MIFIDPRU Disclosures

Sterling ISA Managers Limited

Year Ending 31 December 2023

1 Introduction

This document sets out the public disclosures required under the Investment Firm Prudential Regime (IFPR) for Sterling ISA Managers Limited (the ‘Company’) as at 31 December 2023 and as defined under the Financial Conduct Authority (FCA) prudential handbook, MIFIDPRU. The Company is supervised by the FCA on a solo entity basis and is a wholly owned subsidiary of Embark Group Limited which is part of Lloyds Banking Group.

The Company is a wholly owned subsidiary company of Embark Group Limited, hereafter ‘Embark Group’. The Company is a limited licence investment firm and is authorised and regulated by the Financial Conduct Authority (Reg. No. 191278).

The Company provided a service-led retirement-focused investment administration platform to financial advisers. The Company acted as a platform operator and as a manager for Individual Savings Accounts (“ISAs”), Investment Accounts and Self Invested Personal Pensions (“SIPPs”) in the UK.

Following the transfer of its business to Embark Investment Services Limited (“EISL”), a fellow subsidiary which operates the latest version of the platform technology software, during the course of the year the process to conduct an orderly winddown of the Company is now underway.

The Company has a non-regulated single subsidiary company, Sterling ISA Managers (Nominees) Limited whose sole function is to hold legal title to assets on behalf of The Company’s customers. The Financial Statements for The Company are completed on a standalone legal entity basis, with no requirement to produce consolidated accounts.

1.1 Basis of Disclosures

The Company undertakes activities within the scope of the UK Markets in Financial Instruments Directive (MiFID) and is therefore subject to the prudential requirements of the IFPR contained in the FCA’s MIFIDPRU handbook. The Company is required to publish disclosures in accordance with the provisions outlined in Chapter 8 of the handbook.

The financial information within these disclosures is calculated in accordance with the rules set out in the MIFIDPRU handbook.

1.2 Frequency of Disclosures

The Company makes available its disclosures on an annual basis and a standalone copy of these disclosures is located on the Lloyds Banking Group plc website:

https://www.lloydsbankinggroup.com/investors/financial-downloads.html

All calculations are determined in line with the Company’s financial year end reference date 31st December.

1.3 Verification of Disclosures

The disclosures required under Chapter 8 of the MIFIDPRU handbook are not required to be subjected to an external audit. Instead, the disclosures have been verified and approved through internal governance procedures. The disclosures are only subject to external verification to the extent that they contain some equivalent figures taken from the audited annual financial statements.

2 Risk Management Objectives and Policies

2.1 Risk Management Framework and Policies

The Embark Group has a comprehensive enterprise risk management framework to identify, measure, manage, report and mitigate risks. Following its acquisition in January 2022 the Embark Group has adopted and proportionately applied the risk management framework of its ultimate parent, Lloyds Banking Group. The Company is subject to this framework and has access to Embark Group systems and resources to assist with its application.

The Directors of the Company ensure that the specific risks the Company is subject to are documented, together with their appetite for these risks. The Directors' appetite for risk is expressed in terms of the type and amount of risk that they are willing for the Company to take. This Risk Appetite Statement and the associated monitoring and reporting framework are reviewed annually and approved by the Directors.

2.2 Risk Management Structure and Organisation

The Group's risk management framework is overseen by the Embark Group Tier 1 Board and the Embark Group Board Risk Committee. The Embark Tier 1 Board is responsible for the oversight of risk management by:

- Providing oversight and guidance to the Company and its management in relation to risk management and assisting in identifying matters requiring management's attention;
- Acting as a focal point for discussion and communication of matters regarding risk management; and
- Giving sufficient attention to presented issues and information to determine which areas might require further review and additional attention.

The Company's system of governance and approach to risk management is intended to ensure that the Company promptly identifies, evaluates and reports to senior management and the directors all relevant risk profiles, emerging risks and current issues including formally documented risk opinions on significant strategic initiatives or plan developments. This approach means that the Embark Group Tier 1 Board routinely considers a wide range of risk issues and provides challenge to management over the response. The effectiveness of the Company's risk framework is demonstrated through the engagement of the Tier 1 Board both with outputs of the risk framework on a regular basis as well as engagement on specific topics.

The Company makes appropriate use of the Embark Group's risk management resources and processes to assist with risk management.

2.3 Risk Strategy and Potential for Harm

Since the transfer of the Company's business to EISL in October 2023, the risk to its capital position is inherently low. As such, and in line with Embark Group approach to capital management, any risks to the capital position in the Company will only be taken in a conscious and well-informed manner, and where appropriate, capital will be held to mitigate the risk.

