSC	✓	Non-FCA regulated firm	Non-FCA regulated firm

Prudential Group Subsidiary	Regulated Firm	Regulator(s)	Prudential Consolidation Group	Notes	IFPR Prudential Categorisation
Adroit Financial Planning Limited ('AFP')	✓	FCA	✓	Non-MIFIDPRU firm	Non-MIFIDPRU firm
Integrity Wealth Solutions Limited ('IWS')	✓	FCA	✓	Non-MIFIDPRU firm	Non-MIFIDPRU firm
Integrity Wealth ('Holdings') Limited	No	N/A	-	Non trading entity	Non trading entity
Levitas Investment Management Services Limited	No	N/A	-	Non-regulated activity (Fund sponsorship)	Non-regulated activity (Fund sponsorship)
Brooks Macdonald Financial Consulting Limited ('BMFC')	No	N/A	-	Non trading entity	Non trading entity
Cornelian Asset Managers Limited ('CAM')	No	N/A	-	Non trading entity	Non trading entity
Cornelian Asset Managers Group Limited	No	N/A	-	Non trading entity	Non trading entity
Braemar Group Limited	No	N/A	-	Non trading entity	Non trading entity
Brooks Macdonald Funds Limited	No	N/A	-	Non trading entity	Non trading entity
Cornelian Asset Managers ('Nominees') Limited	No	N/A	-	Non trading entity	Non trading entity
Integrity Wealth Bidco Limited	No	N/A	-	Non trading entity	Non trading entity
Secure Nominees Limited	No	N/A	-	Non trading entity	Non trading entity
Brooks Macdonald Nominees Limited	No	N/A	-	Non trading entity	Non trading entity
Brooks Macdonald International Nominees ('Guernsey') Limited	No	N/A	-	Non trading entity	Non trading entity

The Group consists of five core regulated entities as detailed above. Collectively these companies offer a range of investment management services to private high net worth individuals, pension funds, institutions, and trusts. They also provide financial planning as well as offshore investment management and acts as fund manager to a regulated OEIC providing a range of risk-managed multi-asset funds and a specialised absolute return fund.

The Group provides its services through two core businesses:

- UK Investment Management - providing discretionary fund management services to UK clients introduced to us by intermediaries and to direct private clients, to whom we also provide wealth management advice.

- International - providing discretionary fund management services to clients and their introducers across the Crown Dependencies, the UAE, South Africa and Europe from offices in Jersey, Guernsey and the Isle of Man.

Further details can be found in the 'Strategic report' included in the 2024 Annual Report and Accounts.

2. Governance Structure

The Group's governance structure ensures that there is appropriate challenge to business objectives and risk management. The Board is ultimately accountable for setting the Group's strategic objectives, together with successful delivery of the strategy and business plans. It also provides leadership on risk management and, through the "tone from the top" message, influences culture and behaviour to drive risk management in the business, enhancing the quality of risk assessment, controlled risk taking and efficiency.

Ultimate accountability for risk management resides with the Board, which has delegated responsibility to the Group Risk & Compliance Committee ('RCC') to assist the Board in maintaining effective systems of risk management, compliance and internal control throughout the Group. As noted above, the RCC provides leadership and direction for the Group's overall risk appetite, risk tolerance and strategy whilst overseeing and advising the Board on the current and potential future Group-wide risk exposures. The RCC is also responsible for reviewing and approving the Group's Risk Management Framework and for monitoring its effectiveness.

The Board has delegated the responsibility for establishing, operating and monitoring the system of risk management and controls on a day-to-day basis to the Chief Executive Officer ('CEO'), supported by the Executive Risk Management Committee ('ERMC'), chaired by the Chief Risk Officer ('CRO'), together with the Investment Committee, chaired by the External Adviser to the Investment Committee. Each committee has Terms of Reference ('ToR') in place setting out responsibilities, membership and escalation routes.

Underlying this structure are business, functional and legal entity Risk Management Committees (chaired by the respective Heads) which are responsible for the day-to-day risk oversight and management of each business or functional unit, together with the escalation of material risks, issues and other matters to the ERMC.

2.1. Boards & Committees

Boards and committees have been set up with defined ToR and appropriate membership, with processes in place to ensure proceedings are recorded and actions followed up. The Board has delegated specific responsibilities to the following Board committees:

- *Audit Committee* - meets not less than four times annually and is responsible for the review and challenge of the consistency of the Group's accounting policies and standards and of the integrity of its financial statements; oversight and monitoring of the internal audit function; and assessing the independence of the external auditor.

- *Risk & Compliance Committee* - meets not less than four times annually and is responsible for assisting the Board in discharging its responsibility to develop and maintain effective systems of risk management, compliance and internal control throughout the Group.

- *Remuneration Committee* - meets not less than three times a year and exercises independent judgment in the determination, implementation and operation of the overall Remuneration Policy for the Group.

