

# Novia Financial Plc

## Public Disclosure

For the Financial Year Ended 1 January to 31 December 2023

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# 1. Overview

## 1.1 Introduction

This public disclosure is made in relation to Novia Financial Plc ('NFP' or 'the Firm'). The document sets out the disclosure as at 31 December 2023, which represents the end of the Firm's financial accounting period.

## 1.2 Regulatory background

NFP is authorised with permissions that cover making arrangements with a view to transactions in investments, advising, arranging and dealing in investments as agent or principal in scope of the UK Markets in Financial Instruments Directive ('MIFID').

Consequently, NFP is subject to the prudential provisions outlined in the Investment Firms Prudential Regime, contained in the MIFIDPRU 8 sourcebook of the FCA Handbook.

Under the prudential firm categorisation set out in MIFIDPRU 1.2 of the FCA Handbook, NFP is classified as a non-small and non-interconnected ('Non-SNI') MIFIDPRU investment firm.

The disclosure, containing both qualitative and quantitative data, is made annually, on a solo entity basis.

The Firm will consider making more frequent public disclosure where particular circumstances demand it, for example, in the event of a major change to its business model or where a merger has taken place.

The disclosed information is proportionate to the Firm's size, nature, scope and complexity, based on the activities that NFP undertakes.

Based on the Firm's IFPR prudential classification as being a Non-SNI firm, this public disclosure document is prepared in line with the applicable provisions of the disclosure requirements.

As a Non-SNI firm, the public disclosure document will be prepared to contain the following key areas:

- Governance arrangements.
- Risk management objectives and policies.
- Own funds.
- Own funds requirements.
- Remuneration policy and practices.

## 1.3 Disclosure timing requirements

The Firm is required to publicly disclose the information specified in this document on an annual basis on the date it publishes its annual financial statements on Companies Houses website.

## 1.4 Validation and sign-off

NFP is committed to having robust internal controls to ensure the completeness, accuracy, and compliance with the relevant public disclosure regulatory requirements.

This document has been subject to internal governance and verification process, and approval by the Board to ensure compliance with the regulatory requirements contained in MIFIDPRU 8. This public disclosure does not constitute any form of financial statement on behalf of NFP. The information contained herein has not been audited by the Firm's external auditors.

## 2. Governance Arrangements

### 2.1 Legal and organisational Structure

NFP is a United Kingdom ('UK') incorporated private limited company. The Firm was incorporated on 9 January 2008 (registration number 06467886) and received its FCA authorisation on 16 September 2008.

NFP is a directly owned subsidiary of Novia Financial Holdings Ltd.

### 2.2 Business overview

NFP's main activity is to provide financial advisers with a comprehensive platform service which allows them to provide their customers with an online investment platform, supported by a level of offline service that achieves good customer outcomes and helps meet their personal financial objectives. The Firm has permissions to deal with Retail Clients, Eligible Counterparties and Professional Client types.

The Firm also provides access to a range of tax wrappers, which can be used to facilitate the purchase of a range of financial instruments.

A business unit within NFP, trading as 'Copia Capital Management' or 'Copia', operates as a discretionary fund manager ('DFM') and manufactures model portfolios comprising of a weighted selection of different financial instruments.

The model asset allocations are designed to achieve different investment objectives and are not designed for any specific customer. The models are made available for Financial Advisers to recommend to their clients, either through the Novia platform or third-party platforms.

Financial Advisers must agree terms with the Copia service before they link their clients to any of the Copia model portfolios. Copia also offers market analysis research services. Copia income arises from a percentage fee applied to the value of the assets under management ('AUM') within its model portfolio or through a directly chargeable fee for research services.

Novia Financial Services is the legal entity acting as Trustee for the Novia SIPP and is a dormant company holding float investments on Novia (same as any other corporate customer). The three nominee companies are dormant subsidiaries companies of Novia required to hold legal title to the assets in accordance with FCA client money requirements and any risk is borne by Novia.

### 2.3 Overview of the governance arrangements and structure

NFP has a formalised governance structure to oversee the management of the business operations and the risk management. The governance framework in place comprises the following forums:

- The Board of Directors.
- Board committees.
- Executive committee.

The Firm's governance framework ensures that Board defines, oversees and is accountable for the implementation of arrangements to ensure effective and prudent management of the Firm, including appropriate segregation of duties of the SMFs in accordance with the Senior Managers and Certification Regime ('SMCR') and management of conflicts of interest.

The Firm seeks regulatory approval prior to appointments to the Board under the SMCR and all Board members are registered and listed on the FCA Register.

