CAPITAL REQUIREMENTS DIRECTIVE

PILLAR 3 DISCLOSURES BASED ON DATA AS AT 31 DECEMBER 2021

EQUINITI FINANCIAL SERVICES LIMITED

This document provides the disclosures which are required of Equiniti Financial Services Limited (EFSL) under the Capital Requirements Directive (CRD IV) and as set out under Part Eight of the Capital Requirements Regulation (CRR), Articles 431 to 455.

CRD IV IS BASED ON A THREE 'PILLARS' MODEL:

PILLAR 1

This specifies the minimum capital amount that EFSL needs to hold as set against its credit, market and operational risk profile

PILLAR 2

This requires EFSL to assess whether its Pillar 1 capital is adequate to meet its risks. This is undertaken through EFSL's Internal Capital Adequacy Assessment Process (ICAAP) which is subject to review and evaluation by the Financial Conduct Authority (FCA) as part of its supervisory process

PILLAR 3

This requires the disclosure by EFSL of specified information about its underlying risk management control, capital position and remuneration policy.

SCOPE AND APPLICATION OF CRD IV REQUIREMENTS

In the United Kingdom, CRD IV has been implemented by the FCA in its regulations through the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Investment Firms ('IFPRU'). EFSL is authorised and regulated by the FCA as a standalone IFPRU, limited licence, €125k firm with permissions to undertake certain regulated investment activities. These Pillar 3 disclosures are made by EFSL on a solo basis.

FREQUENCY AND LOCATION OF EFSL'S PILLAR 3 PUBLICATIONS

EFSL will make Pillar 3 disclosures annually and these will be published on the Equiniti Group's website (www.equiniti.com).

MATERIALITY AND APPROPRIATENESS OF DISCLOSURES

The Board of EFSL will regard information as material if its omission or misstatement could change or influence the decision of a user relying on the information for the purpose of making economic decisions. All disclosures are reviewed and approved by the Board of EFSL.

VERIFICATION

Disclosures will only be subject to external verification to the extent they are equivalent to disclosures made under accounting requirements. Internal verification of our disclosures is performed by EFSL's Compliance, Risk and Finance functions.

RISK MANAGEMENT APPROACH

EFSL prioritises risk management through its functional structure, governance processes, monitoring and reporting activities and its emphasis on staff integrity and values. From the Board down, EFSL considers its risk appetite in its strategy, business plans and risk management philosophy. EFSL periodically reviews the effectiveness of its Risk Management Framework to ensure future growth continues to be effectively managed in line with EFSL's risk appetite. Ongoing reporting provides the Board, its Risk Committee and senior management with risk management information concerning EFSL's risk exposure and experience and this forms part of the firm's ICAAP.

EFSL is committed to managing the applicable risks to the business and maintaining an effective internal control structure which includes oversight monitoring, key performance indicators and reporting of risks. Through independent lines of reporting for risk oversight and operations, our risk governance policies are designed to provide objective assessments and monitoring of risks. On at least a quarterly basis, management reviews the level of risk it regards as appropriate in order to operate within its regulatory obligations and achieve its business objectives.

RISK GOVERNANCE

Governance of risk management within EFSL is based on a 'three lines of defence' model, as follows:-

1. First line of defence (business management, staff and an over-arching independent CASS monitoring function) - responsible for identifying and assessing the risks faced in the business and ensuring that appropriate controls are established and maintained.
2. Second line of defence (Compliance & Risk Team) - responsible for establishing an effective policy framework for risk management to support the business and conducting 2nd line assurance monitoring.
3. Third line of defence (Internal Audit) – provides independent and objective assurance on the effectiveness of risk management, control and governance processes.

EFSL is committed to ongoing investment in all three lines of defence to ensure these remain appropriately resourced and aligned with its businesses scale, its risk profile and the regulatory environment.

RISK APPETITE

EFSL has, in line with its current product set and regulatory permissions, a low level risk appetite. Within this parameter, EFSL aims to identify and capitalise on opportunities that maximise value for the shareholders and other stakeholders of the Equiniti Group.

EFSL is prepared to accept risk that is aligned with Equiniti Group's core purpose, and is commensurate with expected returns, subject to the following considerations:

- Achievement of Equiniti Group's externally committed targets.
- Impact on EFSL's regulatory capital position, liquidity and funding plans.
- Protection and enhancement of Equiniti Group / EFSL owned brands and reputation with customers and other stakeholders.

EFSL's exposure to credit and market risk is limited as it does not deal on its own account, provide financial advice or act as a fund manager.

EFSL's main transactional roles are that of acting as an agency broker and as receiver and transmitter of dealing instructions. Within its broking operations, EFSL has some limited exposure to credit risk from counterparties to securities transactions during the period between the trade date and the settlement date and these are monitored daily. This period is generally two business days. The firm only has credit exposure that extends beyond the original settlement date if the counterparty fails either to make payment or to deliver securities.

There is no intention for EFSL to have an unsecured exposure to any client or to permit clients to trade on credit, i.e. EFSL does not use its own assets to effect settlement of a client's obligations. However EFSL does allow clients to trade before handing control of their assets to EFSL, but with the obligation to do so in time to permit prompt settlement on contractual settlement date. This can leave EFSL with an exposure to client default, whereby the client, temporarily or permanently, defaults on its contractual obligations to make good on the trade on settlement date.

