MIFIDPRU 8 Disclosures

UBS Asset Management (UK) Ltd

31 December 2023

UBS

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Introduction and Scope

The Investment Firm Prudential Regime (IFPR) applies to MiFID (Markets in Financial Instruments Directive) investment firms in the UK.

The IFPR introduced a requirement for firms to produce an IFPR Disclosure, replacing the former Pillar III disclosures. The aim of these disclosures is to increase transparency and confidence in the market and provide investors and stakeholders with an insight into how the firm operates, in particular with respect to risk management and remuneration practices.

The disclosures are in respect of UBS Asset Management (UK) Ltd (UK Ltd) and have been prepared as at 31 December 2023 and in accordance with the disclosure requirements set out in MIFIDPRU 8.

Risk Management Objectives and Policies

Declaration of adequacy and effectiveness of risk management arrangements

UK Ltd measures the effectiveness of its risk management via its 3 lines of defense, governance frameworks inclusive of Subject Matter Expert Workshops, Working Groups, Committees, Boards and Group Internal Audit. It is the combination of these multiple touch points which measures and ensures that the risk management at the firm is conducted effectively and has the desired results.

The Board of UK Ltd has assessed the adequacy of risk management arrangements of the companies in the scope of this disclosure. Based on this assessment, management considers that risk management systems put in place are adequate with regard to the profile and strategy of UBS AM UK. This statement is given and should be interpreted in accordance with the provisions of Article 435(1(e)) of Regulation (EU) No 575/2013.

Risk Control Framework for UK Ltd

UBS Asset Management in the UK is subject to the UBS Group Risk Management and Control Principles, which are designed to support optimal risk-return decisions. Holistic governance, together with aligned risk, compliance and finance processes are designed to help protect UK Ltd from unacceptable damage to its financial strength, performance and reputation. The risk management and control processes of UK Ltd are formulated to ensure that risk and return objectives are appropriately balanced in order to achieve sustainable earnings growth within the risk appetite established by the UK Ltd Board.

Three Lines of Defence Model

UBS takes a 'Three Lines of Defence' approach to risk and control as follows:

1) 1st Line of Defence – the business Senior Management Function holders (SMFs), who are responsible for proper risk management and culture within their daily business activities.
2) 2nd Line of Defence – Independent Risk Management and Control. The UK Chief Risk Officer (SMF4) and the Head Compliance & Operational Risk Control AM UK (SMF16) are members of the UK Management and Risk Committee. They are mandated with monitoring and challenging the effectiveness of the management of risk by the business.
3) 3rd Line of Defence – Group Internal Audit, an independent and objective function which supports the business in achieving its defined strategic, operational, financial and compliance objectives, with the Head of GIA being the SMF5.

Risk Management Objectives

UK Ltd during its annual capital process looks to address three key objectives:

1) Own Funds Requirement - Our detailed capital assessment considers the existing position of our total platform, processes, control framework and stability of our business model for 2024. The assessment of risk and harm is multi factorial and not perfectly correlated to any one metric, however, AuM can be a key indicator of the incremental volume and potential for harm in across a period. We have modelled the incremental capital requirement in future years to be 0.020% of incremental AuM, in line with prescribed K-AuM rules. We also assess the impact of new products or initiatives throughout the year on our risk profile.
2) Concentration Risk - Credit Concentration Risk is actively managed by AM UK, its concentration risk has been relatively low in last couple of years. AM UK is also required to monitor the broader concentration risk measures and report these to the FCA on a quarterly basis. These include trading exposure on own account, location of client money, location of client securities and revenue from client as a % of total revenue.
3) Liquidity - UK Ltd uses business as usual and stressed cash flows to determine a minimum level of liquid resources to hold at all times, which sets the liquid assets threshold requirement (LATR) for each entity. The Boards review the results of a number of stress testing scenarios to assess whether the business plan is robust and could withstand severe but plausible scenarios. The impact on AM UK from a set of potential stress events is assessed by reworking the business plan and assessing liquidity strength under each of those stress scenarios. The AM UK Boards define a risk appetite statement for the regulated entities individually (UK Ltd and Funds Ltd) and AM UK.

IFPR Harm Assessment

The potential for harm associated with the business strategy is across both the firm and client. The AM UK Risk & Capital Assessment Working Group has designed and implemented a comprehensive approach to the identification and assessment of the risks AM UK is exposed to and the potential harm AM UK can pose to Firm, Client, and Market.

Risk identification in any business line, product or transaction is, in the first instance, the responsibility of the originating business unit, as the owner and manager of the risk. This applies not only when a business, a product or a transaction commences, but also during the life of the business and as its risk profile changes.
To complement the day-to-day responsibility and the consideration of any new risks at the monthly UK MRC and the quarterly Boards, AM UK conducts an annual risk identification process as part of the ICARA process where all relevant risks for AM UK are identified, including any harm to Firm, Client, and Market in the context of the business model

When risks are identified as being relevant for AM UK they are assessed for materiality through a variety of different mechanisms depending on the type of risk (e.g. Non-Financial Risk Workshops or Stress Testing Workshops) and consideration is given to whether capital would be a relevant mitigant or not. If capital is considered a relevant mitigant then those risks are considered as part of the harm assessment and a risk appetite statement is required.

UBS Asset Management UK Governance Structure

AM UK is committed to having a strong control environment, consistent with the UBS Group-wide policy, to maintain high standards of control and compliance. UK Ltd has well-defined management structure supported by a number of committees and forums, each of which operates with agreed terms of reference. There is a proper definition of management and staff responsibilities and reporting lines supported by documented procedures necessary for efficient day-to-day operation. These procedures are reviewed and updated periodically and where appropriate, are subject to approval by the independent control functions.

AM UK draws on the expertise within the Asset Management division and the wider UBS Group. Where the topics or concerns are of particular interest to the UK or if there is a statutory or regulatory requirement, a UK specific committee/forum will be established. In these instances, the Boards of the UK entities will ensure there is cross-representation on the global committee/forums to report updates, issues and concerns to the relevant UK Board or committee/forum. In some instances, AM UK will leverage a global committee/forum to report updates, issues and concerns to the relevant UK Board or committee/forum.