Responsibilities are allocated to Senior Managers under the SMCR regime, and these are reviewed annually to ensure consistency with the business of the Firm including responsibility for client assets.

The roles, duties, responsibilities and purpose of the committees are formalised in the approved Committees' Terms of Reference.

## 2.4 The Board

Overall, the Board is responsible for approval and oversight of the strategic leadership and objectives, the risk strategy, risk management and governance of the Firm, in compliance with regulatory obligations. Further, the Board provides effective oversight of senior management.

The Board comprises of seven individuals all of whom have a great deal of experience in their own specialties and in business in general. The Board provides practical leadership and has responsibility for the overseeing of all day-to-day matters of the Firm. The Board is committed to achieving the right outcomes for customers and leads the strategic direction of the Firm, monitors the operational performance and ensures appropriate controls are in place.

The Board sets the structure for the Firm to meet its objectives and oversees the Firm's values and standards to ensure that its obligations to its shareholders, its clients and others are met and oversees conflicts of interest.

## 2.5 Board Audit & Risk Committee

The role of the Board Audit & Risk Committee ('BARC') is to assist the Board in discharging its responsibilities for the integrity of the Firm's and Group's financial statements and the effectiveness of the systems of risk management and internal controls. The BARC also monitors the effectiveness, performance and objectivity of the internal and external auditors.

## 2.6 Remuneration & Nominations Committee

The Committee's responsibilities include setting and monitoring the remuneration strategy for the Firm and the Group, agreeing the framework for the remuneration of the executive directors and other senior executives, whilst also ensuring that remuneration practices operate in line with FCA requirements.

## 2.7 Executive Committee

The Executive Committee ('EC') is responsible for ensuring that all business-related matters have appropriate visibility within the Firm and for defining how NFP will deliver against the strategic plan set by the Board.

The EC develops and implements business plans, policies, procedures and budgets that have been recommended and approved by the Board. The EC also determines the necessary prioritisation and resourcing which is required to ensure that the Firm is able to meet its business targets and objectives, whilst also ensuring the Firm operates in compliance with all applicable rules and laws, and with due consideration of any operational and conduct risks.

## 2.8 Directorships

The following information relates to the appointments of NFP Directors as at 31st December 2023, including any external directorships:

SMF Function/Role	Name	Number of other external directorships
NED	Peter Cartwright	5
SMF10 Chair of the Risk Committee SMF11 Chair of the Audit Committee	Jane Dale	6
NED	Martina Swart	1
NED	Robert Massey	10
SMF1 Chief Executive/SMF3 Executive Director	Patrick Mill	0
SMF2 Chief Finance/SMF3 Executive Director	James Slade	0
SMF9 Chair of the Governing Board SMF12 Chair of the Remuneration Committee SMF13 Chair of the Nominations Committee	Mark Winlow	5

## 2.9 Promoting diversity

The Firm values the innovation and creativity that diversity of thought brings to the organisation and understands that diversity, equality and inclusion play a critical role in establishing strong governance and maintaining a healthy culture from the top as part of delivering good customer outcomes, high standards of conduct and overall long-term success of the Firm. The Firm is committed to building a workforce that reflects all aspects of diversity and intersectionality to bring a range of perspectives, ideas and insights to everything the Firm does.

It is important that across the Firm, there is an open and transparent environment where employees are able to raise issues openly. The People and Culture function work with our leaders to develop and implement action plans from our regular employee pulse engagement surveys.

The Firm has set clear principles in our inclusion and diversity plan, which are as follows:

- Grow our culture as an inclusive employer that attracts, develops, retains and engages all diverse talent across the business, reduce homogeneity in the senior management population and in the composition of our teams across the business, we consider a homogeneous population to be anything over 70%.
- Take an equity-based approach to bridge the gap between minority and majority groups by focusing on the differing needs of under representative groups.
- Creating professional opportunities for our people to succeed and realise their full potential regardless of age, gender, ethnicity, identity, disability, neurodiversity or background.

Our action plan is focused on the following key priority areas:

- Improving data transparency and disclosure.
- Encouraging a culture of collaboration and contribution.
- Embedding inclusive leadership and awareness.
- Continuing to transform our recruitment practices and processes.
- Continuing to review our reward and benefit offerings.

