

# **Legal & General (Portfolio Management Services) Limited**

MIFIDPRU Disclosure  
31 December 2024

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# 1. Introduction

Legal & General (Portfolio Management Services) Limited ("PMS") is authorised and regulated by the Financial Conduct Authority ("FCA") under Firm Reference Number 146786. PMS is a wholly owned subsidiary of Legal & General Retail Investments (Holdings) Limited and ultimately owned by Legal & General Group Plc ("the Group").

The specific requirements of MIFIDPRU draw a distinction between small and non-interconnected ("SNI") and non-SNI firms, with more stringent measures applying to non-SNI firms. Under the FCA's Prudential Sourcebook for MIFID Investment Firms ("MIFIDPRU") definition, PMS, by virtue of having permission to hold client money, is an investment firm and is classified as a non-SNI firm.

This document sets out the disclosures for PMS in accordance with MIFIDPRU chapter 8. The disclosures are as at 31 December 2024 in line with PMS's latest set of published annual financial statements.

## 2. Risk management objectives and policies

PMS operates in accordance with the Group's Risk Management Framework, which comprise policies and processes to identify, measure, monitor, manage and report the risks that the Group is (or could be) exposed to, including the categories of risks addressed by MIFIDPRU 4, MIFIDPRU 5 and MIFIDPRU 6.

To ensure we operate within risk appetite, it is the Group's policy that processes must be in place to:

- identify and record all material risk exposures;
- regularly monitor actual exposures versus appetite;
- take appropriate and timely management action to address identified issues;
- accurately measure risk-based capital requirements; and
- produce timely and accurate reporting for stakeholders, including regulators.

The sections below detail the Group's risk management policy which is adopted by PMS.

### 2.1 High level approach to risk management

Taking informed risk is part of being in business, and understanding the risks faced, in the markets operated in, gives the Group a competitive advantage. The Group balances the risks that provide sustainable returns with those that do not and makes the best use of its capital to deliver its strategy. This is done to deliver increased earnings, business performance, and shareholder value, at the same time as keeping the Group's reputation intact and safeguarding its customers' interests.

Managing risk effectively is not a constraint on business growth. The Group's managers need a positive attitude to risk, so they can take advantage of business opportunities and meet business objectives; control areas of greatest risk and act promptly to remediate any weakness and failures in processes; and be satisfied that the capital held is sufficient to deal with risks the business is exposed to.

### 2.2 Risk governance framework

The Group's risk governance framework, which is underpinned by the Group's risk appetite, provides structure to enable informed risk taking and decision making. It enables the Group Board to draw comfort that risk exposures are appropriately identified and managed, and that the risk of significant loss or reputational damage is minimised.

The framework is made up of six elements, each with a distinct purpose:

- **Risk taking authorities:** cascade the risk appetite; empowering decision making within clear parameters.
- **Risk policies:** define the required approaches to managing specific risk, so that residual exposures are within appetite.
- **Risk identification and assessment:** resources to help managers identify and evaluate risk exposures.

- **Risk management information (“MI”)**: effective reports that facilitate the assessment of risk exposures versus appetite.
- **Risk committees**: review key risk exposures and develop/refine risk management strategies.
- **Risk oversight**: oversight of risk management by the Group and Divisional Chief Risk Officer (“CRO”) teams.

## 2.3 A ‘risk aware’ culture

The Group fosters a risk aware culture and relies on its culture and behaviours within the business for the risk framework to operate successfully. The Group’s risk aware culture is based upon the following principles:

- Openness and transparency in how decisions are made, and risks are managed;
- All significant decisions are aligned with the Group’s strategy, capital targets, and expected returns, whilst considering the effects on the Group’s reputation and customers;
- Managers with risk taking authorities are expected to act as a ‘prudent person’, and make decisions in light of the impact of the risk on the entire Group;
- Business managers own the risks and risk management processes associated with the activities they are responsible for, and must aim to manage these without process errors and perform regular assurance on their control design and operating effectiveness;
- Risk events are reported and addressed in good time, as it is recognised that no system of control is fail-safe;
- All employees actively contribute to managing risk in their roles and make decisions within delegated authorities. Management committees facilitate informed decision making on more complex matters; and
- Risk committees are forums for managers to review and challenge how we identify and manage key risks, and for the agreement of extensions or limitations of risk appetites.

## 2.4 Three lines of defence

The Group’s risk governance framework is based on a three lines of defence model, whereby:

- **1st line (including 1.5)**: business managers identify and manage risks;
- **2nd line**: Group risk and divisional CRO teams and risk committees oversee and challenge the management of risks; and
- **3rd line**: Group Internal Audit provide independent assurance that risks are effectively managed, and that appropriate oversight exists.

## 2.5 Risk and capital management

The Group’s core measure of risk exposure is risk-based capital. Approaches to calculating risk-based capital requirements are set within the calibration standards and methodologies defined within the Group’s Internal Model (and Internal Capital Adequacy and Risk Assessment (ICARA) standards, as appropriate).

The Group’s Own Risk and Solvency Assessment (ORSA) process provides an ongoing assessment of risk exposures and evaluates capital requirements and the sufficiency of resources necessary to sustain the



business strategy over the planning horizon. The setting of the Group's overall risk appetite is an integral part of the ORSA process.

## 2.6 Risk taking authorities

Risk and capital mandates ("mandates") cascade the Group's risk appetite to each of its operating divisions. These mandates set out the risk-taking parameters that each business unit's managing director is empowered to operate within. Whilst the risk types, limits and tolerances will vary between each mandate, they follow a standard structure, including:

- permitted products;
- capital and volatility in earnings;
- risk preferences;
- key risk limits and risk monitoring metrics; and
- delegated authorities.

Details of the above are documented within the Group's Risk Taking and Delegated Authority Framework.