Risk Appetite Framework

UBS AM UK's Risk Appetite Framework closely follows that of the UBS Group and is designed to ensure that risk-taking is in line with the entity's strategic priorities, capital and liquidity plans, as well as the risk culture established through UBS pillars, principles and behaviors. The Risk Appetite Statement for UK Ltd is formulated against the background of the UBS Group Risk Appetite Framework with which legal entities and divisions must comply.

The UK Ltd Board is responsible for setting and implementing the Risk Appetite Framework, together with monitoring business performance against it on an ongoing basis. The Boards approve the Risk Appetite Statements annually, with a mid-year review of appropriateness, and review Management Information against the Risk Appetite Statements on a regular basis and determine actions to be taken should risk appetite be exceeded.

Identification of Key Risks

UK Ltd conducts an annual Risk Identification Process which assesses relevant risks for the business in the context of its business model. The conclusion of the Risk Identification process was that AM UK is exposed to a number of risks while trying to achieve its strategic objectives, including:

I. Business Risk
II. Financial Risk
III. Non-Financial Risk

Reputational Risk is driven by all the other risk types and is considered explicitly under Group Risk and also under a significant number of Non-Financial risk taxonomies.

Conduct Risk is the risk that the conduct of the firm or its individuals unfairly impacts clients or counterparties, which undermines the integrity of the financial system or impairs effective competition to the detriment of consumers.
This risk comprises of aspects such as staff behaviour and mindset, accountability, resourcing, delineation of roles and responsibilities as well as supervision. AM UK sees Conduct Risk as a risk category that spans across all risks and is explicitly incorporated it into its Non-Financial Risk Framework.

Business Risk

The key business risks are:

Strategy Risk
The risk of AM UK's strategy failing to deliver the expected outcomes, earnings, and profitability, which can be influenced by both internal and external factors, including competitive, industry, regulatory & country and performance risk.

People Risk
The risk that people are inadequately allocated, capacity constrained or unavailable.

Group Risk
The risk that the financial position of AM UK may be adversely affected by its relationships (financial or non-financial) with other entities in the group, or by risks which may affect the financial position of the whole group (e.g. reputational, contagion)

Financial Risk

The key financial risks are Capital Adequacy, Market, Credit, Credit Concentration, Liquidity and Funding, and Interest Rate Risk.

Capital Adequacy
The risk that AM UK has insufficient capital to comply with its regulatory requirements which are in place to ensure that AM UK has sufficient financial resources to conduct our financial services business and a sufficient buffer to protect our investors.

Market Risk
Market risk is the risk of loss arising from movements in market variables interest rates, exchange rates, equity, bond prices, volatilities and correlations.

Credit Risk / Concentration Risk
Credit risk is the potential for loss arising on an obligor’s failure to meet the terms of any contract or otherwise as agreed. Concentration risk is the concentration of assets on AM UK’s balance sheet to individual counterparties.

Liquidity & Funding Risk
Liquidity risk management assesses the ability to meet cash flow needs (under both normal and stressed conditions) without having a negative impact on day-to-day operations or overall financial position of the firm.

Non-Financial Risk

Within UBS, Non-Financial Risk (NFR) is defined as the risk of undue monetary loss and/or non-monetary adverse consequences to UBS, its clients or markets, resulting from:

Compliance risk
The failure to comply with laws, rules and regulations, internal policies and procedures, and the firm's code of conduct and ethics;

Financial crime risk
The failure to prevent financial crime; or

Non-Financial risk
Inadequate or failed internal processes, people, systems, or from external events.

As a result of AM UK's agency business model, non-financial risks are the most material risk type to which AM UK is exposed.

AM UK assesses 19 categories of Non-Financial risk, as set out in the relevant section of the diagram below:

		Risk Type	Risk Theme	
Conduct Risk	Reputational Risk	**Business Risk**	Strategy	People
			Group	Securitisation
		Financial Risk	Capital adequacy	Interest Rate
			Credit	Credit Concentration
			Market	Liquidity & Funding
		Non-Financial Risk	Employment or Licensing Practices	Market Conduct
			Product and Service Lifecycle	Investment Suitability
			Cross-border Business Conduct	Internal and External Fraud
			AML and KYC	Sanctions or Embargo Violations
			Bribery and Corruption	Corporate Governance and Frameworks
			Financial and Regulatory Reporting	Model Risk
			Privacy, Data Ethics and Records Management	Data Management
			Technology Production Stability	Transaction Processing and Execution
			Third Party Management and Inter-entity Outsourcing	Business Continuity, Resilience and Crisis Management
			Cyber and Information Security	
		Integration Risk	People Risk	Conflicts of Interest
			Conduct Risk	Entity Strategy Execution & Integration Delay
			Systems Resiliency and Cyber	UBS alignment and Governance
		Not relevant	Step-in	Residual
			Investment	Settlement
			Excessive leverage	Pension