While the likelihood of crystallisation has significantly decreased following the transfer of the Company's business to EISL, there remains a number of risks that could lead to customer harm or impair the ability to compensate customers for harms done. These are shown below, mapped to the appropriate risk category within the Embark Group risk taxonomy to allow for clear ownership of the risks and appropriate oversight and challenge.

2.4 Risk Categories

In the case of each of the categories of risk set out below, the Company applies the risk and control processes described in section 2.1 to manage the risks within its risk appetite. The Company holds risk capital against each category of risk for which capital is an appropriate mitigant, as calculated through the Internal Capital Adequacy and Risk Assessment (ICARA) described in section 4.3.

2.4.1 Strategic Risk

This is defined as the risk which results from incorrect assumptions about internal or external operating environments; failure to respond or the inappropriate strategic response to material changes in the external or internal operating environments; or failure to understand the potential impact of strategic responses and business plans on existing risk types. As defined, Embark Group Limited's risk appetite is to Avoid this category of risk.

2.4.2 Regulatory & Legal Risk

This is defined as the risk of financial penalties, regulatory censure, criminal or civil enforcement action or customer detriment as a result of failure to identify, assess, correctly interpret, comply with, or manage regulatory and/or legal requirements. The Embark Board Risk Committee avoids all exposure to regulatory and legal risk for the Embark Group. These risks are an inherent consequence of operating in the financial services market and the Embark Tier 1 Board are mindful of the associated consequences and as such takes all reasonable steps to avoid risk exposure in this area.

The Company operates in a highly regulated and technical industry. The Company's operations are subject to authorisation from the FCA, and supervision from bodies such as HMRC and The Pensions Regulator.

The Embark Group operates a 3 Lines of Defence model; the first line of defence (the business) is accountable for the identification and management of risks; the second line of defence is accountable for oversight and challenge and reports directly to the CEO and the Board; the third line of defence (internal audit) is responsible for independent assurance.

The Compliance function sits within the second line of defence and is responsible for ensuring all new rules and regulations, as well as changes in industry practice, are captured, interpreted and cascaded across business areas to facilitate compliance with relevant rules and regulations. The Embark Tier 1 Board is supported by the Risk Committee, which is chaired by a Non-Executive Director, where all existing and new risks are reported and scrutinised.

The Company aims to maintain an open and constructive relationship with the FCA, and strongly avoids regulatory risk whilst ensuring active interpretation of FCA rules and regulations, to ensure the best customer outcomes. SIML also actively monitors legislation and tax-related developments.

2.4.3 Change/ Execution Risk

This is defined as the risk that, in delivering its change agenda, Embark Group fails to ensure compliance with laws & regulation, maintain effective customer service and availability, and/or operate within the Group's risk appetite. Embark Group Boards appetite for Change/ Execution Risk is Accept (Neutral), with the rationale that change risk is required in order to achieve an ambitious and wide-ranging series of strategic objectives in the short to medium term.

The Embark Tier 1 Board recognises that through an ambitious programme of transformative change in an uncertain and competitive market, there is a significant exposure in the short to medium term of the risk that the Company's programme of change results in adverse outcomes. Most of the change activity within the Embark Group is concentrated in the platforms businesses. To generate significant revenue growth, the platforms are reliant on 3rd parties providing operational and propositional change, increasing the exposure related to the change activity.

The transfer of the Company's business to EISL in October 2023 was a key focus of the Company's Change Portfolio for the year ended 31st December 2023.

2.4.4 Operational Risk

Operational Risk is defined as the risk of loss from inadequate or failed internal processes, people and systems, or from external events. The Embark Tier 1 Board's appetite for Operational Risk is Accept (Neutral), with the rationale that exposure to operational risk is unavoidable given the breadth of the operations performed across the entities of the Group. A degree to which the Company is exposed to operational risk is mostly nil following the transfer of its business to EISL.

However, the Embark Tier 1 Board recognises that the exposure to Operational Risk is a multi-faceted one and that the overall appetite represents risks to the business where, in isolation, the Board avoids risk. For example, the Board takes all reasonable measures to avoid fraud risk, financial crime risk and cyber risk. The business processes of the group as well as a range of other risks including sourcing, service provision and governance processes contain inherent risks, thus the overall acceptance. The Company's strategy for operational risk is to fully understand and appropriately mitigate the key operational risks that are faced through the implementation and operation of a robust operational risk and control framework. Emphasis is placed on operational risk management and the maintenance of robust relationships with key outsourced service providers, to facilitate timely service improvement/ recovery should a material issue arise.