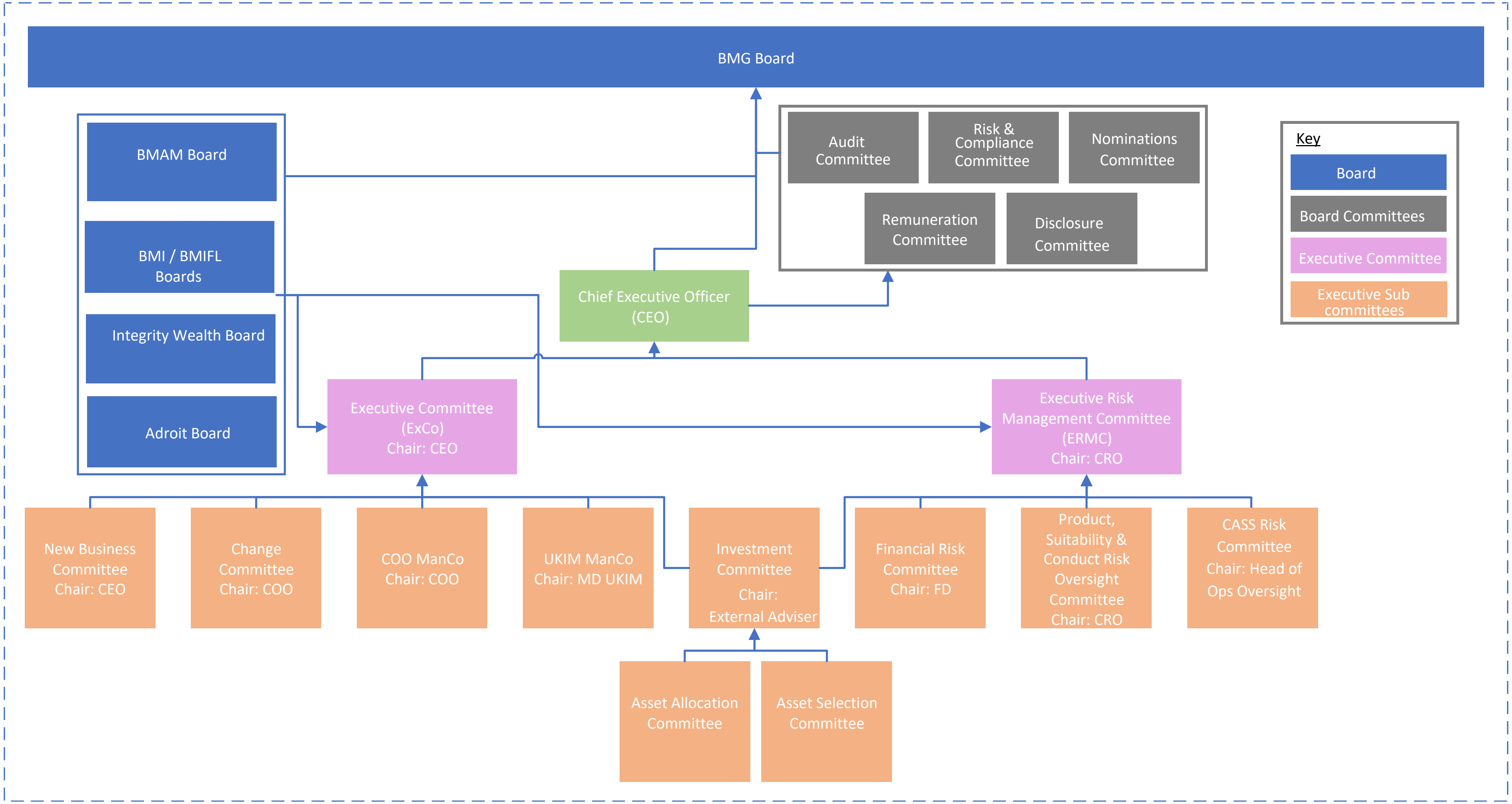
- *Nominations Committee* - meets not less than twice a year and helps the Board to monitor the balance of skills, knowledge, experience and diversity on the Board, to recommend Board and Board Committee appointments, and to monitor succession planning at the senior management level.

- *Disclosure Committee* - meets on an ad-hoc basis and is primarily responsible for determining whether specified information is inside information which should be disclosed to the market in accordance with the Group's obligations under AIM Rule 11 and the Market Abuse Regulation.

2.2. Committee Structure

The diagram below shows an overview of the Executive and Board level Committees.

BM Group - Governance and Reporting Structure



2.3. Roles & Delegated Authorities

All individuals have responsibility for understanding and managing risks under their control and stewardship. Management has additional responsibility for maintaining the systems of internal control and reviewing their effectiveness. These responsibilities are clearly apportioned and documented in job descriptions, role profiles and performance objectives. The organisation of the business supports individuals performing these roles and reinforces responsibilities through the development of a pervasive risk management and compliance culture and a reward and incentive scheme which encourages desired behaviours which are communicated and demonstrated through the "tone from the top".

2.4. Approach to Diversity

At Brooks Macdonald, we have a Diversity, Equity and Inclusion ('DE&I') strategy we call 'Inclusive By Design'. This means challenging ourselves to ensure we are inclusive in everything we do. Our Inclusive By Design philosophy underpins our people strategy and all of our systems and processes are designed to be inclusive. Through this philosophy, we aim to create an environment in which every one of our people feels psychologically safe and can bring their whole selves to work.

Our Group-wide balanced scorecard includes specific DE&I objectives, and we measure key DE&I metrics to assess our performance against these objectives. The performance measures for our Executive Directors also include key DE&I metrics and defined DE&I targets, which are approved by our Group Board Remuneration Committee.

Through our employee engagement survey, Speak Up, we sought to gain feedback from our employees on how we can improve inclusion at Brooks Macdonald, and engaged Fairer Consulting to help us refine our approach to DE&I by identifying coherent actions that will make our company more inclusive.

We continue to partner with organisations that help break down barriers, promote social mobility, and provide greater representation of marginalised groups in the wider financial services industry. Over the last financial year, the Group's partners have included:

- LGBT Great
- City Hive
- #10,000blackinterns
- Investment 20/20
- Girls Are Investors (GAIN)
- Employers Initiative on Domestic Abuse
- Neurodiversity in Business
- Talking Talent
- Women in Finance Charter

2.5. Board recruitment and diversity

Our approach to board recruitment seeks to identify candidates with a broad set of leadership and technical capabilities, which complement those of existing board members, with an assessment of the candidate's alignment to our company's values.

Our Nominations Committee is responsible for reviewing the composition of the Board and the Board Committees to ensure they are suitably constituted, with an appropriate balance of skills, experience, knowledge, and diversity. The Committee also recommends Board and Board Committee appointments, and monitors succession planning at the Group's leadership levels to ensure the Group's continued ability to implement its DE&I strategy and operate effectively.

Our Remuneration Committee takes an active role in the setting and monitoring of diversity objectives and strategies undertaken by the Group and embraces the benefit of having a diverse Board drawing on the knowledge, skills, experience, and expertise of directors from a range of backgrounds. Whenever external search consultancies are used in the recruitment of the Board and senior management, they are tasked to produce diverse candidate lists, and we use a diverse interview panel.

3. How we manage risk

3.1. The Group Risk Management Framework ('RMF')

The Group's risk management framework consists of the following components:

Risk culture. We promote a risk culture that encourages ownership of and management of risk. Risk management is the responsibility of everyone.

Risk governance. The Board is ultimately responsible for the Group's risk management framework but has delegated certain responsibilities to the RCC, a sub-committee of the Board. The Group operates a 'three lines of defence' approach to managing risks across the Group.