Governance

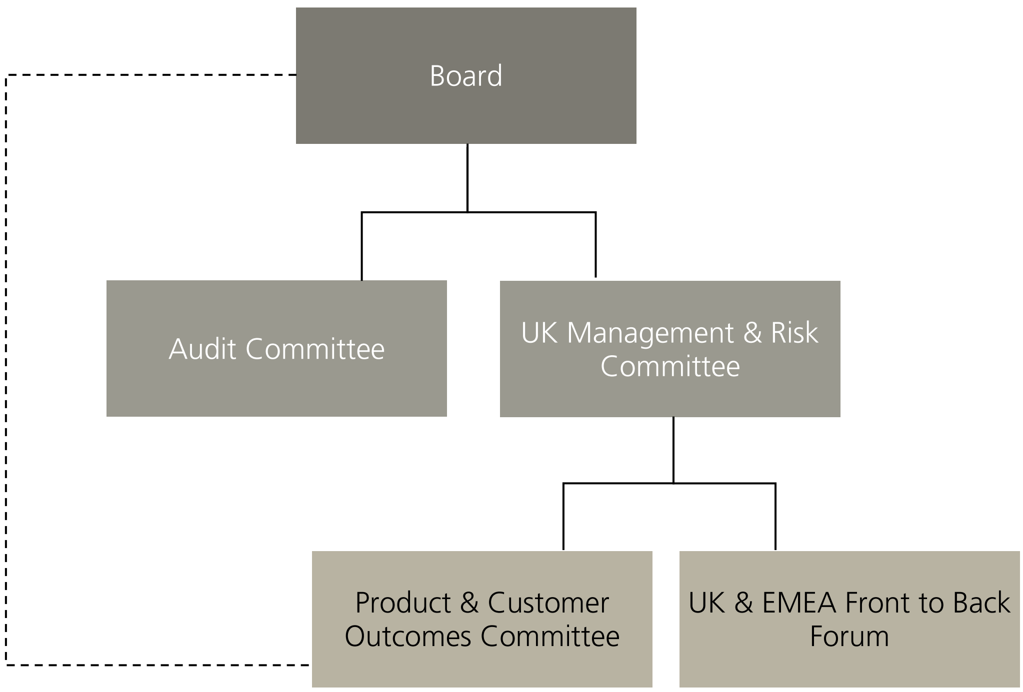
AM UK is committed to having a strong control environment, consistent with all UBS Group entities, in order to promote high standards of entity governance.

AM UK has well-defined management structures, which are supported by a number of committees and forums and is aligned to the wider Asset Management governance framework. Throughout the organisation there is a proper definition of management and staff responsibilities, with respective reporting lines supported by documented procedures necessary for efficient day-to-day operation of AM UK. These procedures are reviewed and updated at least annually and, where appropriate, are subject to approval by the independent control functions of the UBS Group. AM UK draws on the expertise within the Asset Management business division and the wider UBS Group.

UBS Asset Management is compliant with SYSC 4.3A which requires that the firm must ensure that the management body defines, oversees and is accountable for the implementation of governance arrangements that ensure effective and prudent management of the firm, including the segregation of duties in the organisation and the prevention of conflicts of interest, and in a manner that promotes the integrity of the market and the interests of clients.

The UK governance framework supports the Boards of the main regulated entities, as well as the AM divisional governance bodies. The legal entity Boards are supported by several committees and forums, including but not limited to, the UK Management & Risk Committee, the UK & EMEA Front to Back Forum and the UK Product and Customer Outcome Committee, as set out in the following diagram:

UBS AM UK Governance Structure as at 31 December 2023



Board

The Board has the ultimate responsibility for overseeing the management of the business and affairs of the Company. It oversees and is accountable for the implementation of the governance arrangements. The Board is responsible for seeking to ensure that the Company complies with its obligations pursuant to applicable law and regulation.

The Board utilises UBS AG staff, systems, policies and processes in the execution of this duty. The Board approves the approach and oversees the implementation of key policies pertaining to UK Ltd's: capital and liquidity plans; compliance policies and obligations; remuneration policy for the entity; and the internal control system, including oversight of the CASS function ensuring compliance with the respective regulatory obligations under the FCA CASS Rulebook and Principles.

Committees

Ultimate responsibility for the oversight of the AM UK rests with the individuals who hold Senior Management functions ("SMFs") and prescribed responsibilities under the FCA Senior Managers and Certification Regime.

The Board delegates authority to committees to helps it in its supervisory function. Committees draw on the specific knowledge and areas of expertise of individual management body members.

Committee or forum	**Chair**	**Purpose**
Audit Committee	Non-executive Director	The committee ensures independent oversight of financial reporting and disclosures, internal controls and oversees the relationship with internal and external auditors.
UK Management & Risk Committee	Chief Executive Officer	The committee supports the Boards in their mandate to oversee material risks both on an identified and forward-looking basis and the operational environment within AM UK whilst facilitating a sound and comprehensive alignment of the business and business support / control.
Product & Customer Outcomes Committee	Head of Products UK	The committee ensures that all products manufactured and distributed in the UK are designed appropriately for the identified target market and continue to meet expectations throughout the life-cycle of the product.
UK & EMEA Front to Back Forum	Head of UK Business Management	The forum supports the UK Management & Risk Committee and the Boards to oversee the front-to-back operating activities of AM UK including, but not limited to, the front-to-back control framework and management of business and operational risk issues.

Firm's Risk Committee

UBS Asset Management (UK) Ltd was not required, as a Non-SNI firm, to establish a risk committee under MIFIDPRU7.3.1R. The UK Management & Risk Committee has supported the Board of UBS Asset Management (UK) Ltd in its mandate to oversee the firm's risk management arrangements. In 2024, the Board intends to establish a board risk committee to strengthen further its risk management arrangements.

Recruitment Policy for the Management body

Our employees' skills, experience and commitment are key to delivering on our business strategy. Our human resource strategy seeks to hire, develop and engage talented employees at all levels who have the diverse backgrounds and capabilities to advise our clients, develop new products, manage risk and adapt to evolving regulations. We invest in our employees and promote initiatives that build engagement and a cohesive and collaborative culture. The Board of UK Ltd appoint directors, taking into consideration a broad range of qualities and competencies, and evaluate the balance of knowledge, skills, experience, and independence of the candidates.

Our commitment to pay fairness, diversity, equity and inclusion

Compensating employees fairly and consistently is key to ensuring equal opportunities. We pay for performance, and we take pay equity seriously. A strong commitment to both is embedded in our compensation policies and we conduct both internal and independent external audits as quality checks. If we uncover gaps that cannot be explained by business factors or appropriate personal factors – such as experience, role, responsibility, performance or location – we explore the root causes of those gaps and address them.