## 2.10 Diversity at Board level

One of NFP's objectives is to ensure that the composition of the Board is always suitable for it to be an effective decision-making body and to provide successful oversight and stewardship. Suitability of members of the Board is reassessed periodically, in line with the requirements of the SM&CR. The Directors are appointed in accordance with the following suitability criteria:

- Being of good repute;
- Being able to act with honesty, integrity and independence of mind;
- Overseeing, monitoring and challenging management decision-making effectively;
- Disclosing any financial or non-financial interests that could create potential conflicts of interest;
- Possessing sufficient knowledge, skills and experience to perform their duties;
- Being able to commit sufficient time to perform management body functions in a supervisory context; and
- Not being restricted from taking up the position by any regulatory requirement.

The assessment of an individual's adequate knowledge, skills and experience will consider:

- The role and duties of the position and the required capabilities;
- The knowledge and skills attained through education, training and practice;
- The practical and professional experience gained in previous positions; and
- The knowledge and skills acquired and demonstrated by the professional conduct of the member of the Board.

## 3. Risk Management Objectives and Policies

### 3.1 Approach to risk management

NFP has formalised risk management arrangements, which are set out in the Firm's Enterprise Risk Management Framework Policy and other supporting documents. The Firm operates within an established risk management framework comprised of the following components:

- Risk governance including policies and procedure.
- Board-defined overall risk appetite, risk statements.
- Risk taxonomy.
- Risk and control self-assessment.
- Capital and liquidity adequacy.
- Stress testing.
- Monitoring, reporting, and management information.
- Internal Capital Adequacy and Risk Assessment ('ICARA') process review document.

As part of the risk management arrangements, a risk register is maintained, which serves as the basis for risk and control assessments, in line with approved statements of risk appetite and thresholds of risk tolerances. Each risk within the register is cross-referenced to possible harms that may be caused to clients, the market and the Firm itself.

The key risks identified in the risk register are assessed as part of the ICARA process, and appropriate own funds and liquidity resources are held against them at all times.

Regular and ongoing risk monitoring and reporting to the senior management and the Board ensures that the Firm is able to oversee its key risks.

The Board regards managing risk as a process of continuous improvement. The Firm continuously undertakes a programme of enhancing its existing risk management framework.

### 3.2 Three Lines of defence

NFP's approach to risk management adopts the industry recognised 'Three lines of defence' model which sets risk ownership responsibilities functionally independent from oversight and assurance as follows:

**Line 1:** the primary responsibility for the management of risks lies with the business. Consequently, Business line management is responsible for identifying and mitigating the harms arising within their areas of functional activity.

**Line 2:** Risk and Compliance functions form the second line of defence and provide independent and objective review and challenge, oversight, monitoring and reporting in relation to the Firm's key risks. The Compliance function provides regulatory advice and assurance monitoring within the compliance risk universe and provides assurance reports to the Board along with thought leadership on the impact of any new regulation and manages the FCA relationship. The Risk Function undertakes assurance testing of local controls, policies and procedures and provides reports to management and indicates actions necessary to mitigate risks of harm. The Risk Function also provides advice to the Board as necessary.

**Line 3:** the third line of defence is represented by the internal audit function, performed by an independent company. Sitting outside the first two lines of defence, its main roles are to ensure that the first two lines of defence are operating effectively and to advise on how they could be improved and reporting directly to the Audit Committee.

### 3.3 Risk appetite framework

NFP's risk appetite defines the level of appetite the Firm is prepared to accept in pursuit of its strategic objectives and business strategy, considering the interests of its clients and shareholders, as well as its financial resources and the regulatory requirements that the Firm is subject to.

The Board, which determines the Firm's appetite for risk, has adopted a conservative approach to risk appetite to maintain a strong capital position, liquidity and balance sheet throughout market cycles.

Annually, the Board reviews and approves the risk appetite statement, including the appropriateness of the Firm's risk appetite and risk management arrangements, which are used to embed, set and monitor risk appetite for all key risks identified within the Firm.



### 3.4 ICARA process

In line with the Firm's business strategy, risk appetite and risk management framework, the Firm has identified and further assesses key risks within the Firm's individual ICARA process. The ICARA process is a detailed review of the Firm's risks and internal risk control activities. The process assists the Firm with identifying and managing harms that the Firm may cause to others and itself through risks of harm that arise from the Firm's regulated and unregulated activities.

Further, the ICARA process covers an assessment of adequacy of NFP's financial resources, comprising both own funds and liquidity, including the internal assessment of the level of financial resources necessary for the Firm to hold for its ongoing operations and to facilitate an orderly wind down.

The main objective of the process is to determine whether the Firm meets the Overall Financial Adequacy Rule ('OFAR') requirement.