Risk appetite. The objective of the Group's risk appetite framework is to ensure that the Board and senior management are properly engaged in agreeing and monitoring the Group's appetite for risk and setting acceptable boundaries for business activities and behaviours. The risk appetite categories are reviewed by the ERMC, RCC and approved by the Board on an annual basis. Key risk indicators ('KRIs') are mapped to the risk appetite categories, with KRI tolerances aligned to risk appetite. The KRIs and tolerances are subject to an annual approval process by the ERMC, RCC and Board.

Risk reporting. Risk reporting is presented to ERMC and RCC. This includes details of underlying KRIs mapped to the risk appetite categories, breaches, risk events and emerging risks.

Risk identification. The Group adopts a top-down and a bottom-up approach to the identification of risks. The ERMC and the RCC have identified the principal risks that could impact the ability of the Group to meet its strategic objectives. In addition, the Group maintains a 'bottom-up' operational Group risk register, which is mapped to the Group's risk appetite categories.

Risk assessment and management. All of the risks included in the Group risk register are scored according to probability and impact and assessed on an inherent basis (before the impact of controls) and on a residual basis (after the impact of controls). Where risks are classed as outside the Group's risk appetite, actions must be taken to bring the risk back within appetite.

Risk and control self-assessment ('RCSA'). The Group's bottom-up assessment of risk is managed through the RCSA process which supports a comprehensive understanding of risks and controls in place at the operational and business process level. The RCSA process enables the risk and control owners to identify any omissions in the risk environment and to close any control gaps or weaknesses as necessary.

Policy governance framework. The policy governance framework provides minimum standards for managing the key risks that the Group faces. Each Group policy has an Executive Committee level owner who is ultimately accountable for the design, implementation and maintenance of the policy.

Internal capital adequacy and risk assessment ('ICARA'). The Group conducts an ICARA process to ensure that it has appropriate systems and controls in place to identify, monitor and, where proportionate, reduce all potential material harms that may result from the ongoing operation of its business. The Group holds financial resources (capital and liquidity) in excess of our minimum regulatory requirements.

3.2. Principal Risks

The principal risks facing the Group are detailed below, as well as any change in the year-on-year risk profile.

Principal Risks	Key risks identified by the risk management framework	Change since last year	Rationale for change
1. Credit risk The risk of loss arising from a client or counterparty failing to meet their financial obligations to a Brooks Macdonald entity as and when they fall due.	• Cash deposits with external banks • Client credit risk • Counterparty credit risk • Custodian-related credit risk • Indirect counterparty risk in respect of referrals	**Unchanged**	The risk continues to remain unchanged given the strong credit risk control environment, including ongoing monitoring and due diligence on all counterparties.
2. Liquidity risk The risk that assets are insufficiently liquid and / or Brooks Macdonald does not have sufficient liquidity resources available to meet liabilities as they fall due or can secure such resources only at excessive cost. Liquidity risk also includes the risk that the Group is unable to meet liquidity ratios.	• Corporate cash deposited with external banks • Client cash deposited with external banks (CASS rules) • Failed trades • Indirect liquidity risk associated with client portfolios • Indirect liquidity risks associated with dealing • Indirect risk in respect of the liquidity of individual holdings in a fund • Indirect risk in respect of the overall liquidity of our funds	**Unchanged**	The Group continues to maintain liquidity resources above its minimum regulatory requirement and internal thresholds. The Group regularly monitors forecast against actual cash flows and matches the maturity profiles of financial assets and liabilities. The Group has robust contingency funding arrangements, which are tested on a periodic basis.
3. Market risk The risk that arises from fluctuations in the value of, or income arising from, movements in equity, bonds, or other traded markets, interest rates or foreign exchange rates that have a financial impact.	• Failed trades • Indirect market risk associated with advising on client portfolios • Indirect market risks associated with dealing • Indirect market risk associated with managing client portfolios	**Unchanged**	Market risk remains at a heightened level (unchanged, year-on-year), due to the relatively unstable political landscape, with numerous significant general elections in 2024 and ongoing conflicts in Ukraine and the Middle East, this may result in increased volatility.
4. Capital risk The risk of adverse business and / or client impact resulting from breaching capital requirements.	• Capital requirements	**Unchanged**	The Group continues to maintain capital resources above its minimum regulatory requirement and internal thresholds. The Group regularly monitors its capital resources versus capital requirements.
5. Strategic risk The risk of having an inadequate business model or making strategic decisions that may result in lower than anticipated profit or losses or exposes the Group to unforeseen risks.	• Acquisitions • Business growth • Extreme market events • Investment performance	**Unchanged**	Despite current macro-economic and geopolitical challenges, the Group continues to post positive gross flows and record funds under management, highlighting the resiliency of its business model.
6. Conduct risk The risk of causing detriment to clients, stakeholders or the integrity of the wider market because of inappropriate execution of Brooks Macdonald's business activities.	• Conduct / consumer harm risk	**Unchanged**	The Group continues to work on numerous initiatives to promote good risk and compliance culture and awareness to ensure positive client outcomes.

7. Operational risk The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.	• Financial control • Change • IT infrastructure • Operational resilience • Deferred delivery • Third parties • People • Suitability	**Unchanged**	The Group continues to monitor and enhance its oversight framework to mitigate any external threats brought about by the current geopolitical environment, coupled with idiosyncratic risks linked to the Group's transition to a new operating model.
8. Legislation and regulatory risk Legislation and regulatory risk are defined as the risk of exposure to legal or regulatory penalties, financial forfeiture and material loss due to failure to act in accordance with industry laws and regulations.	• Regulatory • Legal • Tax	**Unchanged**	This risk remains unchanged given that the regulatory landscape and focus on the wealth management industry has not changed.
9. Financial crime risk The risk of failure to protect the Group and its customers from all aspects of financial crime, including anti-money laundering ('AML') and market abuse.	• Fraud • AML • Market abuse	**Unchanged**	This risk remains unchanged, the Group maintains robust controls in place to minimise financial crime.
10. Cyber risk The risk of a malicious attack by individuals or organisations attempting to gain access to the Group's network to corrupt data, disrupt, and steal confidential information.	• Cyber	**Unchanged**	The cyber threat landscape remains at a heightened level (unchanged, year-on-year), with a high volume of sophisticated cyber threat activity.
11. Environmental, Social & Governance ('ESG') risk The risk that environmental, social and governance factors could negatively impact the Group, its clients and the wider community.	• Environmental, physical and transition • Diversity, equity and inclusion • Governance	**Unchanged**	This risk remains unchanged. The Group has established an Environmental, Social & Governance Advisory Committee ('ESGAC') to manage all ESG related matters. The Group is committed to creating an inclusive workplace and prioritising employee wellbeing. The Group has a robust governance framework.