EFSL's settlement risk is substantially mitigated as a result of using 'delivery versus payment' (DvP) settlement. Under the DvP approach should the counterparty fail to make a due payment, the securities would not be delivered to the counterparty. As a result, the risk exposure for EFSL is restricted to any adverse movement in market prices between the time of trade and settlement. Such settlement risk is mitigated by the effective procedures and controls operated within the settlements function.

Should a client default on its settlement obligations, EFSL's exposure will be to adverse price movements in the securities in which it has open unsettled trades i.e. the cost of unwinding the trades in the market at a changed price. The client will not receive the shares or proceeds from the defaulted settlement.

EFSL does not normally offer contractual settlement however it will in prescribed circumstances provide it to clients under controlled approvals. In the event of market-side or client-side settlement defaults, EFSL may make arrangements to cover any shortfalls from its own funds until it either receives funds from the customer or counterparty, or crystallises any open trading positions. Liquidity risk is managed within EFSL's risk appetite.

Some other limited credit risk can arise as a result of fee income due from corporate issuer clients for whom EFSL provides sponsored services.

Operational risk occurs as a consequence of undertaking its core business activities and EFSL seeks to minimise these risks by putting in place effective internal risk and business controls. EFSL uses its independent CASS, internal audit and 2nd line assurance teams to reinforce and oversee the operation of these controls. EFSL also aims to minimise operational risk at all times through a strong and effectively resourced control and operational infrastructure.

CAPITAL ADEQUACY

As at 31 December 2021, EFSL's regulatory capital resources are as follows:

Tier 1	£ 000
Share capital	£12,754
Audited reserves	£10,396
Total regulatory capital	£23,150

EFSL's capital requirement is determined by:

a. its Pillar 1 requirement, which is based on the higher of its fixed overheads calculation or the sum of its market and credit risk requirements;

b. its Pillar 2 risk assessment, which requires EFSL to assess and determine whether any additional capital should be held against specific operational risks not covered by Pillar 1; and

c. any further capital provisions that EFSL considers appropriate in relation to the net costs that would be incurred in the event that it needed to wind down.

As at 31 December 2021, EFSL's Pillar 1 capital requirement was calculated as £5.97m with its Pillar 2 risk assessment concluding that £11.09m of additional capital was required to be allocated against the identified key operational risks. Following consideration of further capital needed, EFSL's total capital requirement as at 31 December 2021 was determined to be £22.80m.

EFSL adopts a prudent approach to the management of its capital base and closely monitors its activities and financial position in order to identify any material fluctuations which may require its capital requirements to be reassessed. EFSL seeks to ensure that at all times, it has sufficient capital to meet its regulatory requirements.

REMUNERATION POLICY

EFSL has established a Remuneration Committee (RemCo) which meets periodically throughout the year to consider issues relating to terms and conditions of employment, remuneration and pension benefits. Within the authority delegated by the Board, RemCo is responsible for approving remuneration policy and in doing so takes into account the pay and conditions of all employees linked to EFSL's business activities. This includes the terms of any bonus schemes and the individual remuneration packages of executive directors and other senior employees, including all staff in positions of significant influence and those having a material impact on EFSL's risk profile (Code Staff).

RemCo takes full account of EFSL's strategic objectives, risk appetite and regulatory capital requirements in setting remuneration policy and is mindful of its duties to customers and other stakeholders. The Committee seeks to preserve stakeholder value by ensuring the successful retention, recruitment and motivation of employees.

The following groups of EFSL and Equiniti Group employees, who are deemed to have a material impact on EFSL's risk profile, have been identified as meeting the criteria for Code Staff as set out under the European Banking Authority's Regulatory Technical Standards:

1. Senior Manager Functions;
2. Certification Function – Client Dealing;
3. Certification Function – Significant Management;
4. Certification Function – T&C;
5. Certification Function – CASS; and
6. Salary Based (employees whose total remuneration is equal to or greater than any individual in categories 1 to 5 above).

The link between pay and performance for Code Staff remuneration is made up of fixed pay (i.e. base salary and benefits) and performance-related pay (commission arrangements and/or bonus schemes). Performance related pay is set and awarded in a manner which promotes sound risk management and does not induce excessive risk taking in the performance of their duties. This is done by (a) ensuring that there is an appropriate balance between fixed and performance-based components and (b) ensuring that the fixed component represents a sufficiently high proportion of the total remuneration to enable non-payment of the performance based component.

REMUNERATION INFORMATION FOR THE PERFORMANCE YEAR ENDED 31ST DECEMBER 2021

During 2021, there were a total of 71 Code Staff. Aggregate remuneration expenditure in respect of all Code Staff was £6.10m of which 99.6% represented the fixed element and 0.4% represented the variable element.

Senior Manager Function

Number of Code Staff	13
Total remuneration	£2.36m
Fixed remuneration	100%
Variable remuneration	0%

Certificate Function – Client Dealing

Number of Code Staff	10
Total remuneration	£0.64m
Fixed remuneration	99.7%
Variable remuneration	0.3%

Certificate Function – Significant Management

Number of Code Staff	15
Total remuneration	£1.35m
Fixed remuneration	98.5%
Variable remuneration	1.5%

Certificate Function – T&C

Number of Code Staff	11
Total remuneration	£0.68m
Fixed remuneration	99.9%
Variable remuneration	0.1%

Certificate Function - CASS

Number of Staff	1
Total remuneration	£0.12m
Fixed remuneration	100%
Variable remuneration	0%

Salary based

Number of Code Staff	21
Total remuneration	£0.94m
Fixed remuneration	100%
Variable remuneration	0%