The assessment process is formalised in a standalone ICARA process document, which comprises the following components:

- Business overview and strategy.
- Governance arrangements.
- Risk management framework
- Assessment of harm.
- Own funds
- Reverse stress testing and wind-down planning.

### 3.5 Board approved statement on the appropriateness of risk management arrangements

The Board has the overall responsibility for oversight and the risk management arrangements at NFP. It sets the Firm's risk strategy policies and assigns clear roles and responsibilities for managing the identified risks.

NFP is committed to ensuring all business activities are conducted with a clear understanding of the risks, to maintaining a robust risk management framework, ensuring transparent disclosure, treating its clients fairly, and to meet the expectations of major stakeholders, including clients, employees, and regulators.

The Board deems the Firm's risk management arrangements operating through the risk management framework as outlined in this Section, to have been implemented to ensure compliance with the regulatory requirements, guidance and standards. As such, Board considers the risk management arrangements to be appropriate for minimising the risk of harm and in line with the Firm's business strategy, risk profile and the risk appetite statement.

### 3.6 Harms associated with key risks

The Firm has conducted a comprehensive risk identification exercise of potential harms across all business lines to ensure that all key risks are identified. The Firm's risk register contains all relevant details for each risk that has been identified.

All business areas of the Firm have input into the development of the risk register to ensure all potential harms are identified. The risks recorded in the register are categorised as potential harms to clients, the firm itself or markets. Risks are assessed against NFP's strategic objectives at least annually or more frequently in the event of a significant change in the business strategy.

During the latest ICARA process, the following categories of risk have been mapped to potential harms:

- Strategic
- Regulatory & Legal Risk.
- Operational.

Additional own funds and liquid assets, not captured by the relevant minimum requirements, have been assigned to cover an internal assessment of potential harm to client, the market and the Firm itself.

### 3.7 Risks addressed by own funds requirements

Through the calculation of K-Factor Requirement ('KFR') as a formulaic methodology used for the calculation of minimum capital requirements derived from the Firm's risks that arise from undertaking regulated activities, the Firm calculates the level of own funds in needs to hold against the Firm-applicable K-Factors.

From a suite of possible nine individual K-Factors split into three categories (i.e. risk to client, market and firm), NFP has concluded, that based on its regulated activities as at 31 December 2023, the following K-Factors applied to the Firm:

- K-ASA.
- K-AUM.
- K-CMH.
- K-COH.

In addition, those risks of harm that are not captured by the relevant K-Factors, are identified during an ICARA process and additional own funds are held against them as necessary. These identified risks and potential harms that may affect the Firm, its clients, and the market, but are not explicitly captured or addressed by the K-factor calculations, are set out below:

#### Strategic Risk

Strategic risk is defined as those risks which threaten the achievement of the strategy through poor strategic decision making, implementation or response to changing circumstances. The risk the business plan is exposed to events that could prevent or impact the achievement of the strategy, its execution, and events that arise as a consequence of following it.

Strategic risk is managed and controlled through the annual strategy, governance arrangements and the established risk appetite metrics. The approach to the daily management stems from the business units as the first line of defence owning the risk and being supported by the second and third line, as set out in the Firm's risk management policy.

#### Regulatory & Legal Risk

The risk of regulatory or legal sanction, reputational damage or financial consequences as a result of a failure to comply with, or adequately allow for changes in all applicable laws and legislation, contractual requirements or regulations.

This risk is managed through established systems and controls to mitigate the potential non-compliance with the approved risk appetite, including the operation of three lines of defence model and implemented internal policies and procedures.

#### Operational Risk

Operational Risk is defined as the risk that the design and implementation of processes to support the Firm's business activity lack both efficiency and effectiveness, leading to financial, client and reputational loss.

Operational Risk is managed and mitigated through the activities within the risk management framework, which include the identification and assessment process of associated risk controls and scenarios involving operational sub-risks.

Ongoing monitoring against established key risk indicators aims to mitigate potential harms arising from the Firm's daily operations.

### 3.8 Concentration Risk

The Firm does not conduct any trading on own account and does not have regulatory permissions for dealing as principal. Therefore, the Firm is not exposed to this risk.

### 3.9 Liquidity risk and requirement

Liquidity Risk is the risk that the firm will not be able to meet efficiently both expected and unexpected, current and future cash flow without affecting either daily operations or the financial condition of the firm.

The risk management framework sets out the NFP's approach to managing its liquidity in compliance with own internal

obligations and regulatory requirements as outlined in the relevant provisions of the MIFIDPRU sourcebook and the FCA guidelines.