2.4.5 Operational Resilience Risk

Operational Resilience Risk is defined as the risk of failing to design resilience into business operations, underlying infrastructure and controls (people, process, technology), to be able to able to withstand external or internal events which could impact the continuation of operations, and failure to respond in a way which meets customer and stakeholder expectations and needs when the continuity of operations is compromised. While the concept of operational resilience is a dimension of a number of the other risk categories, The Embark Tier 1 Board takes all reasonable steps to Avoid this risk. The Group's Operational Resilience strategy encompasses both the ability to prevent disruptions from occurring and the ability to respond quickly, recover and learn in instances where disruption has been experienced, to minimise the risk of disruption to customer and business outcomes. While the Embark Group accepts an unavoidable level of risk in this area, the Company's inherent Operational Resilience Risk is close to nil following the transfer of business to EISL.

2.4.6 Data Risk

This is defined as the risk of failing to effectively govern, manage, and control data (including data processed by Third Party Suppliers) leading to unethical decisions, poor customer outcomes, loss of value and mistrust. The Embark Tier 1 Board has no appetite for Data Risk. Investment continues in the areas of the business supporting the lawful processing of customer data. Staff training on the subject occurs regularly and a robust supplier oversight model will mitigate the risk of third parties processing customer data in a manner outside of Embark Group's Risk Appetite.

The Data Protection policy and procedures support compliance with legal and regulatory requirements relating to data privacy, records and data management and set the standards applied across Embark Group, including the Company.

2.4.7 People Risk

This is defined as the risk of failure to provide an appropriate colleague and customer centric culture, supported by robust reward and wellbeing policies and processes; effective leadership to manage colleague resources; effective talent and succession management; and robust control to ensure all colleague-related requirements are met. The Embark Tier 1 Board appetite to People risk is Accept (Neutral), accepting that a degree of People Risk is unavoidable. The Board will continue to take all reasonable steps to ensure the business is resourced sufficiently to meet customer demands and expectations and deliver against the Group's strategic objectives.

Following the transfer of the Company's business to EISL in October 2023, the achievement of a successful and timely orderly winddown is dependent on the attraction and retention of highly skilled and qualified colleagues to complete this process. To minimise this risk the Group seeks to recruit and retain high quality experienced individuals that align to the values of the Group. To support this, the Group offers market competitive packages, structured development and works with colleagues to ensure there is a favourable work environment.

2.4.8 Conduct Risk

This is defined as the risk of customer detriment across the customer lifecycle including failures in product management, distribution and servicing activities; from other risks materialising, or other activities which could undermine the integrity of the market or distort competition, leading to unfair customer outcomes, regulatory censure, reputational damage or financial loss.

Following the transfer of the Company's business to EISL in October 2023, the risk for consumers has passed to EISL. Conduct risk continues to exist through SIML's financial obligations to its third-party suppliers and employees. SIML has the benefit of a parental guarantee from Embark Group in respect of obligations that may arise under the Asset Purchase Agreement that transferred the assets from SIML to EISL.

The Board has no appetite for conduct risk and will take all reasonable steps to ensure that it offers compelling propositions, at competitive prices to the correct target demographics. There will be continued investment in training and recruitment in areas of the business which have an impact on conduct.

2.4.9 Climate Risk

This is defined as the risk of losses and /or reputational damage as a result of climate change, either directly or through its customers. These losses may be realised from physical events, the required adaptation in transitioning to a low carbon economy, or as a consequence of the responses to managing these changes.

The Embark Tier 1 Board takes all reasonable steps to Avoid climate risk. This includes focus on climate specific controls related to the avoidance of greenwashing as well as active tracking and reduction of the carbon footprint across all activities of Embark Group.

Staff who support the ongoing SIML winddown activities operate in office locations across the UK and there is a moderate requirement for travel across many of the business functions.

2.4.10 Market Risk

Market Risk is defined as the risk that the capital or earnings profile is affected by adverse market rates. Embark Tier 1 Board's appetite for Market Risk is Accept (Neutral).

The Company's financial instruments primarily comprise cash and cash equivalents, trade payables, loans, and trade receivables. The Company does not enter into transactions for speculative purposes and there are no instruments held for trading. As such the primary exposure to market risk is in relation to interest earned on cash deposits. This exposure is mitigated through the Company continuing to hold sufficient reserves to cover unexpected losses.

The Company accepts a degree of interest rate risk associated with holding cash at bank for liquidity purposes, but its policy is to avoid market risk associated with equity, property, corporate credit, illiquid debt, commodities, government bonds, currency, inflation and derivatives.

Market risk was inherent in the Company business model prior to the transfer of its business to EISL, as the risk that fees for assets under administration may reduce in a market stress. This risk has been transferred to EISL through the migration. There is some residual market risk relating to assets still inflight to EISL. This is expected to reduce to nil by the end of the year.

