

**Introduction**

Capita Life & Pensions Regulated Services (CLPRS) is authorised and regulated by the Financial Conduct Authority and is directly owned by Capita plc. CLPRS is subject to the regulatory capital and liquidity requirements for investment firms in the FCA's Prudential sourcebook for MiFID Investment Firms (MIFIDPRU) and is classified as a non-SNI MIFIDPRU firm. This document details the disclosures the firm is required to make under MIFIDPRU.

**Governance Arrangements**

CLPRS's governance is led by the CLPRS Board which is chaired by an independent non-executive director. The membership comprises a further non-executive director alongside the executive directors. The governance also includes a number of Board committees/subcommittees:

- Capital & Risk Committee
- Nomination & Remuneration Committee
- Risk & Compliance Committee (RACC)

For the year ended 31 December 2022, CLPRS operated a Capital and Risk Committee and a Remuneration Committee to enable it to manage its obligations and risks. These committees were chaired by a non-executive Director.

Capita plc promotes Diversity and Inclusion across its businesses by way of mandatory training and via its Diversity and Inclusion Policy and is committed to creating an environment where diversity is valued, respected and included. In summary, the policy sets out Capita's commitment to:

- Create a workforce that reflects the diversity of our communities, understanding that all the differences in peoples' skills, education, experience, background, education, age, working style, religion or belief, sexual orientation, race, gender and other individual characteristics drive greater effectiveness in decision-making through diversity of thought. It's also the right thing to do.
- Create an inclusive and welcoming work environment free of harassment and bullying, where everyone can achieve their potential and all employees feel, and are, valued and respected.
- Act in accordance with our purpose, values and behaviours and our Code of Conduct, which emphasise the inclusive behaviours expected of all our people and those working on behalf of Capita.

Accordingly, CLPRS applies that policy to its business and to the recruitment of members of its Board and is satisfied that it has met the objectives of that policy.

The number of directorships held by members of the management body in the year 2022, together with their knowledge, skills and experience was as follows:

<b>Director 's name</b>	<b>Number of directorships held</b>
Antony Brown	7
Laura Blackman	1
Tom Vanoverschelde	15
Simon Burke	4

The Directors all have numerous years of experience in order to manage the business effectively; not solely, but skills and experience include leadership, market, industry, strategic planning, risk management, governance, information technology, resource management and financial.

**Risk Management Objectives and Policies**

As part of Capita Group, CLPRS adheres to the Capita Enterprise Risk Management Framework (ERMF).

Capita recognises that effective enterprise risk management is an integral part of running its business and is fundamental to helping it in delighting its clients. Capita’s ability to identify, assess and effectively manage risks is critical in ensuring the continued success of its business and protecting long-term shareholder value.

Capita is committed to:

- Promoting and fostering an effective risk culture, attitude, and tone from the top across all Capita
- Proactively managing risks which could threaten its business model, performance, and objectives
- Ensuring risk management is embedded in all activities and decision-making processes
- Defining the group risk appetite which sets the boundaries within which it will manage risk

In applying this approach overall responsibility for risk management for CLPRS sits with the CLPRS Board to ensure that the risk systems and controls are appropriate and adequate for the nature and size of CLPRS’s business. The Board sets the culture and tone including segregation of duties in the organisation and the management of conflicts of interest.

Systems, controls and procedures are in place to identify, assess and mitigate major business risks that could impact CLPRS. Monitoring exposure to risk and uncertainty is an integral part of the Company’s structured management processes and is focused through the Risk and Compliance Committee, which itself is a subcommittee of the Board. The Risk and Compliance Committee meets at least ten times per year and receives formal reports from the CLPRS client account risk committees. In addition, the Board’s risk management is further supported by other subcommittees, the Capital and Risk Committee and the Nomination & Remuneration Committee.