## 2.7 Risk policies

The Group's risk policies define the overall approach to monitoring and controlling specific risk types. Policies are in place for each of the Financial and Non-Financial risks, including market, insurance, credit, liquidity, operational, and group risks, defining:

- risk appetite;
- the framework for management and oversight of the risk; and
- the minimum control standards and procedures required to ensure that the Group is only exposed to the residual risks set out within the risk strategy.

The Group Internal Control Policy provides guidance on the design of effective internal control and supports the risk governance framework through defining the control environment and activities that need to be in place to support risk mitigation.

## 2.8 Risk identification and assessment

Business managers are responsible for identifying and assessing the risks in their business. Divisional CRO teams support the risk identification and assessment process and provide objective review and challenge.

- **Strategic risks:** relate to inherent factors that impact the delivery of the business's strategy, or transient/developing matters that require active senior management involvement to ensure that they do not result in significant loss or reputational damage. Details are documented within the Group Enterprise Risk Management Framework.
- **Financial risks:** exposures to market, insurance, credit and liquidity risks, which are characteristics of the Group's products and the investment assets held.
- **Non-Financial risks:** potential for loss regulatory sanction or customer/reputational damage as a result of failed systems, processes, people, or external events. Exposures associated with the

Group's activities are identified and assessed with reference to business processes and the factors that may prevent those objectives being achieved. Significant risks together with key controls are recorded on OneSumX (the risk management system used within the Group) and are reviewed regularly with the effectiveness of controls being attested to by relevant individuals within the business in respect of controls they operate.

## 2.9 Risk management information ("MI")

Effective MI is a key tool used by the Group for risk management. Business management are responsible for ensuring that appropriate and adequate MI is in place. Group and divisional CRO teams are responsible for overseeing the flow of MI on risks, mitigation actions and issues. The Group CRO team conducts independent analysis and reporting on significant, thematic, and emerging risk matters and reports upon the aggregation and concentration of risks on a Group wide basis. Divisional CRO teams also provide advice and guidance to business management on the development of risk MI. Risk committees are asked to periodically confirm that they are satisfied with the MI received.

## 2.10 Risk oversight

Risk management is the responsibility of all business managers and directors, who are supported by the Group and divisional CROs and their teams.

The Group CRO role is:

- independent of business lines, and has an independent reporting line to the Chair of the Group Risk Committee ("GRC");
- within the 2nd line of defence, providing advice, oversight and challenge for all of the Group's risks; and
- involved, where appropriate, in all material decisions to influence and provide objective challenge.

Divisional CRO's perform a similar role, working with business management to ensure an appropriate risk management framework is in place, and that risk management is embedded in each division.

Group Internal Audit ("GIA") are responsible for reporting to the Group Audit Committee on adherence to internal systems and controls, procedures, and policies, and to the GRC on both the effectiveness of the Group's risk governance framework and adherence to the framework by the operating divisions. GIA is independent of the day-to-day activities of the Group.

## 2.11 Risk committees

Risk committees provide forums to review key risks and develop risk management strategies. Group level committees provide forums for Board oversight and challenge of the operation of the risk framework, and the management of key risks.

## 3. Governance arrangements

### 3.1 PMS Board

The PMS Board (“the Board”) is the governing body of the firm, having overall responsibility for approving and overseeing the firm’s strategic objectives, risk strategy and internal governance.

The Board meets quarterly, with additional meetings held as required to meet business needs. The Board has a schedule of regular items which it discusses, including MI on the performance and operations of PMS, and a schedule of matters reserved for the Board is in place, that is reviewed annually.

The Board allocates responsibility for the conduct of the business to the Chief Executive Officer who is supported by other Senior Managers, who collectively form the management body. The management body are allocated specific responsibilities in line with their Senior Management Functions (“SMF”), with the allocation of these responsibilities including appropriate segregation of duties in accordance with the Senior Management and Certification Regime.

A conflicts of interest register is maintained for each director and reviewed annually by the Board.

### 3.2 Committees

The Board is supported by several committees, including the Workplace Savings Risk Committee (“The Committee”).

The Committee is a key element of the governance structure being responsible for ensuring that business management maintain a proportionate system of risk management and internal control, overseeing the management of risk events and deficiencies. The Committee meets at appropriate intervals throughout the year, typically monthly with a minimum of six meetings a year. Details of the risk management framework and objectives are covered within Section 2 of this document. In addition to the Committee, there are further sub-committees that report to the Board and have responsibility for the oversight of specific risks.

MIFIDPRU 7.1.4 states that MIFIDPRU 7.3 does not apply “where the value of the firm’s on-balance sheet assets and off-balance sheet items over the preceding 4-year period is a rolling average of £100 million or less.” As this condition is held for PMS, it is not required to have its own risk committee separate from the Workplace Savings Risk Committee.

### 3.3 Directorships

The number of directorships (both executive and non-executive) held by each member of PMS’s management body is set out below.

This excludes directorships held in organisations that do not pursue predominantly commercial objectives and directorships within the Group.



Name	Senior management function	Number of executive directorships	Number of non-executive directorships
Alastair William Hall	SMF3 Executive Director (appointed 18 February 2020)	1	0
Colin Murphy	SMF16 Compliance Oversight (resigned 23 December 2024)	0	0
Jason Cule	SMF17 Money Laundering Reporting Officer (appointed 19 February 2025)	0	0
Katharine Ann Photiou	SMF1 Chief Executive, SMF 3 Executive Director (appointed 22 July 2024)	0	0
Lorna Louise Shah	SMF1 Chief Executive, SMF3 Executive Director (appointed 9 October 2021, resigned 22 July 2024)	0	0
Marco Groot-Wassink	SMF3 Executive Director (appointed 2 November 2022, resigned 4 April 2025)	0	0
Richard Bethune	SMF17 Money Laundering Reporting Officer (resigned 30 August 2024)	1	0
Sally Clayton	SMF16 Compliance Oversight (appointed 4 March 2025)	0	0
Simon Jonathan Burke	SMF9 Chair of the Governing Body (appointed 21 December 2017)	2	1

PMS is not a SYSC significant firm under the definition of SYSC 1.5.2R and therefore its management body are not limited on the number of directorships they can hold.