NFP ensures that, at all times, in line with the relevant requirements, it holds liquid assets, at minimum, equal to one third of its Fixed Overheads Requirement ('FOR') and 1.6% of the total amount of guarantees provided to its clients, known as the Basic Liquid Assets Requirement ('BLAR'). The Firm does not provide any client guarantees. Therefore, its BLAR is driven by its expenses, as captured by the FOR

As part of the ICARA process the Firm also undertakes an assessment of its liquid resources that are necessary for its ongoing operations, including stress scenarios and the wind-down analysis, this is called the LATR (Liquid Asset Threshold Requirement).

This is the sum of:

- the Firm's BLAR; and
- the higher of the NFP's estimate of:
  - the amount of liquid assets that it requires to fund its ongoing operations (including in stressed conditions);
  - the additional amount of liquid assets (over and above its BLAR) that it would require to ensure an orderly wind-down of its business.

The latest ICARA assessment concluded that NFP meets its regulatory obligations relating to liquidity by holding sufficient liquid assets at all times.

The Firm's monitoring and reporting of its liquidity position is undertaken through established reporting against the key liquidity metrics. Any triggers or breaches would be escalated in line with the escalation framework.

## 4. Own Funds

### 4.1 Composition of Regulatory Own Funds

The Firm's own funds consist of CET1 capital. As at the Firm's financial year end on 31 December 2023, the Firm complied with all capital requirements.

<b>Composition of regulatory own funds</b>			
	<b>Item</b>	<b>Amount (GBP thousands)</b>	<b>Source based on reference numbers/letters of the balance sheet in the audited financial statements</b>
1	<b>OWN FUNDS</b>	<b>12,129</b>	
2	<b>TIER 1 CAPITAL</b>	<b>23,982</b>	Statement of Changes in Equity (Page 22)
3	<b>COMMON EQUITY TIER 1 CAPITAL</b>	<b>23,982</b>	Statement of Changes in Equity (Page 22)
4	Fully paid-up capital instruments	14,600	Note 17 (page 40)
5	Share premium		
6	Retained earnings	9,382	Statement of Changes in Equity (Page 22)
7	Accumulated other comprehensive income		
8	Other reserves		
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-)-TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(11,853)	Note 10 (page 37) and note 20 (page 43)
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		
25	<b>TIER 2 CAPITAL</b>		
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		

## 4.2 Reconciliation of regulatory own funds to balance sheet in the audited financial statements

The table below describes the reconciliation with own funds in the balance sheet as at 31 December 2023, where assets and liabilities have been identified by their respective classes. The information in the table below reflects the balance sheet in the audited financial statements.

<b>Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements</b>			
	<b>a</b>	<b>b</b>	<b>c</b>
	<b>Balance sheet as in published/audited financial statements</b>	<b>Under regulatory scope of consolidation</b>	<b>Cross-reference to template OF1</b>
As at period end	<b>31 December 2023</b>		
<b>Assets – Breakdown by asset classes according to the balance sheet in the audited financial statements</b>			
Intangible assets	7,682		
Property, plant and equipment	1,690		
Deferred tax asset	4,171		
Cash and cash equivalents	12,742		
Trade and other receivables	18,996		
<b>Total Assets</b>	<b>45,281</b>		
<b>Liabilities – Breakdown by liability classes according to the balance sheet in the audited financial statements</b>			
Trade and other payables	(10,393)		
Provisions	(10,536)		
Deferred tax liabilities	(70)		
Lease liability	(300)		
<b>Total Liabilities</b>	<b>(21,299)</b>		
<b>Shareholders' Equity</b>			
Called up share capital	14,600		
Retained earnings	9,382		
<b>Total Shareholders' Equity</b>	<b>23,982</b>		

## 4.3 Main features of own instruments issued by the Firm

The table below provides information on the CET1 instruments issued by the Firm.

<b>Own funds: main features of own instruments issued by the Firm</b>
Share capital consists of fully paid ordinary shares of £1 each, with 14,600,000 shares in issuance as at 31 December 2023 (2022: 14,600,000)

## 5. Own Funds Requirements

### 5.1 Own funds requirement

The Firm is required to disclose the K-factor requirement ('KFR') and the fixed overheads requirement ('FOR') amounts in relation to its compliance with the own funds requirements set out in MIFIDPRU 4.3, based on the audited financial statements for the year ended 31 December 2023.