2.4.11 Credit Risk

Credit Risk is defined as the risk that parties with whom the Group has contracted fail to meet their financial obligations. The Embark Group Board has an Accept (Neutral) appetite for credit risk in the ongoing business of each of its component entities. It monitors trade and other receivables on a regular basis and relies on the governance and control frameworks in place to keep this risk within appetite.

The Company is subject to credit risk through a variety of counterparties. Specifically, cash held in client bank accounts, HMRC receivables and fees receivable from customers.

Credit exposures are monitored by the firm's Finance function and action is taken where necessary. Credit risk should be relatively predictable and the Company's appetite for credit risk is to not allow it to increase significantly beyond the expected exposure.

The Company's policy is to manage the direct credit risks that it faces through the individual agreements that are in place with each of its debtors. Processes are in place to ensure that these agreements are applied appropriately and exposure is further mitigated by the Company's debt recovery processes.

2.4.12 **Funding & Liquidity Risk**

Funding and liquidity risk is the risk that the firm has insufficiently stable and diverse sources of funding, or insufficient financial resources to meet commitments when they fall due or can only secure them at excessive cost.

Liquidity risk is managed by the firm's Finance function and is mitigated by applying a comprehensive liquidity risk management framework, which includes controls to maintain liquidity at necessary levels.

While small amounts of liquidity risk are unavoidable, the Company's appetite for this is to ensure sufficient liquidity to meet realistic outflows so that available liquid resources do not fall below forecast cash outflows in the short and medium term.

The Company has a policy of minimising liquidity risk by maintaining appropriate levels of very liquid assets such as cash. Daily liquidity monitoring processes monitor the current liquidity position and ensure that any emerging liquidity trends or future liquidity needs are captured. If necessary, mitigating action can be taken to protect the Company's liquidity position. The Company does not rely on lines of credit to meet its liquidity requirements.

Liquidity risk is relatively low and primarily arises around pre-funding requirements. The Company maintains adequate liquidity to cover its needs on a daily basis and is self-sufficient in terms of its liquidity requirements. All client assets are held in a separate nominee company. Client money is held in segregated client money accounts which therefore do not present any liquidity risk arising from corporate events. In the event that the firm came to be in the position where it had insufficient liquid resources to meet its financial obligations as they fall due (or could secure them only at an excessive cost) there would be no direct risk of harm to customers.

The Company operates a robust liquidity risk management framework with the management of day to day liquidity risk within the delegated authority of the Embark Group CFO. The liquidity risk management framework includes the following components: daily cash monitoring; early warning indicators; stress testing, and; contingency funding plan.

In addition, the business is required to maintain liquid assets above the FCA's minimum requirement per MIFIDPRU. As at 31 December 2023, liquid assets were above this threshold.

2.4.13 Capital Risk

Capital risk is the risk that the Company has a sub-optimal quantity or quality of capital or that capital is inefficiently deployed in the entity. Capital, which includes regulatory capital, comprises all components of equity.

Capital risk is managed by the firm's Finance function, which maintains appropriate tools and governance to monitor capital requirements and assign capital accordingly.

The Company, as a MIFIDPRU investment firm, must at all times maintain own funds that are at least equal to its own funds requirement, being the highest of:

- its permanent minimum capital requirement ("PMR"), which for the Company is £150,000; or
- its fixed overheads requirement ("FOR"), which amounts to 25% of its most recently audited annual expenditure less permittable deductions; or
- its K-factor requirement

The K-Factor requirement drove the Company's own funds requirement as at 31 December 2023. See section 4.2 for a breakdown of the relevant K-factors. The Company's current capital resources comprise solely of Core Equity Tier 1 capital (see section 4.1 for further detail).

2.4.14 Concentration Risk

The Company has determined that as at 31st December it did not have any concentrated exposures to any client or group of connected clients or any concentration of business for revenue on a particular product, in a particular market, or a geographic location exposes an organisation to loss due to any adverse changes. The Company's concentration risk is considered accordingly as part of the continuous management of its capital and liquidity.

The Company also identified that it did not have any concentrated exposures to any client or group of connected clients as at 31st December. The Company monitors and controls its concentration risk using sound administrative and accounting procedures and robust internal control mechanisms. This is not limited to monitoring trading book exposures, but also includes any concentration in assets not recorded in a trading book (for example, trade debts) or any off-balance sheet items. It also includes any concentration risk that may arise from:

- the location of client money
- the location of custody assets
- a firm's own cash deposits
- earnings

3 Governance Arrangements

The Board of Directors of the Company is responsible for ensuring an appropriate corporate governance regime exists within the Company and that there is a clearly defined structure and management framework designed to address its risks and take decisions. This includes, but is not limited to, the approval and endorsement of an appropriate risk policy, ensuring clear accountability for risk management, approving overall risk limits and ensuring compliance with the Embark Group Risk Management Framework.