### 3.4 Diversity

In line with the Group, PMS recognises that diversity of experience, thought and perspective drives greater proximity to its customers, better informed decisions and a culture which more readily embraces innovation. A diverse workforce reflects the communities we serve, strengthening our connection with customers and society. PMS

operates in accordance with the group-wide diversity and inclusion policy which is overseen by the Group Board. This policy applies to all individuals directly employed by the Group and therefore includes the PMS management body. It has been designed to support the Group achieve its targets of:

- 50% of workforce to be women by end of 2025;
- 17% of workforce to be from ethnic minorities by end 2027;
- 40% of senior roles to be held by women by end of 2025;
- 17% of senior roles to be held by people from ethnic minorities by end of 2027;
- At least 40% of Board roles to be held by women by end of 2025; and
- At least 17% of Board roles to be held by people of ethnic minorities by end of 2027.

Progress towards these targets is monitored and overseen by the Group Board. The Group Diversity and Inclusion policy sets out a number of standards, followed by PMS, including that the Group will:

- be fair and transparent, and treat its people with dignity and openness;
- respect differences and reject behaviours that marginalise, disadvantage, or devalue others
- identify and address any barriers that may prevent people being treated fairly
- build a workforce that reflects our diverse communities by improving hiring processes and removing barriers
- create an inclusive environment where everyone feels comfortable sharing opinions and embracing differences
- ensure everyone understands their responsibilities in fostering an inclusive workplace
- use data and insights in line with our employee data policies to shape actions, measure progress and drive accountability
- hold leaders and employees accountable for maintaining a diverse and inclusive workplace
- maintain a zero-tolerance approach to unlawful discrimination and harassment, including among employees and third parties
- take all complaints seriously and investigate any concerns as they arise
- ensure our employee policies reflect the principles of this policy.

We recognise that countries outside of the UK may have their own laws or requirements which may differ to the content of the policy. In these circumstances, the local laws or requirements take precedent.

PMS is supported in following these standards by the Group's Global Diversity and Inclusion Council that is tasked with developing the Group plans for improving Diversity and Inclusion across the Group.

It is acknowledged that at an entity level the PMS management body does not currently meet the Group level targets in terms of gender balance and ethnic minority representation. However, the selection of management body members is dependent on the suitability and diversity of senior employees from which to promote to management body/Board level.

The following table shows gender split of the Group's overall workforce as at 31 December 2024.

The Group's workforce	Female		Male	
	YE23	YE24	YE23	YE24
Board directors	5 (42%)	6 (43%)	7 (58%)	8 (57%)
Executive Committee <sup>1</sup>	4 (33%)	5 (38%)	8 (67%)	8 (62%)
Middle/senior management	37.2%	38.5%	62.8%	61.5%
All employees	46.5%	48.8%	53.5%	51.2%

We note that the gender split of the Group's overall workforce and also of the Executive Committee has improved over 2024 with more female employees overall and at the executive level.

The Group's workforce	Minority ethnicity		White ethnicity		Prefer not to say		Not specified	
	YE23	YE24	YE23	YE24	YE23	YE24	YE23	YE24
Board directors	3 (25%)	3 (25%)	9 (75%)	-	-	-	-	-
Executive Committee	0 (0%)	0 (0%)	12 (100%)	10 (77%)	-	-	-	3 (23%)
Middle/senior management	17.30%	18.20%	63.10%	63.50%	1.90%	2.00%	17.70%	16.30%
All employees	16.90%	17.70%	65.00%	65.70%	1.60%	1.60%	16.50%	15.00%

The above table shows the split by ethnicity of the Group's overall workforce as of 31 December 2023 and 31 December 2024. We note that this shows that the Group level target in terms of ethnicity has been met in 2024 with 17.7% of the Group workforce being from ethnic minority backgrounds and 18.2% of middle/senior management also being from an ethnic minority background. While this target has been met at the Board director level and within middle/senior management, we note that this is not met at the Executive Committee level.

The Group is focussed on recruitment and early careers along with widening opportunities for employees. The Group Board reviews, at least annually, the progress against the diversity objectives and targets backed up by analysis of the Group's workforce demographic. It is therefore expected that these measures, applied at a Group level, will translate into the targets being met by the PMS management board by the target dates. Remedial action plans will be put in place and tracked in the event there is any shortfall in performance at an overall level.

<sup>1</sup> The Group Executive Committee existed under our old governance framework until 31 December 2023. The Group Management Committee replaced this committee under the new governance framework effective from 1 January 2024.

## 4. Own funds

The own funds disclosures as made in line with the template requirement set out in MIFIDPRU 8.4 and MIFIDPRU 8 Annex 1.