The breakdown of the K-Factors applicable to NFP, based on the regulatory permissions it has and the FOR for the period is detailed below:

Item		Total in £,'000
K-Factor	K-AUM, K-CMH and K-ASA	5,412
	K-DTF and K-COH	33
	K-NPR, K-CMG, K-TCD and K-CON	-

Item		Total in £,'000
FOR		7,973

### 5.1 Approach to assessing the adequacy of own funds

#### ICARA process

As set out above in this document, NFP undertakes the process of ICARA. Within the annual ICARA process, the Firm is required to identify and assess the following:

- any material/key risks that arise from its activities;
- any material harms that may be caused to the clients, the market or the Firm itself as a result of its activities; and
- whether, at all times, the Firm has sufficient own funds and liquid resources to meet the OFAR.

The ICARA process encompasses various aspects of internal governance with a particular focus on:

- identification, monitoring and mitigation of harms;
- business model planning and forecasting;
- recovery and wind-down planning;
- assessing the adequacy of financial resources; and
- assessing the overall effectiveness of the risk management of the Firm.

As part of the ICARA process, the Firm establishes its own funds threshold requirement and its LATR to comply with the OFAR and to ensure the Firm can remain viable, addressing any potential harm from ongoing activities and can wind-down in an orderly way. For harms not adequately mitigated through existing systems and controls, the Firm assesses whether additional own funds and/or liquid assets are required.

The recovery action planning contains appropriate recovery actions to restore own funds and/or liquid resources to avoid breaching threshold requirements and early-warning-indicators to assist the Firm when approaching trigger levels and set out credible actions to help reverse or repair any adverse trends.

The wind-down planning includes triggers (own funds and liquid assets) and timelines. The Firm considers different scenarios that could cause a need to wind-down the business. These underlying drivers could result in the need for different resources (financial and non-financial) during the wind-down period. The Firm sets resources aside so sufficient funds and liquid assets are available to enable an orderly wind-down.

### Compliance with Overall Financial Adequacy Rule

NFP is required to hold adequate financial resources at all times. These must be adequate both in amount and quality, to ensure that the Firm remains financially viable throughout the economic cycle with the ability to address and mitigate any potential harms that may be caused, arising from its ongoing business activities.

In addition, the Firm must be prepared for an orderly wind-down while minimising harm to customers or to other market participants, without threatening the integrity of the UK financial system. Therefore, to meet the OFAR, the Firm must

hold the higher of the amount of own funds necessary for:

- Its ongoing operations during the economic cycle; and
- An orderly wind down.

As a minimum, NFP must meet the OFR and BLAR. As a non-SNI firm, NFP is obliged to comply with the provisions of the OFR contained within MIFIDPRU 4.3.2R by holding the highest of its:

- Permanent minimum capital requirement (“PMR”) (per MIFIDPRU 4.4).
- FOR (per MIFIDPRU 4.5); or
- KFR (per MIFIDPRU 4.6).

The Firm complies with its PMR of £150,000, being a fixed requirement based on the permissions the Firm has to undertake its regulated activities.

**The FOR, which is an amount equal to one quarter of the Firm’s expenditure from the preceding year after the distribution of its profits and deduction of certain non-fixed expenditure items, is calculated from the Firm’s audited annual financial statements.**

### **Own funds adequacy**

NFP assesses the adequacy of its own funds on a regular basis against a variety of own funds requirement assessments. In maintaining the Firm’s own funds requirements within the risk appetite, early warning indicators have been established. These are agreed as part of the annual own funds planning process and reviewed annually. The Firm performs daily own funds monitoring in line with early warning indicators.

## **6. Remuneration Disclosure**

As a MIFIDPRU investment firm, NFP has implemented and maintains gender neutral remuneration policies and practices that are appropriate and proportionate to the nature, scale and complexity of the risks inherent in the business model and the activities of the Firm.

### **6.1 Performance period**

The Firm’s performance period is from 1st January 2023 to 31 December 2023.

### **6.2 Approach to remuneration for employees**

The Firm’s remuneration approach is governed by the Remuneration Policy which applies to all staff. The policy has been designed to ensure risk is discouraged outside of the risk appetite and to support the Firm’s business objectives, strategy and values and to align to the interests of its customers and employees.

The policy has been developed based on the following principles:

- Remuneration must reinforce people management practices and only reward results that support the culture and values of the Firm.
- Total remuneration must be justifiable and affordable in relation to the performance attained.
- Remuneration must align to the business drivers, vision, strategy, objectives and values of the Firm.
- There must be a robust quantitative and qualitative approach to reflecting risk metrics and risk management in any outcome of remuneration plans.
- The determination, design, implementation and communication of all remuneration policies and practices must be simple, clear and transparent for all employees.
- The design and implementation of remuneration practices must be gender neutral, consistent with and encourage the principles of diversity, equity and inclusion.
- Remuneration plans and policies must align the interests of executives with the long-term goals of the Firm.
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The Remuneration Committee is supported by the Board Risk Committee to help meet its obligations and consider the risk arising from remuneration.