3.1 Principal Governance Bodies

The Company's governance structure principally comprises the following bodies:

3.1.1 Embark Group Board and Committees

As a wholly owned subsidiary of Embark Group, the Company is aligned to Embark Group's internal organisational structure.

Embark Group operates a Tier 1 Board comprising of the six core legal entities of Embark Group, Embark Investment Services Limited, Sterling ISA Managers Limited, EBS Pensions Limited, Embark Services Limited and Halifax Share Dealing Limited. There is common directorship across the 6 entities to enable concurrent boards to take place, where appropriate to do so. When concurrent boards do take place, the agenda and papers identify which entities are impacted, and where appropriate, discreet sections for each Company.

The Tier 1 Board is responsible for the governance of the Embark Group businesses and operates with an Audit Committee, Risk Committee and Nomination and Governance Committee.

The Chair of the Embark Tier 1 Risk Committee (or other individual nominated by the Committee) will report formally to the Embark Tier 1 Board and will escalate any matters it deems appropriate on any area within its remit where action or improvement is needed.

3.1.2 The Company Board and Committees

The Company Board derives its collective authority by direct delegation from its shareholder. Its key purpose is to ensure the Company's prosperity by collectively directing company affairs whilst meeting the appropriate interests of its key stakeholders, including its customers, employees and the shareholder.

The Company Board has two overarching responsibilities:

To ensure the Company remains compliant with local law and meets the expectations of its regulators, paying due regard to jurisdictional best practice; and

To maintain the Company's business as a going concern in line with its strategic aims and targets or, if it was ever to be required, manage its orderly closure. In either respect, the directors should ensure full regard is paid to the interests and expectations of all the Company's customers and other stakeholders.

The responsibilities of the SIML Board extend to services that are provided by Embark Group functions or third parties. Where reliance has been placed on these services, the SIML Board retains responsibility for ensuring that the service being provided to SIML is adequate and effective.

The Company's Board is composed of executive directors and independent non-executive directors.

The Company has established an Audit Committee, Risk Committee, and a Nominations and Governance Committee, which assist the Board in carrying out its responsibilities as follows:

- **Risk Committee**: responsibilities in relation to the oversight of risk management;
- **Audit Committee**: responsibilities in relation to financial reporting, internal control and governance;
- **Nominations and Governance Committee**: responsibilities in relation to providing oversight and guidance relating to the structure and composition of the Company's Board and assisting in identifying issues requiring Management's attention as well as succession planning and remuneration.

3.2 Directorships Held by Members of the Management Body

The table below shows the number of directorships held by members of the Company's management body as at 31 December 2023. For the purposes of MIFIDPRU, the total number of directorships excludes directorships held in organisations which do not pursue predominantly commercial objectives. Multiple directorships held within the same group are counted as one directorship.

Name	Position within the Company	No. of External NED Appointments
Donald MacKechnie	Chair of the Governing Body	0
Paul McMahon	Chair of the Risk Committee, Independent Non-Executive Director	1
Jonathan Anderson	Chair of the Audit Committee, Independent Non-Executive Director	1
Jackie Leiper	Chief Executive Officer, Executive Director	0
Scott Guild	Chief Financial Officer, Executive Director	0
Mark Skinner	Independent Non-Executive Director and Chair of Nominations and Governance Committee	1

3.3 Flow of Risk Information to the Management Body

Risk information flows through to the Company Board primarily via reporting from Board Risk Committee meetings, where the Chief Risk Officer, is a standing ex officio attendee. Significant or material issues may also be reported to the Company Board directly by the Chief Executive, Chief Finance Officer or Chief Operating Officer.

3.4 Board Diversity Policy

New appointments are made on merit, taking account of the specific skills and experience, independence and knowledge needed to ensure a rounded Board and the diversity benefits each candidate can bring to the overall Board composition. The Company is working towards the ambition set in the Lloyds Board Diversity Policy with further details available at www.lloydsbankinggroup.com/who-we-are/responsible-business/inclusion-and-diversity/board-diversity-policy

4 Own Funds and Own Funds Requirements

4.1 Own Funds

The Company's own funds comprise exclusively of Common Equity Tier 1 (CET 1) capital, as at 31 December 2023, which is the most robust category of financial resources. It is comprised of fully paid issued ordinary shares and retained earnings.