### 4.1 Composition of regulatory own funds

As at 31 December 2024, to meet its regulatory obligations, PMS held own funds (regulatory capital) of £16,411k (2023: £14,621K). All own funds are held within common equity tier 1 capital and the composition is below:

#### Composition of regulatory own funds – OF1

		Amount 31 Dec 2024 (£000s)	Amount 31 Dec 2023 (£000s)	Source based on reference numbers/letters of the balance sheet in the audited financial statements (Appendix I)
1	<b>OWN FUNDS</b>	<b>16,393</b>	<b>14,621</b>	<b>11</b>
2	<b>TIER 1 CAPITAL</b>	<b>16,393</b>	<b>14,621</b>	<b>11</b>
3	<b>COMMON EQUITY TIER 1 CAPITAL</b>	<b>16,393</b>	<b>14,621</b>	<b>11</b>
4	Fully paid-up capital instruments	64,052	63,852	6
5	Share premium	62,448	51,648	7
6	Retained earnings	(125,107)	(115,879)	9
7	Accumulated other comprehensive income/(expense)			
8	Other reserves – Capital contribution reserve	15,000	15,000	8
9	Adjustments to CET1 due to prudential filters			
10	Other funds			
11	<b>(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1</b>			
19	CET1: Other capital elements, deductions and adjustments			
20	<b>ADDITIONAL TIER 1 CAPITAL</b>			
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
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**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
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Own funds have increased in FY2024 due to share issues to the total of £11m, increasing share capital and share premium (explained in 4.3 below), offset by losses of £9.2m.

An extract from the audited financial statements providing the statement of financial position (balance sheet) with relevant references can be found in Appendix 1.

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

Amount (£000s)	Column A - Balance sheet as in published/audited financial statements  As at period end 31 Dec 24 £000s	Column B - Balance sheet as in published/audited financial statements  As at period end 31 Dec 23 £000s	Column C - Cross-reference to template OF1
<b>ASSETS – Breakdown of asset classes according to the balance sheet in the audited financial statements</b>			
Investment in subsidiary	20	20	
Deferred tax asset	15	22	
Trade and other receivables	4,019	3,687	
Cash and cash equivalents	14,989	14,421	
<b>Total Assets</b>	<b>19,043</b>	<b>18,150</b>	
<b>LIABILITIES - Breakdown by liability classes according to the balance sheet in the audited financial statements</b>			
Trade and other payables	(2,650)	(3,529)	
<b>Total Liabilities</b>	<b>(2,650)</b>	<b>(3,529)</b>	

SHAREHOLDERS' EQUITY			
Share capital	(64,052)	(63,852)	4
Share premium	(62,448)	(51,648)	5
Capital Contribution Reserve	(15,000)	(15,000)	8
Retained earnings	125,107	115,879	6
<b>Total Shareholders' equity</b>	<b>(16,393)</b>	<b>(14,621)</b>	<b>1</b>

As PMS has the same accounting for its balance sheet and regulatory scope of consolidation, PMS is only required to disclose its balance sheet information and a reconciliation relating to the regulatory scope of consolidation is not applicable.

### 4.3 Main features of own instruments issued

The main features of own funds instruments issued by PMS are:

- Share capital consists of fully paid ordinary shares of £1 each, with 64,051,600 shares in issuance as at 31 December 2024 (2023: 63,851,600). The original share capital has increased in tranches since incorporation. There was one tranche issued during 2024; 200,000 £1 shares issued on 28 March 2024. The total consideration received during 2024 was £11,000,000 (£200,000 nominal and £10,800,000 share premium)
- 100% of the called-up share capital is owned by the immediate parent company, Legal & General Retail Investments (Holdings) Limited, a company registered in England and Wales.
- A dividend of £Nil (2023: £Nil) was paid during the year.
- 100% of total shareholder's equity is recognised as regulatory own funds capital.
- Share capital, share premium and all other reserves have no specific terms and conditions attributed to them.

## 5. Own funds requirements

MIFIDPRU 4.3 states that PMS must at all times maintain own funds so that they are at least equal to its own funds' requirement.

As PMS is classed as a non-SNI MIFIDRU firm, the own funds requirement is the highest of:

- permanent minimum capital requirement;
- K-Factor requirement; and
- fixed overhead requirement ("FOR").

### 5.1 Permanent minimum capital requirement

This is the initial capital required for authorisation by the FCA and is a fixed amount of £150k, which is based on the investment services and activities PMS undertakes.

### 5.2 K-factor requirements

The purpose of the K-factor requirement is to align capital requirements to the level of risk posed by investment firms and the activities they undertake. There are 9 K-Factors, which are split into 3 categories:

- **Risk to Client:** risks carried by an investment firm during its services, actions or responsibilities, which could negatively impact clients. For many investment firms, failure to carry out its services or operations correctly will be the most important risks they need to manage.
- **Risk to Market** applies capital requirements against the impact an investment firm could have on the markets in which it operates, and on those counterparties, it trades with.
- **Risk to Firm:** intended to capture risks to an investment firm's solvency from its trading activity and market participation. While the primary impact of crystallised risk is on the investment firm itself, its shareholders and its counterparties and creditors, a deterioration in an investment firm's financial standing can lead to increased risks to its clients and/or the wider market.

The Risk to Market and Risk to Firm categories are largely only relevant for firms that trade on their own account and are therefore not generally applicable to PMS.

The K-Factor requirement for PMS is as follows:

K-Factor requirements (£K)	31 December 2024	31 December 2023
K-AUM, K-CMH and K-ASA	11	9
K-COH and K-DTF	0	0
K-NPR, K-CMG, K-TCD and K-CON	-	-
<b>Total</b>	<b>11</b>	<b>9</b>

A summary to explain the various K-Factors can be found in Appendix 2 – Glossary of Terms.

### 5.3 Fixed overheads requirement (“FOR”)

The purpose of the FOR is to ensure that firms hold a minimum amount of capital to support an orderly wind-down. As determined by MIFIDPRU 4.5, the FOR equates to 3 months’ worth of relevant expenditure. Relevant expenditure is the total expenditure before distribution of profits and firms may deduct certain items of variable expenditure such as staff bonuses, if fully discretionary.

The FOR is based on the annual expenditure reported in the most recent audited financial statements. When a material<sup>2</sup> change to projected relevant expenditure is anticipated during the financial year, the FOR is recalculated based on the revised projected expense base and immediately becomes the requirement.