### 6.3 Financial incentives objectives

The objectives of the Firm's remuneration practices are as follows:

- The Firm undertakes to reward all employees fairly, regardless of the role function, race, religion, colour, national origin, sex, sexual orientation, marital status, pregnancy, disability, neurodiversity or age;
- the Firm operates competitive remuneration policy to attract, retain and motivate an appropriate workforce;
- The Firm is also committed to ensuring that its remuneration practices encourage high standards of personal and professional conduct, support sound risk management and do not encourage risk taking that exceeds the level of tolerated risk of the Firm, and are aligned with the Firm's regulatory requirements;
- Rewards for all staff will be aligned to financial and non-financial performance criteria and risk profile, and in all cases will be in line with the business strategy, objectives, values and long-term interests of the Firm;
- The Firm will not allow any unfair or unjust practices that impact on pay; and
- The Firm will not award remuneration using vehicles or methods the aim of which is to attempt to avoid application of the SYSC19 G Remuneration Code.

The Firm uses the following financial incentives:

- Short Term Incentives (STIP).
- Long-term Incentive Plans (LTIP); and
- In the moment recognition awards.

Our financial incentives are designed to:

- Recognise individual and team performance.
- Recognise and encourage behaviours linked to the firms' values and desired culture.
- Remain competitive and attract and retain talent.
- Motivate staff to achieve Firm-wide objectives.

### 6.4 Remuneration arrangements

The appropriateness of the remuneration policy is overseen by the Remuneration Committee. The Committee consists of independent Non-executive directors enabling the committee to apply independent judgement in remuneration matters in the context of managing risk, value and capital in line with customers' expectations as well as ensuring compliance with the relevant regulatory remuneration requirements.

The role of the Committee is to set the overarching principles of the remuneration policy and to exercise oversight of the implementation of the policy and to consider and approve remuneration arrangements for the Chair, the Executive Directors and other senior executives.

The Remuneration Committee's main responsibilities are to:

- Review and approve the remuneration strategy and policy.
- Review and approve the general and specific principles of the remuneration policy, the compliance of the remuneration policy with applicable laws and regulations, the terms of application and the summary figures of the remuneration policy, including details of Material Risk Takers ('MRTs') and those with the highest remuneration.
- Review and approve the remuneration of the Senior Management, including the CEO.
- Review and approve the Risk and Compliance senior executives.
- Review and consider the findings of the annual review of the Remuneration Policy.

### 6.5 Components of remuneration

The Firm makes a clear distinction between fixed and variable remuneration.

Fixed remuneration primarily reflects a staff member's professional experience and organisational responsibility as set out in the staff member's job description and terms of employment; and is permanent, pre-determined, non-discretionary, non-revocable and not dependent on performance.



Variable remuneration is based on company and individual performance, reflecting the long-term performance (including behaviours) of the staff member as well as performance in excess of the staff member’s job description and terms of employment. The Firm ensures that the fixed and variable components of an individual’s total remuneration are appropriately balanced.

In determining this balance, the Firm considers the following factors:

- The Firm’s business activities and associated prudential and conduct risks;
- The role of the individual in the Firm;
- The impact that different categories of staff have on the risk profile of the Firm or of the assets it manages;
- No individual must be dependent on variable remuneration to an extent likely to encourage them to take risks outside the risk appetite of the Firm;
- It may be appropriate for an individual to receive only fixed remuneration, but not only variable remuneration; and
- Variable remuneration must not affect the Firm’s ability to ensure a sound capital base.

When assessing individual performance to determine the amount of variable remuneration to be paid to an individual, the Firm considers financial as well as non-financial criteria.

Non-financial criteria:

- form a significant part of the performance assessment process;
- override financial criteria, where appropriate;
- include metrics on conduct, which should make up a substantial portion of the non-financial criteria; and
- include how far the individual adheres to effective risk management and complies with relevant regulatory requirements.

## 6.6 Financial and non-financial performance criteria

NFP uses the following financial performance criteria:

- EBITDA
- AUA

In addition, the Firm uses the following non-financial performance criteria:

- measures relating to building and maintaining positive customer relationships and outcomes, such as positive customer feedback;
- performance in line with firm strategy or behaviours, for example by displaying leadership, collaboration, teamwork or creativity;
- staff engagement levels;
- adherence to the firm’s risk management and compliance approach and policies; and
- progress is being made on its diversity, equality and inclusion strategy.