Additionally, our regular monitoring and review processes also allow us to maintain our certification status with the EQUALSALARY Foundation for our equal pay practices in the UK. This certification is testament to our well-established equal opportunity environment and the strength of our human resources practices, including performance and reward.Ensuring fair treatment and strengthening our commitment to DE&I are vital to our sustainable business success. We find diverse teams better understand and relate to the needs of our equally diverse clients. Through the diversity of our employees' backgrounds and experiences, we drive innovation and better decision making. Our aim, therefore, is to shape a diverse and inclusive organization that is innovative, provides outstanding service to our clients and offers equitable opportunities so that every employee can thrive. UBS is a strong supporter of the UN Standards of Conduct for Business anti-discrimination guidelines. Additionally, we are signatories to the UN-backed Women's Empowerment Principles, the UK's Women in Finance Charter and Race at Work Charter, and the Corporate Call to Action in the US. Philosophically, we take a broad approach to DE&I, focusing on a range of aspects, including inclusive leadership, age, gender, race and ethnicity, LGBTQ+, disability, and veterans. Building inclusive leadership skills, increasing gender and ethnic diversity, and equitable policies and practices were our leading priorities in 2023.

Board Composition as at 31 December 2023

	Total Number of Directorships held as at 31 December 2023	Directorships under SYSC 4.3 A.7 (2) R that do not count for the limits under SYSC 4.3A 5R & 6R	Directorships as at 31 December 2023 after SYSC 4.3A7(2) adjustments (E= Executive, NE = Non-Executive)
P. Davies (Non-Executive Director)	4	-	4NE
K. Jecks (Non-Executive Director)	2	1	1NE
I. Ashment	1	-	1E
N. Kasenally	5	4	1E

All board members have equal voting rights on resolutions and decisions.

The Board

Priscilla Davies - Non-Executive Director and Chair, UBS Asset Management (UK) Ltd

Priscilla Davies joined UBS in September 2017 with over 25 years' experience in financial services across a range of sectors including asset management, alternative investments, private equity, infrastructure and real estate. During her executive career with Janus Henderson Investors (previously Henderson Global Investors) from 2000 to 2015 she held roles covering investments, finance and operations. She also managed Asian private equity, infrastructure and private equity fund of funds with £1bn of assets under management. Prior to Janus Henderson, Priscilla was a tax advisor with PwC in both their London and Sydney offices. Priscilla is a Chartered Accountant and a member of the Chartered Accountants Australia and New Zealand and holds a Bachelor of Commerce (Accounting and Legal Studies) from the University of Wollongong.

Keith Jecks - Non-Executive Director, UBS Asset Management (UK) Ltd

Keith joined UBS in 2018 as a Non-Executive Director of UBS Asset Management (UK) Ltd. and member of the UBS AM UK Audit Committee. His early career began in 1975 at Friends' Provident, with moves to Hymans Robertson, IBM and Noble Lowndes (now part of Mercer) and Lloyds Investment Managers in 1986. In 1989 he became a Member of the Global Executive Committee at Kleinwort Benson Investment Management (KBIM) Holdings and CEO North America, based in New York for 3 years. He also held positions at Lloyds Investment Managers and Lazard Brothers Asset Management and was a partner at Watson Wyatt Partners until 2004. Between 2004 and 2008 he was Global Head of Pension Fund Advisory for ABN AMRO where he established the global function providing investment banking solutions for pension funds, with teams in the UK, Netherlands, Asia, Japan, Switzerland, Italy and Nordic region. Keith's most recent executive career position was from 2008 to 2013 as Senior Investment Consultant with Towers Watson Ltd.

Nasreen Kasenally – Chief Executive Officer and Executive Director, UBS Asset Management (UK) Ltd

Nasreen Kasenally is AM UK Country Head, CEO of UBS Asset Management UK Ltd and Global COO of Asset Management. In her role as Chief Executive Officer and UK Country Head, Nasreen is responsible for overseeing all AM business conducted in the UK. Her primary responsibilities include leading the development of the UK's strategy, driving strategic objectives, ensuring appropriate resourcing and overseeing internal operations. She is the primary point of communication between the board and corporate operations and with the UK regulators. As COO of UBS Asset Management, Nasreen is also responsible for all business support functions for the division . Previously, Nasreen held senior Risk roles across the firm in the US and the UK. Most recently, she was the Chief Risk Officer for Asset Management, Region EMEA and for Group Sustainability. She has been a member of the UBS Asset Management Team since 2017, Chairs the UBS Asset Management Operating Forum and is a member of the Board of Directors of UBS Asset Management AG, UBS Asset Management Holding (No.2) Ltd and UBS Asset Management Holding Ltd in addition to UBS Asset Management (UK) Ltd.

Ian Ashment – Executive Director, UBS Asset Management (UK) Ltd

Ian is Head of Portfolio Engineering & Trading at UBS Asset Management, with overall global responsibility for the management of equity, fixed income, and commodities index/ETFs and systematic strategies. He is also responsible for teams covering equity order generation, portfolio implementation, and trading across UBS-AM Investments. Ian has been instrumental in establishing, developing, and expanding the indexing and rules-based business of UBS Asset Management, into a leading global specialist index manager with focus on research, customization, and sustainability. Since becoming Head of the Indexing business in 2006, AUM have grown more than tenfold to over USD 482 billion on behalf of clients in more than 30 countries. Prior to his current role, Ian was Global Head of Structured Beta & Indexing, responsible for index assets across all asset classes. He began his career at UBS Asset Management in 1985 as a statistical assistant before becoming a trainee active European equity fund manager and then a member of the Quantitative department specialising in indexing and risk measurement.

Own Funds

The tables below show the composition of the total available regulatory capital for UK Ltd, based on the audited financial statements for the year ended 31 December 2023. Tier 1 capital is the total of share capital and retained earnings. Share capital is made up of 165m ordinary shares of £1 each. As at 31 December 2023, UK Ltd did not have any Additional Tier 1, Tier 2 or Tier 3 capital or any capital deductions.

Composition of regulatory own funds

	Item	Amount (GBP'000)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	170,466	
2	TIER 1 CAPITAL	170,466	
3	COMMON EQUITY TIER 1 CAPITAL	170,466	
4	Fully paid up capital instruments	165,000	Called up share capital
6	Retained earnings	5,466	Retained earnings
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-	
19	CET1: Other capital elements, deductions and adjustments	-	

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

		Balance sheet as in published/audited financial statements As at 31.12.2023	Under regulatory scope of consolidation As at 31.12.2023	Cross-reference to template OF1
Assets				
1	Debt instruments at amortised cost	85,752	85,752	
2	Cash and cash equivalents	57,310	57,310	
3	Debtors & Other Receivables	68,387	68,387	
	Total Assets	**211,449**	**211,449**	
Liabilities				
1	Creditors	40,983	40,983	
	Total Liabilities	**40,983**	**40,983**	
Shareholders' Equity				
1	Called up share capital	165,000	165,000	4
2	Retained earnings	5,466	5,466	6,8
	Total Shareholders' equity	**170,466**	**170,466**	1,2,3

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

165,000,000 ordinary shares of £1 each, fully paid.