PMS’s FOR is £3,326k (2023: £3,174K), which has been calculated using the annual expenditure from the most recent audited financial statements relating to the financial year ending 31 December 2024.

### 5.4 Own funds requirement assessment

The FOR is the highest own funds requirement and PMS held sufficient own funds throughout the year to cover this minimum regulatory obligation.

As at 31 December 2024, PMS holds excess own funds of £13,085 (2023: 11,447k) over the regulatory own funds’ requirement.

### 5.5 Approach to assessing the adequacy of Own Funds

The K-factor requirements and FOR, as determined above, establish the regulatory minimum level of own funds which PMS is required to hold.

The overall financial adequacy rule as set out in MIFIDPRU 7.4.7 requires that PMS must, at all times, hold own funds and liquid assets which are adequate, both as to their amount and their quality, to ensure that 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 its business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

PMS has in place an ICARA process which seeks to identify all material harms that could result from the ongoing operation of the business, or from the winding-down of the business, and to establish the amount of capital and liquid assets required to cover those potential harms.

PMS’s risk management and control framework enables the identification, mitigation, and monitoring of risks to the business and consideration of potential harms to clients, the firm, and the wider financial markets.

The ICARA process reflects PMS’s risk management framework, incorporating assessment of its business model planning and forecasting, stress and scenario testing, recovery planning and wind-down planning.

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<sup>2</sup> Material is defined by MIFIDPRU as a 30% or more increase in the firms projected relevant expenditure for the current year or an increase of £2m or more in the firms FOR based on the projected relevant expenditure for the current year.



Risk-based capital and liquidity assessments are determined on a “1-in-200 year” basis, such that the internal capital and liquid assets threshold requirements are sufficient to ensure solvency and liquidity over a one-year time horizon with 99.5% confidence.

The assessments are forward-looking in terms of expected business plans and risk exposures, although are prepared on the basis of the existing systems and controls framework, and as such do not take account of any future risk-mitigating management actions or any planned control improvements not yet implemented at the time of the assessment.

The assessments are performed at entity level and at the parent company consolidated level.

PMS’s Board has set a capital coverage risk appetite aimed at ensuring that the amount of own funds held exceeds the higher of the assessed internal capital threshold requirement and the minimum regulatory level, together with an additional margin for prudence.

PMS complies with the overall financial adequacy rule by regular monitoring of its capital and liquidity positions in comparison to the calculated threshold requirements, and by regular monitoring of risk exposures and associated metrics. This allows implementation of timely management action as and when appropriate to ensure continuing compliance, including updated assessments at least annually of threshold requirements to reflect emerging exposures and material changes in the business and risk control environment.

The adequacy of the ICARA process is reviewed at least once every 12 months, and (irrespective of the annual review) following any material change in the business model or operating model.

PMS’s governance structure provides significant oversight of the business and the ability to raise issues with relevant subject matter experts, and to discuss and implement appropriate management actions as and when required.

PMS’s ICARA risk-based assessment ascertains that it holds a higher requirement than the regulatory minimum of the own funds’ requirement (K-Factors/FOR).

## 6. Remuneration policy and practices

PMS has no direct employees, with all staff employed by other subsidiaries of the Group.

### 6.1 Group Remuneration Committee

The Group Remuneration Committee ("the Remuneration Committee") has responsibility for determining and approving the principles and parameters for the Group's remuneration policy for all employees, managing the remuneration of executive directors and designated senior managers, and overseeing compliance with remuneration regulations that apply across parts of the Group.

The Remuneration Committee determines the remuneration policy of the Group having regard to:

- the views of the Group's shareholders and other stakeholders;
- the risk appetite of the Group;
- alignment to the Group's long term strategic goals;
- the requirement that a significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance; and
- designed to promote the long-term success of the Group.

The Remuneration Committee is supported by the Reward Steering Committee, which helps review the implementation of the remuneration policy and set the framework within which incentive arrangements are normally reviewed and implemented, with a view to supporting business strategy, whilst acting within the Group's risk appetite and within the relevant regulatory framework applying to remuneration.

A number of regulatory regimes impact the Group, all of which are taken into account in the remuneration policy. In particular, the policy is consistent with the way the Group integrates risks, including sustainability risks under applicable regulation.

The Remuneration Committee has due regard to market competitiveness, internal relativities, individual and corporate performance when setting and reviewing remuneration. The Remuneration Committee also has regard to the principles of good corporate governance, including but not limited to the UK Corporate Governance Code, the FCA Remuneration Code and guidelines laid down by the investor community.

The Remuneration Committee undertakes a regular review of the adequacy and effectiveness of the remuneration policy to seek to ensure it is fully aligned with the group's long-term objectives.

The Remuneration Committee receives a number of reports to assist it in its oversight of remuneration policy, including reports on risk, financial performance across the group, customer experience and company culture, including progress on key diversity goals, and progress against strategic climate goals.

In considering remuneration proposals, the Remuneration Committee considers a report from the Group CRO which assesses the performance of the Group from a risk appetite perspective across a range of measures including:

- capital and earnings risks;
- prudential risk limits and tolerances;

- operational risk and internal control;
- conduct risk; and
- sustainability risks.

The Remuneration Committee reserves appropriate discretions to adjust payments having regard to responsible and effective risk management.

The Remuneration Committee receives regular updates on regulatory developments and general remuneration issues, as well as market and benchmarking data from its remuneration advisors to support its decisions.

During the year ending 31 December 2024, the Remuneration Committee was made up of the following members:

- Laura Wade-Gery (Chair) – appointed 1 February 2024;
- Philip Broadley;
- Henrietta Baldock;
- Lesley Knox – Chair until 31 January 2024
- George Lewis;
- Ric Lewis; and
- Tushar Morzaria;

Please note that in February 2024, Laura Wade-Gery succeeded Lesley Knox as Chair of the Remuneration Committee. Lesley Knox remains a member of the Remuneration Committee.