3.3. Emerging Risks

Definition	Context
12. Geopolitical landscape The relatively unstable political landscape, with numerous significant general elections in 2024 and ongoing conflicts in Ukraine and the Middle East	Geopolitical events have a direct impact on market risk listed previously. Prolonged economic downturn also has an impact on client sentiment and thus strategic risk as listed previously. The large majority for Labour in the UK general election is viewed as being good for market sentiment and stability.
13. Generational wealth change The potential decrease in Assets Under Management (AUM) as financial assets are distributed from one generation to the next.	With generational wealth poised to change hands, primarily from the baby boomers to Gen X and millennials through the next decade, younger investors may have different priorities and views on how their inheritance is managed.
14. Disruptive technologies The risk that innovative technologies significantly alter the way businesses operate.	With the introduction of new technologies such as AI, the industry is being impacted particularly in automated trading, investment advice, fraud detection, customer service, and portfolio management.

3.4. Investment Policy

3.4.1. Asset Allocation

To help diversify and manage risk, the Group uses asset allocation guidance to allocate portfolios between various geographies and asset classes. The Asset Allocation Committee typically meets monthly to determine the internal ‘house view’ which is later communicated to investment teams across the organisation. External parties are also used (both independent macro research providers and the research teams of investment banks) to help formulate the house view. The investment process operates as an idea meritocracy with all members of the investment team welcome to join a regular ‘ideas forum’ to test new ideas and debate current positioning. The collation of external research is also vital and ensures that the Asset Allocation Committee is powered by the ideas of a large number of macro economists and strategists. Data terminals and systems are then utilised to test internal views against history and flag opportunities in markets.

3.4.2. Asset Selection

Following direction from the Asset Allocation Committee, communication is provided to in-house sector research teams. All members of the investment team are invited to be part of our asset selection research and these individuals form the core of the sector research teams. In addition to this, oversight and peer review from the Asset Selection Committee ensure an extra layer of control and governance is applied to the ideas generated by sector teams. After assets are approved at the Asset Selection Committee, they form part of the pool of researched assets for investment teams to use when constructing portfolios.

3.4.3. Investment Rules

The investment rules used by the Group have been designed to reduce the impact of behavioural biases and extreme market events on consumer outcomes. Central investment rules are produced for all investment products. For bespoke portfolio services, these rules are the key inputs into the Group’s risk management system which assesses portfolios daily for deviations from expected volatility, asset allocation, buylist and concentration limits. The executive level Investment Committee is responsible for setting these rules, as well as driving the overall investment philosophy of the firm. Rigorous application of these rules, such as maintaining high level of liquidity, have put the firm in a robust position to weather external market events. The Group recognises that in order to provide the best outcomes for clients, it is also important to integrate consideration of Environment, Social and Governance ('ESG factors') into the Centralised Investment process. Therefore, the Group has systematically embedded ESG considerations into investment analysis frameworks in order to help identify financial material risks and opportunities. However, as a global multi-asset investor, the Group's approach to assessing ESG factors is tailored to each asset class and the vehicle used to invest in each asset type. The Group has published a Responsible Investment Policy which outlines the firms approach and the key quantitative and qualitative outputs.

Brooks Macdonald Group is also signatory to the United Nations supported Principles for Responsible Investment ('PRI') and is committed to implementing the six principles of the PRI across its investment management activities.

4. Own funds disclosures

4.1. Composition of Regulatory Own Funds

The Group holds only Common Equity Tier 1 ('CET 1') capital resources. In accordance with the templates in Annex 1R of the MIFIDPRU 8, CET 1 capital consists of share capital, share premium, retained earnings, and other relevant reserves after deduction of intangible assets. Retained earnings are inclusive of audited profits for the period. The table below summarises the components of the Group's and BMAM's own funds and presents a reconciliation of their audited financial statements for the year ended 30 June 2024 to regulatory own funds.

Table 1: Regulatory own funds summary

Own funds (in £'000s)	Group As at 30 June 2024	BMAM As at 30 June 2024
Equity per Statement of Financial Position		
Share capital	165	3
Share premium	83,135	395
Retained earnings[1]	62,672	50,602
Other reserves[2]	6,363	4,708
Total equity (i)	**152,335**	**55,708**
Regulatory adjustments		
Intangible assets[3]	(83,224)	(26,961)
Associated deferred tax liabilities	6,733	4,197
Deferred tax assets that rely on future profitability	(147)	
Total regulatory adjustments (ii)	**(76,638)**	**(22,764)**
Total regulatory own funds (i) + (ii)	**75,697**	**32,944**

Notes: 1. Retained earnings are inclusive of profits for the year which have been audited at the date of publication.
2. Other reserves comprise merger and share option reserves.
3. Intangible asset adjustments comprise goodwill, computer software and acquired client relationships. This balance is net of any accumulated impairment losses.

Table 2: Composition of regulatory own funds (IFPR)

The table below outlines the regulatory capital of the Group and BMAM in accordance with the relevant references from the balance sheet in the audited financial statements:

		Group		BMAM	
	Item	Amount (GBP in £'000s)	Source [1]	Amount (GBP in £'000s)	Source [1]
1	**OWN FUNDS**	**75,697**		**32,945**	
2	**TIER 1 CAPITAL**	**75,697**		**32,945**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**75,697**		**32,945**	
4	Fully paid up capital instruments	165	Note 28	3	Note 25
5	Share premium	83,135	Note 28	395	Note 26
6	Retained earnings	62,672	Note 29	50,602	Statement of Changes in Equity
7	Accumulated other comprehensive income/losses	-		-	
8	Other reserves	6,363	Note 29	4,708	Statement of Changes in Equity
9	Adjustments to CET1 due to prudential filters	-		-	
10	Other funds	-		-	
11	**(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1**	(76,638)	Note 13, Note 19	(22,764)	Note 13, Note 16
19	CET1: Other capital elements, deductions and adjustments	-		-	
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	-		-	

Notes: 1. Source based on reference numbers/letters of the balance sheet in the audited financial statements

4.2. Regulatory capital minimum requirements

For non-SNI (non-small and non-interconnected) investment firms, the own funds requirement is the higher of the Permanent Minimum Requirement ('PMR'), the Fixed Overhead Requirement ('FOR') and the K-Factor Requirement ('KFR').