Own Fund Requirements

Calculation of Own Funds Requirement

As a MIFIDPRU regulated firm, UK Ltd is required at all times to maintain own funds at least equal to the highest of its

- Permanent minimum capital requirement: £0.15m;
- Prescribed K-factor Requirement: £39.4m; and
- Fixed Overheads Requirement (FOR): £34m.

In addition to above, the firm is also required to hold additional capital for wind down costs and harm assessment to determine the additional amounts of capital that should be held on top of the prescribed (rule based) K-Factor calculation.

The Prescribed K-factor Requirement (KFR)

The K-factors are a method of calculating the capital requirements by measuring the risk posed by a firm to clients, the market and the firm itself based on the volume of activity performed within the entity. After considering the activity performed within UK Ltd only three prescribed K-Factors apply and the levels as at 31 December 2023 are shown in the table below;

- K-AUM (assets under management) is calculated as 0.02% of the average AUM held over a 12-month period.
- K-CMH (client money) is calculated at 0.4% of average daily client money held over a 6-month period.
- K-COH (client order handled) is calculated as 0.1% and 0.01% of average daily cash and derivative trades respectively over a 3-month period.

GBP m	**UK LTD**
K-AUM (Asset under management)	35.7
K-CMH (Client money)	0.0
K-ASA (Safeguarding assets)	0.0
K-COH (Client order handled)	3.7
K-NPR (Market risk)	0.0
K-CMG (Clearing risk)	0.0
K-DTF (Trading activity on firm's own account)	0.0
K-DTF (Trading activity in client's names)	0.0
K-TCD (Trading counterparty risk)	0.0
K-CON (Concentration risk)	0.0
Other risk (Ongoing activities not captured in K-Factors)	0.0
Total Capital required for prescribed K-factors	**39.4**

Fixed Overheads Requirement (FOR)

The FOR is equal to one quarter of the UK Ltd’s relevant annual fixed expenditure and is currently £34m. This is defined as the total expenditure from the most recent audited annual report and accounts, less discretionary variable expenditure, which is limited to variable compensation in the case of UK Ltd.

The costs are split int two categories and are considered as part of the total costs base for the FOR to be applied.

- Direct costs are those borne directly by the Asset Management employees performing the key activities of UK Ltd. This also includes costs received as part of the UBS AM global transfer pricing framework, for support services provided by other UBS group Asset Management companies outside of the UK, who support portfolio managers and client relationship managers in the UK.

- Allocated costs are from the UBS Group Function division, who support all UBS legal entities and use allocation keys to charge costs to the front office locations, for services such as Finance, Group Technology, Human Resources, Legal, Risk, Compliance and Operational risk and Premises.

Firm Approach to assessing the adequacy of Own Funds

The internal capital adequacy and risk assessment process (ICARA) is an ongoing process which is owned by the Board, but embedded into the ongoing processes used to govern the entity on a day to day basis. The ICARA process identifies risks and potential harms that could be caused from ongoing operations and also during a wind-down and enables the Board to determine the capital and liquidity assessment for the firm.

Capital Assessment

The Board determine the minimum amount of capital required, to set the **Own Funds Threshold Requirement (OFTR)** which is the higher of the following:

Permanent Minimum Requirement (PMR): the initial capital an investment firm requires to be authorised with its current permissions.

Assessment A from ongoing operations. This generates the **K-factor Requirement (KFR):** the prudential framework to account for potential harms to clients, markets and the firm itself. An investment firm is required to calculate the various K-factors which are relevant to its business model and the sum of these K-factors derive the capital requirement. This assessment is performed twice:

- **Prescribed:** Calculation is performed as per the IFPR rules
- **Harm Assessment**: Identification and quantification of harm the business model may pose to clients, market, and the firm in order to determine the additional amounts of capital that should be held on top of the prescribed (rule based) K-Factor calculation. The assessment includes Non-Financial risks and other risks comprising credit risk, market risk, concentration, and trading risk.

Assessment B from wind-down: The rationale is to ensure that firms are always able to organise an orderly wind-down, or undertake a restructuring of their activities. They should always hold sufficient financial resources to withstand operational expenses over an appropriate period of time to complete this wind down. If capital ever fell below this level it would act as a trigger to begin the wind down. This assessment has two components:

- **Fixed Overheads Requirement (FOR):** defined as the one quarter of total annual expenditure from the most recent audited annual report and accounts, less discretionary variable expenditure. This acts as the own funds wind-down trigger.
- **Additional Wind down costs:** The firm completes an assessment of the costs of an orderly wind down. If this is greater than the FOR derived from fixed costs above, there is an additional balance added to the FOR to ensure it is enough to cover the full wind down costs.

Individual Capital Guidance (ICG): This can be instructed by the FCA at any time to an individual firm.

The own funds threshold requirement, which is the higher of the above measures, is applied against the capital resources of the firm, which should always be in excess of the requirement.

Liquidity Assessment

The Board determine the minimum amount of capital required, to set the **liquid assets threshold requirement (LATR)**, which is calculated as follows:

Basic liquid assets requirement (BLAR) is to hold minimum liquid resources equal to 1/3 of the fixed overhead requirement (FOR), which reflects approximately 1 month of fixed costs.

However, UK Ltd must also be able to make their own assessment of additional liquidity needs to ensure they can satisfy the overall financial adequacy rule, which requires a firm to hold adequate liquid assets to ensure that:

(a) the firm is able to remain financially viable throughout the economic cycle, with the ability to address any potential harm that may result from its ongoing activities; and

(b) the firm's business can be wound down in an orderly manner.