Table OF1 - Composition of regulatory own funds

	Item	**Amount (GBP thousands)**	**Source based on reference numbers/letters of the balance sheet in the audited financial statements**
1	**OWN FUNDS**	**17,505**	**Total Equity**
2	**TIER 1 CAPITAL**	**17,505**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**17,505**	
4	Fully paid-up capital instruments	7,900	Share Capital, Note 16
5	Share premium		
6	Retained earnings	9,605	Retained Earnings, Statement of Financial Position
7	accumulated other comprehensive income		
8	Other reserves		
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1		
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		

Table OF2 - Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements				
		a	b	c
		Balance sheet as in published/audited financial statements	**Under regulatory scope of consolidation**	**Cross-reference to template OF1**
		As at period end	**As at period end**	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Intangible assets	0	0	
2	Property, plant and equipment	0	0	
3	Investments	0	0	
4	Deferred tax asset	0	0	
5	Trade and other receivables	9,580	9,580	
6	Reinsurance assets	0	0	
7	Current tax assets	604	604	
8	Cash and cash equivalents	10,104	10,104	
	Total Assets	**20,288**	**20,288**	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Trade and other payables	(2,783)	(2,783)	
2	Provisions	0	0	
3	Insurance liabilities	0	0	
4	Current tax liabilities	0	0	
5	Lease liabilities	0	0	
6	Deferred tax liability	0	0	
7	Lease liabilities	0	0	
8	Loans	0	0	
	Total Liabilities	**(2,783)**	**(2,783)**	
Shareholders’ Equity				
1	Share capital	7,900	7,900	Item 4
2	Share premium	0	0	
3	Retained earnings	9,605	9,605	Item 6
	Revaluation reserve	0	0	
	Capital contribution reserve	0	0	
	Total Shareholder's equity	**17,505**	**17,505**	**Item 1**
Own funds: main features of own instruments issued by the firm				
The Company’s own funds are made up of Common Equity Tier 1, CET1, capital comprising of fully paid-up Share Capital and Retained Earnings.				

4.2 Own Funds Requirements

The Company is required to disclose the K-factor requirement (KFR) and the fixed overhead requirement (FOR) amounts in relation to compliance with the own funds requirements as set out in MIFIDPRU4.3 as at 31 December 2023.

Item		Total amount in GBP (thousands)
KFR	K-AUM (assets under management), K-CMH (client money held) and K-ASA (assets safeguarded)	 1,961 5,528
	K-DTF (daily trading flow) and K-COH (customer orders handled)	 31
	K-NPR (net position risk), K-CMG (clearing margin given), K-TCD (trading counterparty default) and K-CON (concentration risk)	
	Total KFR	**7,520**
FOR		**7,549**

4.3 Approach to assessing the adequacy of its own funds in accordance with the overall financial adequacy rule

Under the MIFIDPRU rules, the Company is required to operate an ICARA process and produce an ICARA document at least annually, or more frequently if there is a material change in the business or the environment in which it operates.

The ICARA document is reviewed and approved by the Company's Board. It is the responsibility of the Company's senior management and the Board to ensure the process meets the FCA's expectations. The overall purpose of the document is to capture the conclusions of the ICARA process which considers the potential harm that the Company can cause to clients, market and others, by the type and scale of activities it undertakes. The Company assesses adequate financial resources commensurate to this risk of harm and the complexity of its business.

As part of its ICARA process, per MIFIDPRU 7.6, the Company must assess whether it should hold additional own funds in excess of its own funds requirement to comply with the overall financial adequacy rule. Under this rule, the Company is obliged to hold own funds and liquid assets which are adequate, both as to their amount and quality, to ensure that:

(a) 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; and

(b) its business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

Risk capital held is assessed by considering the impact and material harms that could arise from adverse events during the Company's ongoing activities. Scenario testing is also performed, and capital plans put in place to respond to possible future events. The Company is required to hold sufficient capital resources to meet the overall assessment of risk capital on this basis.

Within the ICARA, the capital assessment process is complemented by:

- Identification of material harms for the Company;
- Selection of risk scenarios to derive an estimate of potential harm, and;
- Agreement of stress test components and assumptions used in stress testing and financial modelling.

The Company's Own Funds Threshold Requirement, which is its own assessment of the minimum amount of capital that it believes is adequate against the risks identified, has been assessed as higher than its own funds requirement. As at 31 December 2023 the Company had a surplus of own funds above the own funds threshold requirement deemed necessary to cover the risks identified.

5 Remuneration Policy and Practices

5.1 Remuneration

The Company is a FCA solo regulated entity that is subject to the MIFIDPRU Remuneration Code. However, as a non-SNI MIFIDPRU investment firm not meeting the conditions in SYSC 19G.1.1R(2), the Company is not subject to the regulatory provisions relating to shares, instruments and alternative arrangements, retention policy, shares and discretionary pension benefits.