As part of its risk management process CLPRS uses the 3 Lines of Defence approach comprising 1<sup>st</sup> (1LOD), 2<sup>nd</sup> (2LOD) and 3<sup>rd</sup> lines (3LOD) as set out in the table below:

<b>3 Lines of Defence</b>		
<b>Line</b>	<b>Functions</b>	<b>Components</b>
1st	Business Operations Operational Controls	Business delivery management, business process, systems tactical controls and risk identification.
2nd	Executive & Committees Risk & Compliance Group Functions	Executive and committees provide oversight and challenge. CLPRS Risk & Compliance provide risk identification, assessment, management and reporting along with day-to-day oversight and challenge of risk and regulatory compliance, supported by Group functions: e.g. Information Security, Business Resilience, Data Privacy, Legal, Finance and Commercial.
3rd	Group Internal Audit	Assurance of the effectiveness of the 1st and 2nd line controls by Group Internal Audit (GIA) and group procured external audit, reporting to the CLPRS Board

***Risk Appetite Statement***

The Capita ERMF includes the definition of Capita Plc's overall risk appetite. This sets the boundaries within which all Capita firms operate. CLPRS operates within the overall Group risk appetite. However, the Board of CLPRS can agree to take less risk per risk category compared to the Group risk appetite but cannot agree to take more risk per risk category.

The Board of CLPRS can also set additional firm specific qualitative and quantitative risk appetites for each risk category to ensure the risk appetite of the firm is sufficiently well articulated based on the nature and scale of the business and regulated activity that it undertakes.

The Board of CLPRS reviews and updates its firm specific risk appetite statement on at least an annual basis. This review will take into account any changes in the Group Risk Appetite. The Board of CLPRS also reviews its firm specific risk appetite during times of significant business or market change.

When reviewing and agreeing its firm specific risk appetite the Board of CLPRS ensures its attitude to risk is aligned to its overall strategy and business plan.

The Board of CLPRS also agrees on an annual basis (or during times of significant business or market change) Key Risk Indicators (KRIs) for each risk category. These act as an indicator as to whether or not a risk is trending towards a breach of risk appetite and are included in the monthly risk MI.

Reviewing the effectiveness of risk management is undertaken on an ongoing basis. The nature of risks along with their rating and ongoing work/actions are reviewed and updated on a monthly basis by the risk owners and presented at CLPRS Risk Committee for discussion and consideration. Attestations and escalations are brought to the Risk Committee from other governance forums.

Any movements in risk ratings along with those risk categories rated as 'Critical' or 'Uncomfortable' are highlighted at the Capital & Risk Committee and at CLPRS Board within the Risk & Compliance report. The actions being taken to address and mitigate those risks are discussed at those forums and the effectiveness scrutinised and challenged.

**Own fund and Own Funds Requirements**

CLPRS ensures that it remains financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities. It also ensures that its business would be able to be wound down in an orderly manner. It achieved this through undertaking a thorough Internal Capital Adequacy and Risk Assessment (ICARA) process.

CLPRS completed the ICARA process during 2022. Consequently, the firm has a detailed ICARA document setting out its structure, strategy, governance arrangements, capital position, identified 'Material Harms', stress testing, reverse stress testing and a 'last resort' wind-down analysis. The ICARA also sets out the Own Funds Requirement, k-factor calculations and Fixed Overhead Requirement. Given the dynamic basis of linking strategy, risk appetite and capital, the ICARA is a living document and is subject to revisions. The nature of activities, and the changing regulatory environment for financial services firms, that CLPRS is exposed to means these scenarios have to be ratified, stress-tested and changes reported back to the FCA on a periodic basis. The ICARA is also regularly reviewed for fit-for-purpose and any proposed amendments are brought to the CLPRS Capital and Risk Committee and approved before they are released to the FCA.

This process ensures that for its Own funds requirements CLPRS always holds an appropriate level of capital and liquid resources to cover potential harms and ensure it remains financially viable, can provide services through the economic cycle and if required would enable an orderly wind-down without causing undue economic harm to consumers or to the integrity of the UK financial system.