PwC was the independent adviser to the Remuneration Committee in 2024.

## 6.2 Principles guiding remuneration policies and practice

The policy is built around a set of key principles designed to ensure that we reward our employees fairly, that we recognise performance, that we are competitive within our market, that we reward appropriately against risk appetite, and to promote the right culture, values and behaviours, including a strong focus on our customers and sound risk management. Our remuneration principles aim to be clear and simple, and strengthen the link between reward, exceptional performance, and balanced risk-taking, as well as emphasise the importance of collaboration.

## 6.3 Material Risk Takers

The Remuneration Committee has identified 14 Material Risk Takers with responsibilities relating to PMS for all or part of the year ending 31 December 2024.

### Identification of Material Risk Takers

The following groups of employees have been identified within the code firms as meeting the criteria for Material Risk Takers, based on the guidance set out in SYSC 19G.5:

- members of the Board and Executive Committee;

- employees performing a SMF in relation to PMS firm within the Group;
- members of key decision-making committees in relation to PMS;
- individuals responsible for information technology and information security; and
- key control function roles.

## 6.4 Key characteristics of remuneration policy and practice

Remuneration at the Group is made up of fixed pay (base pay, retirement and other benefits) and performance-related pay (consisting of annual bonuses, deferred awards and long-term incentives). Performance related pay is designed to reflect success against a range of performance measures and targets taking into account the businesses performance. Performance related pay accounts for a considerable proportion of total remuneration for the majority of Code Staff.

### Annual bonuses

Annual bonuses are designed to reward financial and non-financial performance that supports the business strategy, taking into account the Group's risk appetite and personal contribution in the business context that it was delivered. Targets are specific, measurable, set at the beginning of the year and communicated to employees.

For Material Risk Takers in the control functions (Internal Audit, Regulatory Compliance and Risk), separate performance measures have been designed which exclude any direct linkage to financial performance.

Individual performance assessment is supported by a structured performance management framework. In reviewing an individual's performance against their objectives, the individual's approach to risk management (including the integration of sustainability risks) is considered when determining the overall level of bonus pay out. The bonus policy allows for zero bonus payments to be made when appropriate.

### Deferred bonus

Under the Group-wide deferral arrangements a significant proportion of the annual bonus for senior employees is deferred into Group shares over a three-year period. The purpose of the deferral plan is to promote the sustainable long-term performance of the Group and to align the interests of our senior management with our shareholders.

Deferred awards for senior employees may be subject to forfeiture if the performance which led to a bonus being paid is found to be incorrect or in the event of personal misconduct. Annual incentive awards (including any deferred element) are subject to malus and clawback for material risk takers.

## 6.5 Design and structure of remuneration

Details on the individual components of remuneration are set out below.

### 6.5.1 Fixed pay

#### Base pay

The Group aims to attract and retain key employees by paying base pay which delivers competitive total remuneration. Factors taken into account when determining salaries include:

- the individual's skills, experience and performance;



- scope of the role;
- external market data;
- pay and conditions elsewhere in the Group; and
- overall business performance.

As a member of the Living Wage Foundation, base pay is also set with reference to the Foundation's UK and London living wage levels.

### Benefits

All UK employees of the Group have access to private medical insurance, life insurance, and a range of family-friendly policies (maternity, paternity, adoption and shared parental leave).

In addition, there are several wellbeing support packages including Unmind (a confidential mental health app), childcare and elderly care support.

### Pension

All employees are given the opportunity to participate in a Group Pension Scheme. The pension opportunity offered to the majority of the UK Group workforce was 10% of base pay during 2024.

## 6.5.2 Variable performance related pay

### Annual bonuses

The majority of the Group's employees participate in a discretionary bonus plan, unless an alternative plan applies based on role. An employee will be considered for a discretionary bonus award based on achievement against objectives, conduct and behaviours, the role performed during that year and internal relativities.

Annual bonuses are designed to reward financial and non-financial performance that supports the business strategy, taking into account the Group's risk appetite and personal contribution in the business context that it was delivered. Focus areas are set at the beginning of the year and communicated to employees.

Individual performance assessment is supported by a structured performance management framework. The performance management framework included an assessment and rating of both the "what" and the "how" of each individual's performance so considering both their achievement against the objectives set for the year, and the individual's conduct and approach to risk management (including the integration of sustainability risks). The combination of the "what" and the "how" ratings then determines the overall level of bonus pay out. The bonus policy allows for zero bonus payments to be made when appropriate.

The Remuneration Committee has ultimate discretion over all bonus plans and overall expenditure on annual bonuses is reviewed by the Remuneration Committee at the end of each year taking into account the performance of the business.

### Deferred bonus

Bonuses above a certain threshold are subject to deferral with the deferral amount increasing with the size of the bonus. Deferred awards are normally held in shares for three years and are subject to malus and clawback. The



purpose of the deferral plan is to promote the sustainable long-term performance of the Group and to align the interests of our senior management with our shareholders.

Deferred awards for senior employees may be subject to forfeiture if the performance which led to a bonus being paid is found to be incorrect or in the event of personal misconduct. Annual incentive awards (including any deferred element) are subject to malus and clawback for material risk takers.

The Group reserves the right to adjust deferral levels for Material Risk Takers as deemed necessary to comply with regulatory requirements.

The value of PMS's on-balance sheet assets and off-balance sheet items over the proceeding 4-year period has been a rolling average of £100 million or less as set out in SYSC 19G.1.1R(2). It is therefore not required to provide details of its deferral and vesting policy under MIFIDPRU 8.6.6R(4).