4.2.1. Fixed Overhead Requirement

As set out in the MIFIDPRU 4.5, The FOR of MIFIDPRU investment firm is an amount equal to one third of the firm's relevant expenditure (i.e. fixed overhead costs) during the preceding year.

The consolidated FOR based on the Group financial statements for the year ended 30 June 2023 is £21.7m. As per regulatory guidance, the FOR is based on the audited annual report for the period ending 30 June 2023, being the most recently available audited results as at 30 June 2024.

4.2.2. Permanent Minimum Requirement

Under the IFPR, the PMR is a key capital requirement for MIFIDPRU investment firms regulated by the FCA in the UK. The PMR varies depending on the firm's permissions and activities. For instance, firms with permissions for dealing on own account, underwriting of financial instruments, or operating an organised trading facility without limitations have a PMR of £750k. Conversely, firms operating a multilateral trading facility or an organised trading facility with certain limitations, and those holding client money or assets, have a lower PMR of £150k. Additionally, smaller investment firms that do not hold client money or assets and whose activities do not include dealing on own account or underwriting have a PMR of £75k.

As per the IFPR guidelines, the Group's consolidated PMR is determined by aggregating the base capital requirements of each regulated entity within the Group. This method ensures that the Group upholds an appropriate level of capital, indicative of the collective financial necessities and regulatory responsibilities of all its member entities.

From a legal entity perspective, only BMAM have the permissions to hold client money and assets in the course of MIFIDPRU business and therefore under MIFIDPRU 4.4.3R the PMR is £150k. Other non-MIFIDPRU UK domiciled regulated entities such as AFP and IWS are required to report their base own funds or initial capital requirements as stipulated by their specific regulatory frameworks (MIFIDPRU 2.5.27). Both AFP and IWS are mandated to maintain a base capital of £5k each based on the Retail Mediation Activities ('RMA') regulation. In accordance with MIFIDPRU 2.5.27 (3) (b), the PMR for regulated international entities like BMI and BMIFM is to be determined based on the criteria that would be applicable if these entities were based in the UK. Consequently, BMI is categorised as a £150k firm due to its authorisation to hold client money. Meanwhile, BMIFM is classified as a smaller investment firm, necessitating a PMR of £75k. This ensures that international entities align with the UK's regulatory capital standards. Therefore, the consolidated PMR calculation for the Group is outlined as follows:

Entity	Legal entity PMR requirement
BMAM	£150k
BMI	£150k
BMIFM	£75k
AFP	£5k
IWS	£5k
Total Consolidated PMR	**£385k**

4.2.3. K-factors

The UK IFPR introduces a new approach to calculating capital requirements, which seeks to capture the risks that arise from an investment firm's activities where these could pose a threat to:

- the firm's solvency, due to its trading activity and market participation
- the firm's clients, through its actions or responsibilities and the provision of its services
- the markets in which the firm operates and the counterparties that it trades with.

This involves the calculation of various 'K-factors', a set of observable and quantifiable proxies for the various risks and potential harm that could be caused. Each K-factor is based on a metric relevant to the investment firm's business (per their MIFIDPRU permissions), which is then multiplied by its respective coefficient and aggregated to calculate the K-factor requirement.

As Brooks Macdonald does not have permission to deal as principal (i.e., trade in its own name or on its own account), the *Risk-to-Firm* and *Risk-to-Market* K-factors do not apply, leaving only those representing the *Risk-to-Client*:

- **Client assets under management and ongoing advice ('K-AUM') –** this captures the risk of harm to clients where a firm provides discretionary portfolio management and ongoing (non-discretionary) investment advice.
- **Client assets safeguarded and administered ('K-ASA') –** this captures the risk of harm where a firm holds client assets and provides custody services, but there is no investment management relationship.
- **Client money held ('K-CMH') –** this captures the risk of harm where a firm holds client money in segregated of non-segregated accounts.
- **Client orders handled ('K-COH') –** this captures the risk to clients of a firm executing orders in the provision of execution-only dealing services, whether in relation to cash trades or derivatives.

4.2.4. Own Funds Requirements

The table below shows the legal entity KFR, broken down into three groupings and the amount of the FOR in comparison to the PMR.

Item - Amount (£ GBP in £'000s)		Group	BMAM
K-Factor	Sum of K-AUM, K-CMH & K-ASA	5,040	4,287
	Sum of K-COH & K-DTF	-	-
	Sum of K-NPR, K-CMG, K-TCD & K-CON	-	-
	Total K-Factor Requirement	**5,040**	**4,287**
Fixed Overhead Requirement (FOR)		**21,718**	**15,729**

For further reconciliation of legal entity own funds to audited financial statements please see the Appendix (Table 3 & 4).

4.2.5. ICARA

The Group uses the ICARA process to ensure it complies with the Overall Financial Adequacy Rule ('OFAR') and to continually assess, identify and manage risks that may result in material harms. Depending on the nature of the potential harms identified, additional own funds or liquid assets above the minimum requirement may be needed to ensure adequate coverage from a risk perspective as per the Group's assessment. In other cases however, there may be more appropriate mechanisms to manage the potential harms for example, through implementing additional internal systems and controls, strengthening governance and oversight processes or changing the manner in which the Group conducts certain business.

As part of ICARA, the Group conducts business model analysis, stress testing, recovery, and wind-down planning. In line with the requirements of IFPR, wind down planning exercises are completed on a legal entity basis amongst the Group's MIFIDPRU entities as well as on a consolidated Group basis.

Key elements of the ICARA include:

- Business model and strategy (based on the Medium Term Plan) together with a five-year financial forecast to 30 June 2029
- ICARA fitness assessment, remedial actions and key changes
- Risk Management Framework ('RMF') and governance overview
- Material harms and mitigations
- Financial projections and capital & liquidity planning process
- Available own funds and available liquid assets
- Own funds capital requirement (formerly Pillar 1)
- Additional own funds assessment (formerly Pillar 2a own assessment)
- Compliance with Overall Financial Adequacy Rule ('OFAR')
- Capital stress testing
- Reverse stress testing
- Recovery planning
- Wind-down planning

4.2.6. Own Funds Adequacy and Monitoring

The Group assesses the adequacy of its own funds on a consolidated and legal entity basis on a frequent basis. This includes continuous monitoring of K-factor variables which captures the variable nature of risk involved in the Group's business activities.