## 6.7 Material risk takers

MRT is defined as a staff member who has overall responsibility and material impact on the risk profile of the firm.

On an annual basis, NFP reviews the identification of its MRTs in line with the provisions outlined in SYSC 19G.5 of the Remuneration Code and the NFP Remuneration Policy.

For the performance year 2023, the Firm identified 12 MRTs based on the criteria set out below:

MRT Type
The staff member is a member of the management body in its management function
The staff member is a member of the management body in respect of the management body in its supervisory function
The staff member is a member of the senior management



<p>The staff member is a member who has managerial responsibility for business units that are carrying on at least one of the following activities:</p> <ul style="list-style-type: none"> <li>• Advising on investments (except pension transfers and pension opt-outs);</li> <li>• Arranging (bringing about) deals in investments;</li> <li>• Arranging safeguarding and administration of assets;</li> <li>• Dealing in investments as agent;</li> <li>• Dealing in investments as principal;</li> <li>• Establishing/operating/winding up a personal pension scheme;</li> <li>• Making arrangements with a view to transactions in investments;</li> <li>• Managing investments;</li> <li>• Safeguarding and administration of assets (without arranging)</li> <li>• Sending dematerialised instructions</li> <li>• Agreeing to carry out a regulated activity</li> </ul>
<p>The staff member is a member who has managerial responsibilities for the activities of a control function</p>
<p>The staff member is a member who has managerial responsibilities for the prevention of money laundering and terrorist financing</p>

## 6.8 Risk adjustment

The Firm takes risk, including conduct risk, into account both on an ex-ante and ex-post basis when setting the amount and form of variable remuneration for employees. Different lines of business have different risk profiles, and these are taken into account when determining (future) remuneration. Guidelines are provided to assist compensation managers when applying discretion during the remuneration process to promote consistent consideration of the different risks presented by the firm's businesses. Further, to ensure the independence of control function employees, remuneration for those employees is not determined by individuals in revenue-producing positions but rather by the management of the relevant control function.

The Firm has implemented a set of procedures which ensures that all variable remuneration payable is subject to in-year adjustments (all staff); malus, if appropriate (applicable to MRTs); and/or clawback (applicable to MRTs).

To ensure effective risk adjustment, the Firm requires employees who receive variable remuneration awards to agree to forfeiture and clawback in the event of fraud, misconduct or actions contributing to the detriment of business interests. Ex-ante risk adjustment of variable remuneration can occur through the considerable reduction in total variable performance where subdued or negative financial performance of the Firm occurs, taking into consideration the Firm's regulatory capital, liquidity requirements and the current and future risks it has identified. Furthermore, an individual's variable remuneration may be reduced, or if malus or clawback is available, utilised, where employment issues have been identified as part of the ongoing performance review process in place at the Firm.

Performance adjustment events may occur as a result of a deliberate or malicious act, error, accident or negligence. There may also be grounds for a performance adjustment due to an individual's failure to act either to prevent a risk event or where timely action would have mitigated the effects of a risk event. Performance adjustment seeks to take account of matters that were not apparent at the time of the original variable award. Adjustments or application of malus or clawback will depend upon the severity of the event and will be subject to Remuneration Committee approval.

## 6.9 Policies for awarding guaranteed variable remuneration and severance payments

The Firm awards guaranteed variable to an MRT only when it:

- occurs in the context of hiring a new MRT;
- is limited to the first year of service;
- is designed as a retention tool; and
- is concluded that the Firm has a strong capital base.

The Firm follows all local statutory severance requirements. Severance payments made will not be disproportionate but will appropriately compensate the employee in cases of early termination of the contract. Severance payments do not reward failure and will not be awarded where there is a failure in risk management or conduct.

## 6.10 Awarded remuneration

The Firm has awarded its Material Risk Takers ('MRTs') and other staff the below set out amounts of remuneration:

<b>Staff category</b>	<b>Remuneration type</b>	<b>£,'000</b>
MRTs	Fixed remuneration	£1,790
	Variable remuneration	£461
	<b>Total amount</b>	<b>£2,251</b>
Senior Management	Fixed remuneration	£1,929
	Variable remuneration	£242
	<b>Total amount</b>	<b>£2,171</b>
Other staff	Fixed remuneration	£11,168
	Variable remuneration	£724
	<b>Total amount</b>	<b>£11,892</b>

To prevent individual identification of an MRT, severance pay, and guaranteed variable pay has not been disclosed.