As at 31 December 2022 CLPRS held Own Funds of £197.6m  
CLPRS's calculation of Own Funds is set out in Appendix 1 below.

The Fixed Overheads Requirement (FOR) for the period is - £41.4m

The breakdown of relevant K-Factors is as follows: K-COH – £0.02m

CLPRS also assesses its capital requirements based on harms identified as part of the risk management processes detailed above. Where this assessment gives capital requirements in excess of the FOR the Company holds additional capital. Management have assessed that the potential harms and concluded they do not exceed the firms Own Funds.

CLPRS is not reliant on any single external commercial relationship and therefore we do not believe the exposure to Concentration Risk be material.

CLPRS has developed a liquidity management framework to formalise the monitoring and control processes in place to ensure it has sufficient liquid resources to meet its liabilities as they come due. This risk is therefore considered to be minimal.

The assets include bank deposits held with Barclays Bank plc as part of a cash pooling arrangement with other subsidiaries of Capita Plc. In addition, CLPRS holds adequate funds within a ringfenced Capita Life & Pensions Regulated Services bank account. The credit and liquidity risk associated with these deposits are reviewed on an ongoing basis and are considered by management to be low.

### **Remuneration Policies and Practices**

CLPRS adheres to the Capita Group Remuneration Policy and applies the Capita Group 'Fair Pay Principles' which underpin the approach to pay at all levels and within all parts of the group. In addition, the CLPRS Remuneration Policy sets out how CLPRS is committed to:

- Following the FCA remuneration rules and operating consistent and proportionate remuneration arrangements.
- Promote sound and effective risk management, and good alignment between risk and individual reward.
- Not incentivise excessive risk taking or short-termism and are aligned with the long-term interests of all parties, including our customers and those of our clients.
- Avoid conflicts of interest arising as a result of how we assess or reward performance and a person's duty to always act in the best interests of customers.

The Fair Pay Principles set out requirements to ensure pay is:

- Fair
- Consistent
- Transparent
- Competitive
- Clear; and
- Recognises contribution

As stated in 'Governance' above CLPRS has its own Remuneration Committee. The membership of this consists of the two non-executive directors with the CLPRS Managing Director, CLPRS Director of Risk & FS Compliance, and HR Business Partner as attendees. The purpose of the Committee is to ensure CLPRS adheres to the applicable regulatory and Group remuneration requirements and to ensure that all its staff are remunerated in a transparent and fair manner and in a way that does not encourage excessive risk taking.

#### Material Risk Takers

CLPRS has assessed which members of its staff are material risk takers (MRTs) as defined within the FCA's SYSC 19G 5.3R rule. The total number of MRTs at 31 December '22 was 16. The types of staff identified as MRT's are

- Member of the Board (Executive and Non-executive)
- Members of the Senior Management Team
- Heads of Control Functions (Risk & Compliance and Internal Audit)

All relevant staff are paid by basic salary, which is not dependent on company performance. There is also a Management Bonus Scheme which is linked to Group, Divisional and business unit performance as well as individual performance; the bonus scheme is discretionary. Pay and bonuses are linked to numerous factors including non-financial measures such as adherence to the Group's values.

Accordingly, remuneration is made up of a fixed component (basic salary) and a variable component (annual bonus). As stated above the annual bonus is based on a number of factors. 70% of the maximum annual bonus opportunity is based on full year group financial performance objectives. 30% of maximum annual bonus opportunity is based on assessment of full year non-financial objectives and take into consideration the Group Values displayed to achieve the objectives. Any annual bonus is paid annually in cash only. It is not a policy of Capita Group to offer guaranteed variable remuneration. In the case of severance pay applying on exit, Capita Group applies Statutory Redundancy Pay rules and requirements in accordance with its Redundancy Policy.