A regulatory capital update is additionally provided to senior management on a monthly basis alongside a rolling twelve-month regulatory capital forecast. In addition to this, the Group has implemented a number of KRI's which act as early warning signs with the aim of notifying senior management if own funds misalign with the Group's risk appetite and internal thresholds.

4.2.7. Liquid Assets Adequacy and Monitoring

In addition to the ICARA document, a separate assessment of the liquidity risk of the Group is performed annually each year. The Liquidity Risk Management Framework ('LRMF') determines the minimum liquidity level through "extreme but plausible" stress testing. The LRMF ensures that the Group meets the overall liquidity adequacy rule on a consolidated and solo entity basis and be self-sufficient in a liquidity stress event.

As well as identifying the minimum liquidity requirement, the LRMF also sets out principles, systems and controls for managing corporate liquidity risk. This includes arrangements for identifying, monitoring and managing key risks and is supported by the Group's contingency funding plan.

In line with the guidance set out in the LRMF, daily monitoring of the Group's and legal entity liquidity positions is conducted with reporting taking place to management on these metrics on a monthly basis.

5. Remuneration

The below remuneration information is provided in accordance with the requirements of the MIFIDPRU Remuneration Code (section 8.6) and specifically describes the Group's remuneration provisions and practices in place for all its employees, as well as those categorised as Material Risk Takers ('MRTs') within the definition of SYSC 19.G.5 of the FCA Handbook. These are categories of staff who execute responsibilities and duties that may have a material impact on the risk profile of the Group.

BMAM is the largest entity within the Group and the only entity classified as Non-SNI. The remuneration policy and practices described below is applicable to employees of all entities across the Group.

5.1. Purpose of the remuneration policy

The overarching objective of the policy is to support the Group in achieving its strategic objectives of realising ambitions and securing futures for all the Group's stakeholders. The policy's role is key in attracting, motivating and retaining high quality employees and ensuring they are incentivised in way that supports effective risk management, mitigates any conflicts of interest and delivers long-term shareholder value and outstanding customer outcomes.

5.2. The Remuneration Committee and policy governance

The policy is independently overseen by the Group's Remuneration Committee, comprised of four independent non-executive directors who have no eligibility for any of the components of remuneration governed by the policy. The Remuneration Committee Terms of Reference ('ToR') describe the mandate of the Committee and detail the specific governance responsibilities they are responsible for, such as the independent review of the policy no less than annually, as well as the categories of employees they have direct oversight of remuneration decisions for.

The Remuneration Committee has been under the chairmanship of John Linwood from 1 August 2019 and each member has commercial and governance expertise across a number of business areas, including the wealth and asset management sector. There were four scheduled Remuneration Committee meetings during FY24, with members also attending a number of additional ad-hoc meetings. Remuneration consultants from Korn Ferry (UK) Ltd advised the Remuneration Committee during the year.

5.3. Implementation of the policy and alignment to risk management

The execution of the policy ensures a strong link between pay and performance is maintained and that employees are incentivised to deliver long-term, sustainable objectives within appropriate risk parameters. The policy works to actively disincentivise staff from adopting inappropriate risk practices and displaying poor conduct and behaviours. The policy operates in conjunction with both the Group's RMF and its Guiding Principles. The alignment of the policy to risk policies and behavioural framework standards sets clear expectations on risk appetite adherence, the conduct standards expected from staff, with breaches being reviewed as part of the Group's risk adjustment review process. This ensures remuneration funding, and outcomes actively factor both crystalised and emerging risks, as well as any inappropriate individual conduct and behavioural issues. In this way, both the overall quantum of incentive funding, as well as individual award outcomes, are reduced in line with guidance from the Group's Risk Adjustment Matrix. The Remuneration Committee directly oversee the implementation of risk adjustments.

The policy also enables the Group to measure and deliver its regulatory and governance obligations by defining the structures and practices that are appropriately and proportionately aligned to financial services and sectoral regulatory remuneration codes. These include consideration for risk adjustments to incentive funding being applied by the Remuneration Committee prior to bonus awards being made and the integration of mandatory deferral into share instruments for MRTs and other higher earners' annual bonus awards. The mandatory deferral of one third of MRT and higher earner bonus awards into deferred shares ensures that the interests of MRTs and higher earners remain aligned with those of shareholders and customers and that full scope is provided to apply the Group's Malus and Clawback Policy, the implementation of which is directly overseen by the Remuneration Committee. Malus and clawbacks actions are considered as part of the risk adjustment process.

Deferred bonus awards are deferred over a period of three years and vest in equal tranches after 12, 24 and 36 months, subject to continuing employment with the Group.

The Remuneration Report presented by the Remuneration Committee Chair in the 2024 Annual Report and Accounts, includes a detailed description of the remuneration policy in place for the Executive Directors and how this has been applied both in the FY24 reporting period, and will be going forward.

Additionally, the policy, and the practices supporting the policy, are gender neutral. This reflects the Group's position as an equal opportunities' employer and its active support of the Equality Act 2010. The policy seeks to ensure all job applicants and employees are treated fairly and on merit, regardless of their race, gender, marital status, age, disability, religious belief, gender identity or sexual orientation.

5.4. Components of remuneration

The policy makes clear distinction between the components of remuneration that are fixed and those that are variable. In line with the MIFIDPRU Remuneration Code, the Group only classifies components of remuneration as fixed when they are permanent, pre-determined, non-discretionary, non-revocable and not dependent on performance.

The components of fixed pay offered by the Group are:

- **Base salary:** Is the primary means of remuneration for all the Group's employees and primarily recognises the responsibilities performed by each individual. The level of salary paid reflects the skills and experience required to perform the role, the complexity and breadth of the roles responsibilities and its organisational impact as well as the rate of pay for the role in the external market, with all roles being regularly benchmarked.

- **Employer pension contributions:** Where employees have a tax protected status in respect of the pensions lifetime allowance or are impacted by the pensions annual allowance, they may be approved to receive employer-funded retirement benefits as a cash allowance (rather than a pension scheme contribution). Employer pension contribution rates are 6% of salary for all employees, irrespective of seniority.

- **Car allowances:** Business development roles that are required to regularly visit clients on-site and therefore have a role-based requirement for a car may be eligible for a fixed value car allowance.

The Group has in the past operated role-based allowances and may do so again at a point in the future, although no role-based allowances were paid in FY24.