The Company is part of the wider Lloyds Banking Group ("the Group").

As a Capital Requirements Directive ("CRD") firm, the Group is required to adopt and apply a remuneration policy that is firm-wide, which includes the Company. Consequently, the Remuneration policy complies with CRD requirements as well as all other regulations that are applicable to its regulated subsidiaries, including the MIFIDPRU Remuneration Code (SYSC 19.G of the FCA Handbook).

The Group's Remuneration Policy is set by the Group Remuneration Committee comprising of solely independent directors (and is adopted Group-wide through the legal entity committees).

The Company's Chief Executive Officer is accountable for establishing, implementing and maintaining remuneration policies, procedures and practices within IP&I which adhere to the Group's remuneration policy, and are consistent with and promote principles of effective risk management. Support is provided by the Insurance People Committee which is responsible for ensuring that remuneration related activity is effectively monitored.

The Group operates a separate identification process for the identification of its CRD Material Risk Takers ("MRTs") and its MIFIDPRU Identified Staff.

The Identification of MIFIDPRU Identified Staff is undertaken on a solo basis for each legal entity (including The Company).

The MIFIDPRU Identified Staff methodology is based on 11 criteria, which satisfy the requirements in SYSC 19.G.5.3 - 5.5 of the FCA Handbook.

The roles identified include Senior Management, Business and Function leaders, regulated roles, control functions and other roles considered to be materially risk-taking.

5.2 Principles of the Remuneration Policy

The Group's Remuneration Policy is based on four core aims that are designed to specifically promote certain desired behaviours and outcomes, which are supported by the structure of the remuneration package offered to colleagues:

- Performance Driven – Reward should recognise collective success in delivering our purpose and strategy (aligned with the Group's risk appetite and conduct expectations) and individual contribution to that success.
- Talent Focused – Reward should attract and retain skilled colleagues of the highest calibre across the organisation, delivering the workforce of the future.
- Values Based – Reward should be designed so that it is fair and embodies our values: People first, Inclusive, Trusted, Sustainable and Bold.
- Clear and Understood – Reward should be explained clearly and understood by colleagues, enabling increased personalisation and choice.

These principles are interpreted and explained in detailed reward policies and procedures which govern specific areas of reward and support the practical operation of the Remuneration Policy.

These policies and procedures reinforce the alignment between business strategy, risk profile and remuneration and provide a framework for understanding and implementing the Group's remuneration structure. The objective of the policy is to align individual reward with the Group's performance, the interests of its shareholders and a prudent approach to risk management.

The remuneration policy is based on principles which are applicable to all employees within the Group and, in particular, the principle that the reward package should support the delivery of the Group's purpose of Helping Britain Prosper and the strategic aim of becoming a UK customer-focused, digital leader and integrated financial services provider, whilst delivering higher, more sustainable returns to shareholders. It fosters performance in line with the Group's values and behaviours, encourages effective risk disciplines and is in line with relevant regulations and codes of best practice.

To support remuneration decision-making, an effective performance management framework is operated. Business performance is assessed across the Group using a balanced scorecard approach comprising of financial and non-financial metrics.

A strong risk governance model is in place which manages against the Group's appetite for risk. The risk types considered are set out in the Risk Management Framework and include Market risk, Credit risk, Funding and Liquidity risk, Capital risk, People risk, Operational risk, Conduct risk, Regulatory and legal risk, Governance risk, financial reporting risk and Insurance risk.

5.3 Fixed vs Variable Reward Elements

Remuneration is delivered via a combination of fixed and variable remuneration.

Fixed remuneration reflects the role, responsibility and experience of a colleague. In addition to receiving a salary, benefits are available to UK based colleagues including, pensions, concessionary financial products, private medical cover and a retail discount scheme.

There are a small number of senior employees who are also in receipt of a role-based allowance. Role based allowances are delivered monthly in cash. The purpose of the role-based allowance is to ensure that total fixed remuneration is commensurate with the role, responsibilities and experience of the individual; provides a competitive reward package; and is appropriately balanced with variable remuneration, in line with regulatory requirements.

Variable remuneration is based on an assessment of individual, business area and Group performance. The mix of variable and fixed remuneration is driven by seniority and role.

The performance-related elements of pay make up a significant proportion of the total remuneration package for MRTs, whilst maintaining an appropriate balance between the fixed and variable elements.

Given the role the Insurance Group plays as part of the wider UK-focused consumer and commercial bank, the majority of Insurance Group employees participate in the annual Group Performance Share Plan.

Some employees participate in specialist or enhanced bonus arrangements, where variable remuneration may be a higher proportion of total remuneration, with salary levels being guided by a combination of external market data, peer comparisons and internal pay ranges where applicable.