### Long term incentive awards ("LTIA")

LTIA's are a common element of the remuneration of our senior employees and may also be awarded to less senior employees, particularly to recognise outstanding performance. Awards are granted as a combination of Performance Share Plan ("PSP") and Share Bonus Plan ("SBP") awards, with the weighting of each determined by seniority. At our Executive Committee level, awards are 100% PSP. For senior employees below Executive Committee level awards are a combination of SBP and PSP weighted towards the PSP element, and for the remainder of recipients' awards are 100% SBP.

### Performance share plan ("PSP")

The PSP award element of LTIA's recognises the strategic and influential role that senior employees have in contributing to and driving overall company performance.

PSP awards are conditional on the achievement of specific level of performance, over a three-year period, of total shareholder return ("TSR"), Earnings Per Share growth and progress against our climate transition plan. In addition, vesting of awards is subject to an assessment of performance against Solvency II objectives. These measures are intended to ensure an alignment between reward and the interests of shareholders and provides a degree of risk management (TSR reflects both underlying financial performance and the market's assessment of the quality and sustainability of those earnings).

The Remuneration Committee may also exercise its discretion to scale back the vesting of awards if it was felt that the Group's financial performance did not justify the level of vesting (the Remuneration Committee may not increase the award).

Participation in the plan for one year does not guarantee participation in future years.

### Share bonus plan ("SBP")

SBP is the main form of long-term variable remuneration for roles below senior management.

An employee will be considered for an SBP award based on their role and performance during the year. Awards may also be made on an exceptional basis to more junior roles.



Awards are made in the form of restricted shares (or nil-cost options or a conditional award of shares). In normal circumstances awards are subject to a 3-year vesting period.

### 6.5.3 Approach to risk adjustment

The Group's remuneration policy is designed to align with the risk appetite of the Group. Our remuneration arrangements are intended promote effective risk management and appropriate risk-taking and ensure the appropriate consideration of prudential, operational, reputational, conduct and sustainability risks.

All variable remuneration awards are subject to potential adjustment at a Group wide, divisional or individual level in line with the Group's risk adjustment policy. The policy allows for in-year adjustments, end of year adjustments or the application of malus and/or clawback.

In year adjustments may be applied on an individual basis based on issues raised through the Group's conduct risk referral process.

Group wide adjustments may be made based on:

- assessment of Group's risk profile, taking into account;
  - performance against the Group's risk appetite statement;
  - response to emerging risks; and
  - management of core business risks.
- robustness of the Risk Framework and Internal Control;
- regulatory Perceptions and Risk Culture, including;
  - PRA perceptions of the Group's prudential risk;
  - FCA perceptions of conduct risk management; and
  - overall risk management culture.

Divisional/ team adjustments may be made based on:

- performance against capital and earnings risk appetite;
- performance against prudential risk tolerances;
- operational and risk controls;
- IT security;
- conduct;
- internal audit findings; and
- sustainability risks.

### Malus and clawback

For Executive Directors and Code Staff cash awards, deferred bonus awards and long-term incentive awards may be subject to malus and clawback. For all other employees any deferred bonus award or long-term incentive award may be subject to malus and clawback.

In all cases up to 100% of an award may be subject to malus and clawback with awards being potentially subject to clawback for up to 4 years from the payment date.

Ex-post risk adjustments may be applied in the following circumstances:

- financial misstatement;
- factual error in calculating payment/ vesting;
- personal misconduct;
- material failure of risk management;
- serious reputational damage;
- material downturn in performance; and
- other circumstances that are similar in nature or effect.

### Recruitment remuneration

The remuneration levels set for new recruits will normally be in line with the existing remuneration policy and guidelines.

In some instances, new recruits may have accrued deferred remuneration which may be lost upon change of employment. Accordingly, the Group may grant cash or share awards to compensate for awards forfeited upon leaving a previous employer, ensuring that they are no more generous than those being forfeited, and taking into consideration:

- the form of the award
- any performance conditions
- the vesting profile; and
- relevant regulatory requirements and guidance.

In the first performance year only, new recruits may also be offered a bonus assurance, in recognition of lost bonus opportunity with their previous employer in that year. Bonus assurances may be subject to performance conditions assessed on a case-by-case basis.

### Severance pay

Any termination payments in lieu of notice would consist solely of base pay and the cost of providing benefits for the outstanding notice period. Any statutory requirements are observed.

Eligibility for annual bonus, SBP awards and PSP awards are governed by their respective plan rules, as summarised below:

- **Annual bonus:** there is no automatic entitlement to an annual bonus in the year of cessation of employment. However, the Group may determine, at its discretion, that an individual will receive a bonus pro-rated for the period through to leaving based on targets and performance for the full year, and an assessment of overall business and personal performance.
- **SBP:** in the event that a participant is a 'good leaver' any outstanding unvested deferred awards will normally be released in accordance with the ordinary timescale. Exceptionally, the Group reserves the right to accelerate any vesting or payment, for example in the case of terminal illness.



- **PSP:** unless the Remuneration Committee determines otherwise, in the event that a participant is a 'good leaver' any unvested PSP awards will be pro-rated for the period through to leaving and vest based on targets and performance to the end of the performance period, with awards released at the normal times. Exceptionally, the Remuneration Committee reserves the right to accelerate vesting or payment due, for example in the case of terminal illness.

## 6.6 Quantitative disclosures

The tables below summarises remuneration for the year ending 31 December 2024 for PMS's senior management, other material risk takers and other staff.

PMS identified 14 material risk takers under SYSC 19G.5.

	Senior management		Other material risk takers	
	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023
Fixed pay (£m)	0.92	1.36	1.99	1.99
Variable pay (£m)	0.94	1.20	2.56	2.21
Total pay (£m)	1.86	2.56	4.55	4.20

PMS has no direct employees, with all staff employed by other subsidiaries of the Group.