The variable pay components offered by the Group are described below. Eligibility for individual variable pay plans is determined by role function, seniority and contractual entitlement. The award of both annual and long-term incentives is wholly at the Group's discretion.

- **Annual discretionary incentives:** All permanent employees of the Group are eligible for consideration to an annual variable incentive opportunity. Discretionary bonus opportunities are offered to incentivise employees to deliver identified business priorities, sustainable growth, operating efficiencies and outstanding customer outcomes over the one-year operating cycle. All bonus awards are discretionary and dependent upon the financial performance of the Group, the business area or function the individual works within and the individual's risk conduct and behaviours and performance against personal objectives.

- **Long-term incentives:** Long-term incentives may be awarded to the Group's senior leaders to incentivise sustained performance over the long-term and encourage greater alignment of interests with the Group's shareholders. Awards are made in company shares, usually either in restricted stock or nil price options, and are subject a minimum three-year vesting period. Performance criteria and underpins, as well as tenure conditions are normally applied to long term awards.

- On occasion, the Group may award either joining incentives to new hires to replace awards forfeit as a result of joining the Group or award exceptional retention incentives. These awards are only provided in exceptional circumstances, are subject to Remuneration Committee approval and may be restricted to the first year of service.

The Remuneration Committee has overseen the setting of a maximum ratio between fixed and variable remuneration appropriate to the size of the Group and the nature of its risks and activities. The setting of this ratio aims to support positive conduct and behaviours by ensuring fixed pay levels are set at an appropriately high level relative to the role, and employees are not inappropriately incentivised to achieve variable pay outcomes that may not be in the best long-term interests of the Group and its customers.

5.5. Link between pay and performance

In the financial year to 30 June 2024, remuneration for MRTs comprised base salary, performance-based discretionary incentives, pension, and a suite of non-monetary insured benefits.

Base salaries are set with reference to both external market data and with consideration to providing an appropriate balance of fixed and variable pay that supports behavioural risk mitigation and management objectives with the remuneration policy.

Variable incentive awards for MRTs are determined on the basis of performance appraisals as the Group takes a 'pay for performance' approach. Central to the assessment of performance is the use of a balanced scorecard of qualitative and quantitative factors with the key influences over pay being the MRT's performance, contribution and behaviours – particularly with regard to their alignment to the Group's guiding principles, conduct and risk management. Conflicts of interest are avoided for MRTs within risk and control functions by the omission of financial performance scorecard criteria for the areas under oversight. Awards are determined on a discretionary basis against the pre-agreed criteria and recommending managers are encouraged to consider and reward the creation of sustained value over multiple years, past and future.

Currently, one third of the value of all MRT annual bonus awards is awarded in Deferred Bonus Shares and subject to deferral of up to three years as well as being subject to the Group's Malus and Clawback Policy.

5.6. Quantitative remuneration disclosure

5.6.1. MRT identification criteria

In accordance with the MIFIDPRU Remuneration Code (SYSC 19G.5), in determining its MRT identification criteria the Group has considered the risks inherent in its investment management and financial advice business model, the outsourced nature of its operations platform and the ways in which poor customer outcomes may arise. The current list of MRT identification criteria approved by the Remuneration Committee includes both statutory criteria as well as identifications relating specifically to the Group's own risk profile:

Identifications and criteria aligned to (mandatory) FCA criteria (SYSC 19G.5.3):

1. All Group Board executive directors *(FCA: management body in its management function)*
2. All Group Board non-executive directors and executive and non-executive Board Directors of material UK and International regulated entities *(FCA: management body in its supervisory function)*
3. Members of Group ExCo *(FCA: member of senior management)*
4. Risk takers *(FCA: advising, arranging, managing & dealing in investments)*
   - Global Head of Distribution
   - UKIM: regional office heads and London team heads, IWS and Adroit business unit heads
   - Investment managers/fund managers/advisors responsible for assets in excess of £400m
5. CRO, Group Head of Compliance *(FCA: managerial responsibility for a control function)*
6. MLRO SMF17 *(FCA: managerial responsibility for a control function)*
7. BM Risk & Compliance Committee members and Executive Risk Management Committee members *(FCA: responsible for managing a material risk)*
8. COO *(FCA: responsibility for managing information technology, information security and important function outsourcing)*
9. Chair of the Investment Committee (voting member of Investment Committee) and Product, Suitability & Conduct Risk Committee members *(FCA: authority to approve or veto new products)*

Identifications and criteria aligned to (mandatory) FCA criteria (SYSC 19G.5.4):

1. Global Head of Distribution *(FCA: <u>for significant revenue</u>, material assets under management or for approving transactions)*

Identifications and criteria aligned to (mandatory) FCA criteria (SYSC 19G.5.5):

1. Co-CIO roles and MD UKIM (FCA: Heads of key business areas within portfolio management firms)
2. Co-CIO roles (FCA: Heads of Investment Research)
3. Global Head of Distribution, Head of Wealth *(FCA: Individuals responsible for a high proportion of revenues)*
4. Co-CIO roles *(FCA: Chief market strategist, where media profile is linked to reputational risk and risk to market integrity)*
5. Head Dealer *(FCA: Heads of a trading or broking desk)*
6. COO *(FCA: IT, Info Sec and Outsourcing responsibilities, where one role does not oversee all)*

Group activity and risk profile specific criteria (additional criteria for FY24)

Operational Risk Oversight: Senior Director of Operational Oversight and Governance
Distribution conduct risk oversight: Director, Head of UK Distribution, Head of Advisor Solutions

A quantitative assessment is also undertaken using the Group's definition of higher earners to ensure the roles performed by these employees do not have the potential to impact the Group's risk profile.

Across the full FY24 reporting period, 45 individuals were identified as MRTs.

5.6.2. Remuneration by fixed and variable component

An analysis of the fixed and variable elements of remuneration paid to all staff in the FY24 reporting period is shown in the table below. The value of the fixed and variable components of pay awarded to Senior Management and other MRTs is shown broken out:

Staff Grouping	Head count (Numbers)	Fixed Remuneration[1] £'000s	Variable Remuneration[2] £'000s	Total Remuneration £'000s
All staff	**433**	**33,744**	**13,027**	**46,770**
of which:				
Senior Management[3]	17	2,792	3,228	6,020
Other MRTs[4]	22	3,682	2,918	6,600

Notes:
1. Fixed Remuneration shows value of annualised fixed pay for snapshot population at 30 June 2024. Components include base salary, pension contributions and car allowances.
2. Variable Remuneration components include FY24 annual bonus awards, LTIPs approved to granted for FY24, joining awards, exceptional share option awards and retention awards.
3. Senior Management headcount and fixed remuneration includes fees paid to non-executive directors.
4. Across the full year, 45 MRTs were identified, although only 39 were employed at snapshot population date of 30 June 2024.