The maximum ratio of variable to fixed remuneration for MRTs approved by shareholders at the 2014 AGM is 200 per cent.

5.4 Variable Reward Plans

5.4.1 Group Performance Share Plan

The Group Performance Share (GPS) plan is an annual discretionary bonus plan. The plan is designed to reflect specific goals linked to the performance of the Group, business and individual performance.

Individual GPS awards are based upon individual financial and non-financial performance, including risk management performance. Most colleagues and all Material Risk Takers (MRTs) participate in the GPS plan.

Individual GPS awards are based upon individual contribution, overall Group financial results and an assessment of the individual's contribution, performance, behaviours and development over the past calendar year.

The Group's total risk-adjusted GPS outcome is determined by the Remuneration Committee annually, taking into account the Group balanced scorecard outcome and modified for collective and discretionary adjustments to reflect risk matters and / or other factors.

The Group balanced scorecard performance measures and targets are set annually by the Committee in line with the Group's strategic business plan and consist of both financial and non-financial measures, and the weighting of these measures are determined annually by the Committee.

Remuneration under the Group Performance Share Plan is a mixture of cash and shares. The Group applies deferral arrangements to GPS and variable pay awards made to colleagues. GPS awards for MRTs are subject to deferral and a holding period in line with regulatory requirements and market practice.

Material Risk Takers identified staff and all other Executives are subject to the Risk Performance Review process incorporating a risk assessment and commentary by their line manager and 2nd line risk partner is embedded within 'Your Best'. The risk performance review outcome will be taken into account when the line manager determines the colleagues annual GPS outcome.

5.4.2 Other types of awards

Guarantees, Buy-outs and Retention Awards are only permitted in line with the PRA/FCA remuneration requirements, and are subject to the approval processes set out in the Group's Reward Governance Framework, including the Buy Out policy and Deferral and Performance Adjustment policy.

Guarantees for variable remuneration may only be offered in exceptional circumstances to new hires for the first year of service.

5.4.3 Redundancy Pay

All colleagues with two or more years' service are entitled to statutory redundancy pay. Enhanced redundancy pay may be offered in certain circumstances.

Further details can be found in the Directors' remuneration section of the 2023 LBG plc Annual Report using the link at:

https://www.lloydsbankinggroup.com/investors/annual-report.html

6 All Employee Share Plans

There are also two “all employee” share plans available for investment by all employees, namely Sharematch and Sharesave.

Sharesave is a savings account and a combined share option plan that's offered from time to time. Sharematch gives employees the opportunity to invest in Lloyds Banking Group shares (called Partnership Shares). There is no fixed invitation period for Sharematch - employees can join at any time either online or by phone.

6.1 Pension and supplementary schemes

Members of the Insurance Board, its Executive Committees and other key function holders, are eligible for membership of the Group’s employee pension schemes on the same terms as other colleagues.

The Group does not operate an early retirement scheme.

6.2 Quantitative Disclosures

A non-SNI MIFIDPRU investment firm must disclose the total number of material risk takers identified by the firm under SYSC 19G.5. For the year ending 31st December 2023 the total number of material risk takers for the Company, including senior management, was 14.

A non-SNI MIFIDPRU investment firm must disclose the following information, split into categories for senior management, other material risk takers, and other staff:

(a) the total amount of remuneration awarded;

(b) the fixed remuneration awarded; and

(c) the variable remuneration awarded

Split of fixed and variable remuneration awarded			
	Senior Management	Other Material Risk Takers	Other Staff
Fixed remuneration awarded	£2,517,920	£514,040	£0
Variable remuneration awarded	£1,845,000	£303,170	£0
Total amount of remuneration awarded	£4,362,920	£817,210	£0

** Senior management is aligned to the regulatory definition contained in Article 2 (9) of DIRECTIVE 2013/36/EU which of means those natural persons who exercise executive functions within an institution and who are responsible, and accountable to the management body, for the day-to-day management of the institution. This excludes non-executive directors in their supervisory capacity.*

A non-SNI MIFIDPRU investment firm must disclose the following information, split into categories for senior management and other material risk takers:

(a) the total amount of guaranteed variable remuneration awards made during the financial year and the number of material risk takers receiving those awards;

(b) the total amount of the severance payments awarded during the financial year and the number of material risk takers receiving those payments; and

(c) the amount of the highest severance payment awarded to an individual material risk taker.

In financial year 2023 there were no MRTs (including Senior Management) who received a guaranteed variable remuneration award or a severance payment.

7 Investment Policy

The Company is not required to provide a disclosure on investment policy as it is not categorised as a larger non-SNI firm due to meeting the conditions of MIFIDPRU rule 7.1.4.

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