To comply with the overall financial adequacy rule, a firm must therefore hold the sum of the basic liquid assets requirement and the higher of:

(a) the amount of liquid assets that the firm requires to fund its ongoing business operations, taking into account potential periods of financial stress during the economic cycle; or

(b) the additional amount of liquid assets that a firm would need to hold when commencing its wind-down process to ensure that the firm could be wound down in an orderly manner.

As a result, UK Ltd use the business as usual and stressed cash flows to determine a minimum level of liquid resources to hold at all times, which sets the **liquid assets threshold requirement (LATR)** for each entity, using the following calculation:

LATR = Higher of (i) Basic Liquid Asset Requirement (BLAR) + most severe stress test or (ii) wind down

The liquid asset threshold requirement, is applied against the liquid resources of the firm, which should always be in excess of the requirement

Overall financial adequacy rule

The Board continually monitors the suitability of the OFTR and LATR to ensure it complies with the overall financial adequacy rule. The risk management framework and assessment has considered all material aspects of capital and liquidity risk that apply to UK Ltd during ongoing activities and stressed scenarios, which are most relevant and proportionate to the respective business model. The stress test results are used to inform the risk tolerance and resulting risk appetite set by the Board. This will allow the Board to continue to measure and monitor the risk and potential harm it could cause and provide early warning of any increasing risk to allow them to act accordingly. With all of this considered and the results showing UK Ltd are within the risk appetite set throughout the year, the Board believes that they comply with the overall financial adequacy rule.

Remuneration Policy and Practices

Scope and purpose

This disclosure relates to UBS Asset Management (UK) Ltd (“UK Ltd”), which is classified as a non-SNI MIFIDPRU Investment Firm and is subject to the “standard” requirements of the MIFIDPRU Remuneration Code set out in SYSC 19.G of the FCA’s Handbook **(the "MIFIDPRU Remuneration Code")**. MIFIDPRU 8.6 of the FCA’s Handbook requires UK Ltd to disclose certain information on at least an annual basis regarding its remuneration policy and related practices for all staff.

For Material Risk Takers (“MRTs”), references reflect requirements under the FCA remuneration rules under the MIFIDPRU Remuneration Code and the Handbook. In accordance with the rules, the disclosures herein are appropriate to the size, internal organization, nature, scope, and complexity of the firm’s activities.

Total Reward Principles

Our Total Reward Principles provide a strong link to our strategic imperatives and encourage employees to live our strong and inclusive culture that is grounded in our three keys to success: our Pillars, Principles and Behaviors. These guiding principles underpin our approach to compensation and define our compensation framework. Our Total Reward Principles apply to all employees globally but vary in certain locations according to local legal requirements, regulations and practices. The table below provides a summary of our Total Reward Principles.

Support our purpose and strategy	Our compensation approach supports the firm’s purpose and strategy, fosters engagement among employees and aligns their long-term interests with those of clients and stakeholders.
Attract, retain and connect a diverse, talented workforce	We embrace a culture of diversity, equity, and inclusiveness. Pay at UBS is fair, reflects equal treatment and is competitive. In this way, our investment in a connected workforce supports the sustainability of our organization.
Apply a pay-for-performance approach to promote development and our ways of working	The setting of clear objectives, as well as a thorough evaluation of what was achieved and how it was achieved, combined with effective communication, promotes clarity, accountability and establishes a strong link between pay and performance. This approach emphasizes our Behaviors, which are Accountability with integrity, Collaboration and Innovation.
Reinforce sustainable growth and support long-term value creation	Compensation is appropriately balanced between fixed and variable elements and delivered over an adequate period to support our growth ambitions and sustainable performance.
Support risk awareness and appropriate risk-taking	Our compensation structure encourages employees to have a focus on risk management and behave consistently with the firm’s risk framework and appetite, thereby anticipating and managing risks effectively to protect our capital and reputation.

The Total Reward Principles are reviewed periodically by the Compensation Committee of the Board of Directors of UBS Group AG (the “Compensation Committee”), which is made up of non-executive directors, and by the full Board of Directors of UBS Group AG. Additionally, the Board of Directors of UK Ltd (the “Asset Management Board”) have adopted a remuneration policy (the “Remuneration Policy”) covering the specific requirements arising from the MIFIDPRU Remuneration Code. Supported by the Control Functions and Human Resources, the Asset Management Board and the Compensation Committee review the Remuneration Policy on an annual basis and oversee its implementation. More details on the decision-making processes and governance surrounding the development of the Remuneration Policy and practices can be found in the section on Compensation governance in UBS’s Compensation Report 2023.

Our Total Reward Approach

Compensation can positively influence staff behavior and motivation as well as the firm’s culture. Therefore, our goal is to have a compensation approach that is fully aligned with our purpose and supports our strategic imperatives. This aims to ensures that the interests of our employees are aligned with those of our clients and stakeholders.

Our compensation approach supports our capital strength and risk management and provides for simplification and efficiency. It encourages employees to focus on client centricity, connectivity and sustainable impact in everything we do. Moreover, we reward behaviors that help build and protect the firm’s reputation, specifically Accountability with integrity, Collaboration and Innovation.

Our compensation principles reflect a pay-for-performance approach that considers a number of factors, including Group, division, team and individual performance, as well as Behaviors that help build and protect the firm’s reputation. Employees are reviewed and rewarded for their contribution and impact against a range of financial and non-financial objectives which are ambitious and in line with the Group and UK Ltd strategy. Our performance management enables us to fairly differentiate performance, and consequently provide compensation, in an objective, transparent and disciplined manner. It further aims to enable an agile work environment supporting cross-functional collaboration in the organization and a continuous feedback culture.

At UBS, we apply a holistic Total Reward approach, generally consisting of fixed compensation (base salary and role-based allowances, if applicable, and local market-based benefits including pension contributions) and variable compensation (including discretionary annual performance awards). Most of our employees are eligible for an annual performance award. These awards are in line with applicable local employment conditions and at the discretion of the firm.