	Senior management		Other material risk takers	
	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023
Total amount of guaranteed variable awards made	-	-	-	-
Number of material risk takers receiving guaranteed variable awards	-	-	-	-

	Senior management		Other material risk takers	
	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023
Total amount of severance payments made	-	-	-	-
Number of material risk takers receiving severance payments	-	-	-	-

Highest severance payment awarded to a material risk taker	-	-	-	-
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The value of PMS's on-balance sheet assets and off-balance sheet items over the proceeding 4-year period has been a rolling average of £100 million or less as set out in SYSC 19G.1.1R(2). It is therefore not required to provide details set out under MIFIDPRU 8.6.8R(6).

## 7. Investment policy

MIFIDPRU 7.1.4R states:

*“(1) MIFIDPRU 7.3 (Risk, remuneration and nomination committees) does not apply to a non-SNI MIFIDPRU investment firm:*

- (a) where the value of the firm’s on-balance sheet assets and off-balance sheet items over the preceding 4-year period is a rolling average of £100 million or less; or*
- (b) where:*
  - (i) the value of the firm’s on-balance sheet assets and off-balance sheet items over the preceding 4-year period is a rolling average of £300 million or less; and*
  - (ii) the conditions in (2) are (where they are relevant to a firm) satisfied.*

*(2) The conditions referred to in (1)(b)(ii) are that the:*

- (a) exposure value of the firm’s on- and off-balance sheet trading book business is equal to or less than £150 million; and*
- (b) exposure value of the firm’s on- and off-balance sheet derivatives business is equal to or less than £100 million.*

*(3) For the purposes of paragraph (1), paragraph (4) applies where a non-SNI MIFIDPRU investment firm does not have monthly data covering the 4-year period referred to in that paragraph.*

*(4) Where this paragraph applies, a non-SNI MIFIDPRU investment firm must calculate the rolling averages referred to in paragraph (2) using the data points that it does have.”*

PMS is a non-SNI investment firm that meets condition (1)(a) set out above, given that the value of its on-balance sheet assets and off-balance sheet items over the preceding 4-year period has been a rolling average of £100 million or less. MIFIDPRU 8.7.1R therefore does not require PMS to disclose its investment policies.

## 8. Appendix 1 – statement of financial position

### LEGAL & GENERAL (PORTFOLIO MANAGEMENT SERVICES) LIMITED

#### STATEMENT OF FINANCIAL POSITION

As at 31 December 2024


Cross  
Reference  
to OF1  
template  
(Section  
4.2)

	Note	2024 £000	2023 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	9	20	20
Deferred tax asset	10	15	22
<b>Current assets</b>			
Trade and other receivables	11	4,019	3,687
Cash and cash equivalents	12	14,989	14,421
<b>Total assets</b>		<b>19,043</b>	<b>18,150</b>
<b>Equity attributable to owners of the Company</b>			
Share capital	13	64,052	63,852
Share premium	13	62,448	51,648
Capital contribution		15,000	15,000
Accumulated losses		(125,107)	(115,879)
<b>Total equity</b>		<b>16,393</b>	<b>14,621</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	2,650	3,529
<b>Total liabilities</b>		<b>2,650</b>	<b>3,529</b>
<b>Total equity and liabilities</b>		<b>19,043</b>	<b>18,150</b>

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6&7  
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The notes on pages 19 to 27 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 24 April 2025 and signed on its behalf by:

DocuSigned by:  
  
CE8D9906E79B48E...

A. Hall

Director

Registered No. 02457525  
One Coleman Street,  
London,  
EC2R 5AA



## 9. Appendix 2 – glossary of terms

Term	Explanation
K-ASA	K-ASA (Assets Safeguarded and Administered) – is the K-factor requirement for the amount of own funds assigned against the risk of harm associated with the safeguarding and administering of a client's financial instruments.
K-AUM	K-AUM (Assets Under Management) is the K-factor requirement for the amount of own funds investment firms are required to hold against risks associated with managing assets for clients. It covers both assets managed on a discretionary portfolio management basis and assets under an ongoing non-discretionary advisory arrangement.
K-CMG	K-CMG (Clearing Margin Given) is an alternative to K-NPR to provide for market risk for firms that deal on own account or execute for clients in the name of the investment firm. It is based on the total margins an investment firm is required to give to a clearing member and can only be used with the agreement of the FCA.
K-CMH	K-CMH (Client Money Held) is designed to capture the risk of an investment firm causing potential harm to clients where it holds their money. It takes into account whether the funds are recorded on the investment firm's own balance sheet or in third party accounts, and arrangements provide that client money is safeguarded in the event of bankruptcy, insolvency, or entry into resolution or administration of the investment firm.
K-COH	K-COH (Client Orders Handled) is the K-factor own funds requirement designed to cover potential risks from both the execution of orders in the name of the client and the reception and transmission of client orders.
K-CON	K-CON (Concentration Risk) is an own funds requirement that only applies to exposures in the trading book for investment firms that deal on own account or execute for clients in the name of the investment firm. It seeks to provide additional own funds to manage concentration risk to a single counterparty or group of connected counterparties.
K-DTF	K-DTF (Daily Trading Flow) is an own funds requirement that applies to investment firms that are dealing on own account, including where executing client orders in the name of the investment firm. It is designed to capture operational risks related to the value of trading activity an investment firm conducts throughout each business day. It excludes the value of orders handled which are already captured by K-COH.
K-NPR	K-NPR (Net Position Risk) is the K-factor that applies to firms that deal on own account or execute for clients in the name of the investment firm. It provides for market risk and is based on the market risk framework (standardised approach, or if applicable, internal models) of the Capital Requirements Regulation.
K-TCD	K-TCD (Trading Counterparty Default) is a K-factor own funds requirement that only applies to investment firms dealing on their own account or execute for clients in the name of the investment firm. It aims to capture risks from trading counterparties failing to meet their obligations to the investment firm.