The financial performance element is based on full year group financial performance objectives. This comprises Revenue, Profit Before Tax and Free Cash Flow which are equally weighted. The non-financial element is based on a number of metrics. 3 metrics are set at Group or Divisional level and relate to:

- cNPS (Client promoter score)
- eNPS (employee promoter score)
- Diversity & Inclusion

In addition, 2 personal metrics are included relating to supporting the Group's socially responsible, environmental and sustainability aims and a role-specific objective.

#### Remuneration – amounts paid

The total amount of remuneration paid to CLPRS staff in the year ended 31 December 2022 was as follows: Figures given in GBP thousands unless noted otherwise.

Staff Categories	Fixed Remuneration	Variable Remuneration	Total Remuneration
All staff*	80,374	2,431	82,805
Staff Categories	Fixed Remuneration	Variable Remuneration	Total Remuneration
Senior Management*	1,532	890	2,422
MRTs*	1,025	377	1,402
Other staff	77,816	1,164	78,980

#### Severance payments made

Staff Categories	Total Severance Payment	No. of Payments made
Senior Management*	48	1
Other MRTs		
Highest individual payment	48	

\*This includes staff who are not paid via CLPRS.

**APPENDIX 1 - OWN FUNDS**

Figures given in GBP thousands unless noted otherwise.

<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>
	<b>OWN FUNDS</b>		
	<b>TIER 1 CAPITAL</b>		
	<b>COMMON EQUITY TIER 1 CAPITAL</b>		
	Fully paid up capital instruments	82,000	19
	Share premium		
	Retained earnings	69,631	21
	Accumulated other comprehensive income		
	Other reserves	46,000	20
	Adjustments to CET1 due to prudential filters		
	Other funds		
	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1		
	CET1: Other capital elements, deductions and adjustments	(4,234)	2
	<b>ADDITIONAL TIER 1 CAPITAL</b>		
	Fully paid up, directly issued capital instruments		
	Share premium		
	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1		
	Additional Tier 1: Other capital elements, deductions and adjustments		
	<b>TIER 2 CAPITAL</b>		
	Fully paid up, directly issued capital instruments	20,000	13
	Share premium		
	(-) TOTAL DEDUCTIONS FROM TIER 2		
	Tier 2: Other capital elements, deductions and adjustments		

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

Figures should be given in GBP thousands unless noted otherwise.

		<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>
		<b>As at period end</b>	<b>As at period end</b>	
<b>Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements</b>				
	Non Current			
<b>1</b>	Property, plant and equipment	1,207		
<b>2</b>	Intangible assets	4,234		
<b>3</b>	Right of use asset	3,126		
<b>4</b>	Contract fulfilment assets	4,990		
<b>5</b>	Investments in subsidiaries	37,500		
<b>6</b>	Trade and other receivables	297		
<b>7</b>	Deferred tax assets	5,200		
	Current Assets			
<b>8</b>	Trade and other receivables	285,074		
<b>9</b>	Income tax receivable	5,931		
<b>10</b>	Cash	35,526		
<b>xxx</b>	<b>Total Assets</b>	<b>383,086</b>		
<b>Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements</b>				
	Current liabilities			
<b>11</b>	Trade and other payables	29,093		
<b>12</b>	Deferred income	65,907		
<b>13</b>	Financial liabilities	20,000		
<b>14</b>	Provisions	31,664		
<b>15</b>	Lease liabilities	945		
	Non-current liabilities			
<b>16</b>	Deferred income	-		
<b>17</b>	Provisions	34,440		
<b>18</b>	Lease liabilities	3,405		
<b>xxx</b>	<b>Total Liabilities</b>	<b>185,455</b>		
<b>Shareholders' Equity</b>				
<b>19</b>	Issued share capital	82,000		
<b>20</b>	Capital redemption reserve	46,000		
<b>21</b>	Retained earnings	69,631		
<b>xxx</b>	<b>Total Shareholders' Equity</b>	<b>197,631</b>		