To support hiring and retention, particularly at senior levels, we may offer other compensation components the requirements for which are covered in the Remuneration Policy, such as:

- retention payments to key employees to induce them to stay, particularly during critical periods for the firm, such as a sale or wind-down of a business;
- on a limited basis, guarantees that may be required to attract individuals with certain skills and experience, these awards are fixed incentives subject to our standard deferral rules and limited to the first full year of employment;
- awards granted to employees hired late in the year to replace performance awards that they would have earned at their previous employer but have foregone by joining UBS, these awards are generally structured with the same level of deferral as for employees at a similar level at UBS; and
- award grants to new hires to replace performance awards that they would have foregone by joining UBS. These awards contain provisions on periods of retention, deferral, vesting and ex post risk adjustment that are no shorter than any corresponding periods that applied to the unvested part of the performance awards that they replaced.

In the event of termination, the Company may make payments to terminating individuals as long as any such payments reflect performance achieved over time while not rewarding failure or misconduct. The criteria to determine severance awards are documented in the remuneration policy.

For employees whose total compensation exceeds certain levels, performance awards are delivered in a combination of cash, deferred contingent capital awards and deferred share-based awards. A substantial portion of performance awards is deferred and vests over a five-year period. This deferral approach supports alignment of employee and investor interests, our capital base and the creation of sustainable shareholder value. This ensures that the interests of our staff are aligned with those of our clients and other stakeholders.

Variable compensation components are subject to a comprehensive governance process, which may involve the UBS Group Compensation Committee, depending on the amount or type of such payments.

The Remuneration Policy and practices are impartial, gender-neutral and support equal pay, and we are strongly committed to ensuring that all staff are paid fairly.

External advisors

The Compensation Committee may retain external advisors to support it in fulfilling its duties. In 2023, HCM International Ltd. (HCM) provided independent advice on compensation matters. HCM holds no other mandates with UBS. Additionally, Willis Towers Watson provided the Compensation Committee with data on market trends and pay levels. Various subsidiaries of Willis Towers Watson provide similar information to UBS's human resources department in relation to compensation for employees, including advisory services and secondments to UBS on benefits and year-end compensation activities. Willis Towers Watson holds no other compensation-related mandates with UBS. Asset Management Board had no external advisor in 2023.

Support risk awareness and appropriate risk-taking

Our compensation framework and programs are designed to balance sustainable performance, support growth ambitions and appropriate risk-taking, with a focus on conduct and sound risk management practices, promote an environment where we are all risk managers, detecting emerging risks early, managing risk diligently, raising concerns, protecting the reputation of our firm and enhancing the quality of our financial results.

We look at the firm's risk profile and culture, the extent to which operational risks and audit issues have been identified and resolved, and the success of risk reduction initiatives. The performance award process incorporates risk aspects across pool funding, allocation, delivery and deferral. Having a risk category in the performance objectives supports risk anticipation for staff.

Staff are rewarded for achievement against a range of financial and non-financial objectives, including their management of operational risk, and not only on the basis of individual revenues. Profits, as well as losses, are examined against a staff member's track record of performance and risk management, and in the context of market conditions. UBS's performance measurement will be adjusted for activities and future risks that are not adequately reflected in annual profits to consider the time horizon of risk.

Compensation for control functions is determined independently from the revenue areas that they oversee, supervise or monitor. Control functions, including Group Risk Control and Legal are involved in designing and implementing our compensation framework and programs.

To further promote sustainable performance, all of our deferred compensation plans include employment conditions and malus conditions. These enable the firm to reduce or fully forfeit unvested deferred awards under certain circumstances, pursuant to performance and harmful acts provisions. In addition, forfeiture is triggered in cases where employment has been terminated for cause. In addition to malus, the MRT population may be subject to clawback in certain circumstances, as described in the section on "Material Risk Takers" below.

More generally, all employees are subject to our Incidents & Consequences (I&C) framework, which outlines the minimum reward and performance impacts of disciplinary sanctions. Our I&C framework includes the minimum in-year performance award reductions applicable to specific disciplinary sanctions.

Fair and equitable pay

Pay equity and equal opportunity are fundamental to achieving our purpose. The diversity of our employees in terms of experiences, perspectives and backgrounds is critical to our success. Factors such as gender, race, ethnicity or part-time status should not impact opportunities available to our employees. We have embedded clear commitments in our global compensation policies and practices, and we regularly conduct internal reviews and independent external audits as quality checks.

From 2020 through 2023, UBS was certified by the EQUAL-SALARY Foundation for our HR practices, including compensation, in the UK. All of our HR policies are global, and we apply the same standards across all locations. Furthermore, we review our approach and policies annually to support our continuous improvement.

Performance award pool funding

Our compensation philosophy focuses on balancing performance with appropriate risk-taking, retaining talented employees and shareholder returns. Our overall performance award pool funding percentage decreases as financial performance increases. In years of strong financial performance, this prevents excessive compensation and results in an increased proportion of profit before performance awards being available for distribution to shareholders or growing the Group’s capital. In years where performance declines, the performance award pool will generally decrease; however, the funding percentage may increase.

Our performance award pool reflects our pay-for-performance philosophy and our disciplined approach in managing compensation over business cycles and alignment to shareholder interests. In 2023, we carefully assessed the financial results and excluded both the positive and negative financial impacts of the acquisition of the Credit Suisse Group.

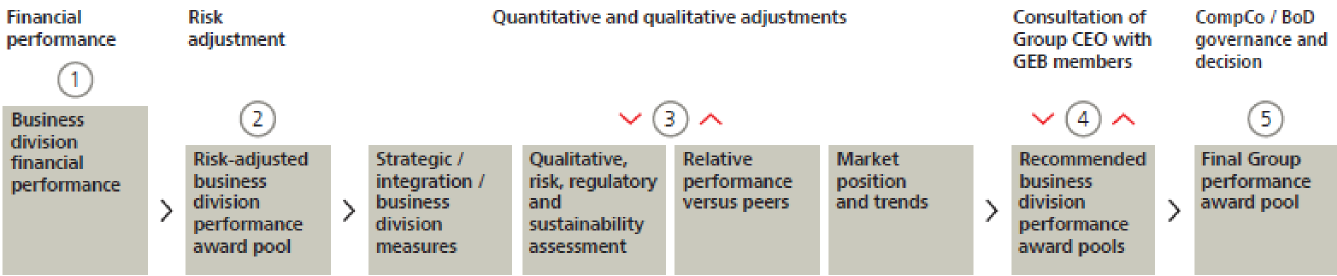
Our performance award pool funding framework is based on Group and business division performance, including achievements against defined performance measures. In assessing performance, we also consider relative performance versus peers, market competitiveness of our pay position, as well as progress against our strategic and integration objectives, including returns, risk-weighted assets and cost efficiency. The measurement of performance also includes an adjustment for all types of current and future risks and takes into account the cost of the capital and the liquidity required on legal and consolidated group level. For further information, refer to the illustrative overview below.