For any LTIPs with performance conditions, the performance conditions are set out in the Remuneration Report of the 2024 Annual Report and Accounts. The awards are subject to a three-year vesting period and two-year post-vesting holding period.

5.6.3. Joining awards and severance payments

No sign-on awards or guaranteed bonus commitments were made to Senior Management or MRTs in the FY24 reporting period.

In FY24, the company made severance awards totalling £115,709 to two MRTs.

5.7. Other directorships

Certain members of the Group's board of directors hold directorships outside the Group:

Director	Role	Other Executive and Non-Executive Directorship in scope of MIFIDPRU 8.3.1R(2)
M Slendebroek	Chairman & Non-Executive Director	3
J Linwood	Non-Executive Director	2
D Kershaw	Non-Executive Director	2
R Burgess	Non-Executive Director	2
J Rawlingson	Non-Executive Director	2
A Shepherd	CEO	0
A Montague	Chief Financial Officer	0

6. Glossary

Term	Definition
CFO	Chief Financial Officer
CIO	Chief Investment Officer
Co-CIO	Co-Chief Investment Officer
COO	Chief Operating Officer
CRO	Chief Risk Officer
ExCo	Executive Committee
FCA	Financial Conduct Authority
FOR	Fixed Overhead Requirement
FSCA	Financial Sector Conduct Authority (South Africa)
GFSC	Guernsey Financial Services Commission
ICARA	Internal Capital Adequacy and Risk Assessment
IFPR	Investment Firm Prudential Regime
IOM	Isle of Man Financial Services Authorities (Regulatory Authorities)
JFSC	Jersey Financial Services Commission
MIFIDPRU	FCA regulatory framework specific for collective portfolio management investment firms that are subject to prudential requirements
KRI	Key Risk Indicators
MLRO	Money Laundering Reporting Officer
PMR	Permanent Minimum Requirement
SNI	Small and non-interconnected FCA investment firm
ToR	Terms of Reference

7. Appendix

The table below reconciles the own funds regulatory calculation with the balance sheet where assets and liabilities have been categorised by asset and liabilities classes respectively. The information in the table below reflects the balance sheet in the audited FY24 financial statements.

Table 3: Reconciliation of regulatory own funds to balance sheet in audited financial statements (Group)

Brooks Macdonald Group plc				
		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross reference to template OF1
		As at 30 June 2024	As at 30 June 2024	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Intangible Assets	83,224		Item 11
2	Property, plant and equipment	1,350		
3	Right-of-use assets	3,225		
4	Financial assets at fair value through other comprehensive income	500		
5	Financial assets at fair value through profit or loss	905		
6	Trade and other receivables	29,061		
7	Financial assets held at amortised cost	29,963		
8	Cash and cash equivalents	44,732		
9	**Total Assets**	**192,960**		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
10	Lease liabilities	3,814		
11	Provisions	2,006		
12	Net Deferred tax liabilities	5,394		Item 11
13	Deferred contingent consideration	-		
14	Trade and other payables	27,889		
15	Corporation tax payable	935		
16	Other non-current liabilities	587		
17	**Total Liabilities**	**40,625**		
Shareholders' Equity				
18	Share capital	165		Item 4
19	Share premium account	83,135		Item 5
20	Other reserves	6,363		Item 8
21	Retained earnings	62,672		Item 6
22	**Total Shareholders' equity**	**152,335**		

Table 4: Reconciliation of regulatory own funds to balance sheet in audited financial statements (BMAM)

Brooks Macdonald Asset Management Limited				
		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross reference to template OF1
		As at 30 June 2024	As at 30 June 2024	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Intangible Assets	26,961		Item 11
2	Property, plant and equipment	1,061		
3	Right-of-use assets	2,822		
4	Investment in subsidiary	-		
5	Trade and other receivables	40,032		
6	Cash and Cash equivalents	20,295		
7	Financial assets at fair value through profit or loss	253		
8	**Total Assets**	**91,424**		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
9	Lease liabilities	3,372		
10	Provisions	1,838		
11	Net Deferred tax liabilities	3,005		Item 11
12	Deferred contingent consideration	-		
13	Trade and other payables	27,501		
14	**Total Liabilities**	**35,716**		
Shareholders' Equity				
15	Share capital	3		Item 4
16	Share premium account	395		Item 5
17	Other reserves	4,708		Item 8
18	Retained earnings	50,602		Item 6
19	**Total Shareholders' equity**	**55,708**		

Table 5: Main Features of Own Instruments

The table below provides information on the CET1 Instruments used by the Group and BMAM entity.

Issuer	Brooks Macdonald Group plc	Brooks Macdonald Asset Management Limited
Public or private placement	Public	Private
Governing law(s) of the instrument	UK	UK
Instrument type	Ordinary Shares / Common Equity Shares	Ordinary Shares / Common Equity Shares
Amount recognised in regulatory capital (GBP thousands, as of most recent reporting date)	£165 (Reported in GBP thousands and rounded to the nearest thousand) 16,472,453 shares	£3 (Reported in GBP thousands and rounded to the nearest thousand) 2,980 shares
Nominal amount of instrument	GBP - 1p per share	GBP - 1p per share
Issue price	GBP - 1p per share	GBP - 1p per share
Redemption price	GBP - 1p per share	GBP - 1p per share
Accounting classification	Equity	Equity
Original date of issuance	Various (2003 – 2024)	01 July 2019
Perpetual or dated	Perpetual	Perpetual
Maturity date	Not applicable	Not applicable
Issuer call subject to prior supervisory approval	No	No
Optional call date, contingent call dates and redemption amount	No	No
Subsequent call dates, if applicable	Not applicable	Not applicable
Coupons/dividends		
Fixed or floating dividend/coupon	Floating dividend	Floating dividend
Coupon rate and any related index	Not applicable	Not applicable
Existence of a dividend stopper	No	No
Convertible or non-convertible	Non-convertible	Non-convertible
Write-down features	No	No
Link to the terms and conditions of the instrument	Not applicable	Not applicable