The Risk and Compliance functions support our holistic reflection and consideration of the financial and non-financial impact (including reputation) of risk matters. We further consider the firm’s risk profile and culture, the extent to which operational risks and audit issues have been identified and resolved, and the success of risk reduction initiatives including accountability for significant events.

The funding for Group Functions is linked to overall Group performance and also reflects factors such as headcount and workforce location. For each functional area, quantitative and qualitative assessments evaluate service quality, risk management and financial achievements.

Our decisions regarding the total Group performance award pool also balance consideration of financial performance with a range of factors, including Diversity, Equity & Inclusion and other Environmental, Social and Governance metrics, the impact of litigation, regulatory costs, the effect of changes in financial accounting standards, capital returns and relative total shareholder return. Before making its final proposal to the Board of Directors, the Compensation Committee considers the CEO’s proposals and can apply a positive or negative adjustment to the performance award pool.

Performance award funding process – illustrative overview



1	**Business division financial performance**	The starting point for the funding process is the business division financial performance, which may be adjusted for items that are not reflective of the underlying business division performance.
2	**Risk-adjusted business division performance award pool**	Predetermined business division-specific funding rates are applied to risk-adjusted performance, which excludes items that are not reflective of the underlying business performance.
3	**Strategic / integration / business division measures**	Each division is assessed based on specific measures (e.g., net new fee generating assets, return on attributed equity). In the short-to-medium term, to support the economic and cultural integration of Credit Suisse and the creation of long-term value of the combined firm for our shareholders, our decision making also reflects the progress on and the complexity of the transaction, including the need to retain key talent, support pay fairness across the entire organization, and stabilize the franchise during the integration period.
	Qualitative, risk, regulatory and sustainability assessment	Decision-making considers the firm's risk profile and the extent to which operational risks and audit issues have been identified and resolved. Diversity, equity and inclusion and other ESG metrics and the impact of litigation and regulatory costs are also considered. The Risk and Compliance functions support our holistic reflection and consideration of the financial and non-financial impact (including reputation) of risk matters.
	Relative performance versus peers	Performance is assessed relative to our peers, including financial performance, returns and relative total shareholder return.
	Market position and trends	Market intelligence, based on external advisors, helps assess the competitiveness of our pay levels and compensation structure. It also provides a prospective view of market trends in terms of absolute compensation levels, compensation framework and industry practice.
4	**Recommended business division performance award pools**	The business division performance award pool determination process, based on quantitative and qualitative assessments, results in a proposal from the Group CEO (after consultation with the GEB) to the Compensation Committee for consideration.
5	**Final Group performance award pool**	The Compensation Committee considers the proposal in the context of the factors outlined above and verifies that it is in line with our strategy and our Total Reward Principles to create sustainable shareholder value and support our growth ambitions. The Committee may alter the proposal of the Group CEO (upward or downward, including proposing a zero award) before making its final proposal to the BoD.

Material Risk Takers

For the relevant UK-regulated Asset Management entity, we identify individuals who are deemed to be Material Risks Takers (MRTs) in accordance with the provisions contained in the MIFIDPRU Remuneration Code, with the addition of UBS's internal conduct risk criterion, where conduct risk is defined as the risk that the conduct of the firm or its individuals unfairly impacts clients or counterparties, undermines the integrity of the financial system or impairs effective competition to the detriment of consumers. This group consists of significant client relationship managers, senior desk heads, portfolio managers and Senior Manager Function holders (SMFs) for business areas and control functions. Our approach to the identification of Material Risk Takers is reviewed on at least an annual basis by the Compliance function and approved by the AM UK Management & Risk Committee.

As of 31 December 2023, UK Ltd had 384 staff, 57 of whom were Material Risk Takers.

Under SYSC19G.4.6R of the MIFIDPRU Remuneration Code, UK Ltd has set an appropriate maximum ratio between the variable and the fixed component of the total remuneration awarded to Material Risk Takers. Where necessary, the maximum ratios differ for different categories of staff, and from one performance period to the next.

All MRTs identified in relation to UK Ltd are subject to the UK Clawback Policy. Under this, MRTs can be required to repay variable performance awards if they participated or were responsible for conduct which resulted in significant losses to the firm and/or failed to meet appropriate standards of fitness and propriety.

Remuneration awarded for 2023 in respect of UBS Asset Management Material Risk Takers (MRTs)

The following tables show details of the awards made to UK-regulated MRTs identified in relation to UK Ltd in accordance with the MIFIDPRU Remuneration Code. All data is as of 31 December 2023. In accordance with Chapter 8 of the Prudential sourcebook for MiFID Investment Firms, awards have been split between "senior management", "material risk takers", and "other staff". As stated in the section on "Material Risk Takers" above, there were 57 Material Risk Takers identified for the 2023 performance year.

Total Remuneration awarded for the 2023 performance year

GBP'000	**Senior Management**	**Material Risk Takers**	**Other staff**
Total Remuneration, *of which*	**17,470**	**28,718**	**58,292**
Fixed Remuneration	**6,393**	**11,134**	**39,730**
Variable Remuneration	**11,077**	**17,584**	**18,562**

Pursuant to Chapter 8.6 of the Prudential sourcebook for MiFID Investment Firms, UK Ltd can report there was no UK Asset Management MRT receiving guaranteed variable remuneration or severance payment in 2023.

Contacts

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