



MiFIDPRU Public Disclosures

2025

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Executive Summary

LPFI Limited (LPFI) is a wholly owned subsidiary of Lothian Pension Fund and was established to support our collaboration with other pension funds. LPFI holds the necessary FCA (Financial Conduct Authority) permissions to deliver investment services to our collaborative partner pension funds and other professional investors.

LPFI, as a MiFIDPRU investment firm, is required to make certain public disclosures on an annual basis.

The purpose of the amended disclosure requirements under the rules set out in MIFIDPRU 8 is to enable the business model and potential risk of harm posed by each investment firm to be better understood by its stakeholders.

Firms are required to publicly disclose, at least annually, their policies for managing risk, details of their regulatory capital requirements and supporting capital resources and information on their employee remuneration policies.

These disclosures are designed to promote market discipline by providing market participants with key information on each firm's risk exposures and risk management processes.

Background and Scope

Business model and strategy

LPFI is wholly owned and controlled by Lothian Pension Fund (LPF), a Scottish Local Government Pension Scheme (LGPS) with assets of c. £10.2billion which is administered by a local authority, the City of Edinburgh Council (CEC). LPF holds 1,690,378 ordinary shares of £1 each in LPFI. LPFI was established to support the operation and development of LPF's in-house investment programme and its collaboration with other likeminded pension funds in Scotland and beyond and currently manages £2.6billion for partner funds.

LPFI has three core strategies for delivering client services:

- **Strategic Advisory Platform** - a strategic investment advisory platform for wider collaboration and greater future alignment of investment portfolios of likeminded LGPS funds.
- **Public Markets Platform** - a public markets portfolio management platform providing certain LGPS funds with access to LPF's internally managed equity and bond strategies.
- **Private Markets Platform** - a 'Club Deal' platform for collaboration on private market investments (including in the infrastructure, private debt and indirect property sectors) with LGPS funds and other institutional investors.



LPFI has four clients in total. Two clients only receive services under the Private Markets Platform and two clients are full collaborative partners of LPF and receive LPFI services under all three core strategies.

Each of LPFI's current clients is a local government pension scheme which has chosen to 'opt up' to be categorised as an elective professional client. This categorisation is reviewed annually.

LPFI have a Regulatory Business Plan, which details the firm's business model, services, governance and longer-term strategy.

Firm categorisation and scope

LPFI is established in the UK as a limited company (SC497542) and has been authorised and regulated by the FCA (Reference 741954) since 24 June 2016. For prudential purposes, it's classified as a MIFIDPRU investment firm and is subject to Investment Firms Prudential Regime (IFPR) requirements on a solo firm basis.

IFPR categorisation

Within IFPR, firms are categorised as either Small and Non-Interconnected (SNI) or Non-SNI, according to certain measures. LPFI is now classed as a non-SNI firm by virtue of its average 12-month AuM exceeding £1.2b. LPFI is required to publicly disclose information under MiFIDPRU 8 from years ending 31 March 2025 onwards.

Risk management objectives and policies

To meet the Financial Conduct Authority (FCA) Senior Management Arrangements, Systems and Controls (SYSC) requirements firms are expected to implement effective arrangements to manage risk according to their size and complexity. LPFI, as part of LPF Group, has established a Risk Management Framework (RMF) to do this which covers the resources leveraged to identify, measure, evaluate, monitor, report and control or mitigate internal and external risks.

Risk Management Framework

The RMF sits as part of the firm's broader governance landscape and describes the arrangements, governance and operations through principles, policies and processes that help drive risk based decision-making and effective risk management.

Culture

LPFI's culture and risk culture is at the heart of the RMF and is founded on the principles of the firm's values that inform, inspire and instruct day to day behaviour. The firm recognises that risk culture is strongly influenced by actions of senior management who are expected to drive a strong risk culture, including the promotion of risk awareness, its code of conduct, escalation and speaking up.

Risk taxonomy

A risk taxonomy, or a common risk language, is in place, which leverages standard definitions allowing consistent identification and understanding of risks across the business. This taxonomy promotes more focussed and streamlined risk discussions and drives meaningful reporting and risk information and intelligence. This taxonomy is used when considering risk across all types and levels and used to describe LPF risk appetite and tolerance.

Risk appetite

Risk management is an integral part of good governance and effective and meaningful risk management involves taking a balanced view of risk and opportunity in delivering LPF Group's strategic objectives. The Risk Appetite Statement (RAS) sets out the risk appetite for each of the firm's key risk categories and sets underlying risk tolerances on these. The firm's Risk Management Strategy describes how risk will be managed in line with the broader LPF Group strategy and plan and within the RMF guidance. Broadly the firm has a low level of risk across most risk categories.

Risk infrastructure

Risk measurement of the firm's ability to meet its objectives is evaluated from two perspectives: impact and likelihood, using qualitative and quantitative criteria. This evaluation measures a risk using a 5x5 matrix defining impact and likelihood tolerances. Risks are evaluated on two fronts – an inherent basis, where a risk is considered in the absence of any controls, and on a residual basis, where current controls are taken into account regarding their ability to effectively manage a risk.

Three lines of defence

LPFI manages risk as part of the wider RMF, which is underpinned by the 3 lines of defence model:

- **Line 1: Business management** – responsible for identifying and managing risks and ensuring their activities are compliant with legal, regulatory, industry and organisational requirements.
- **Line 2: Risk & Compliance (R&C) team** – support the business in managing risks and achieving compliance, monitoring risk and compliance levels in the business and reporting on risk and compliance matters to management and governance forums.
- **Line 3: Audit** – provide independent assurance on risk management systems and quality of implementation.

Accountabilities for risk management are clearly communicated and reinforced to all employees through:

- A framework of delegations of authority
- Mandatory training and ongoing training
- Role descriptions and formal employee goal setting and performance management reviews
- Regular written and verbal communications from senior management
- Various assurance reviews and reports.

Risk Exposures

Assessment of potential harms

A significant component of the FCA's Investment Firms Prudential Regime (IFPR) is the requirement for firms to identify and manage risks that may result in material harms. This harm-led risk assessment is used to determine if additional capital and liquid assets are required to cover any residual risk of harm. This assessment identifies, assesses and estimates the potential risk of harm to clients, to markets and to the firm itself in a way that is proportionate to LPFI's particular activities and business model.



The identification and assessment of harms is characterised by a process of continuous improvement reflecting enhancements to the RMF and leveraging industry observations and best practices. The LPFI risk register is used as the basis of the significant risks identified by the firm. For those risks, realistic risk event scenarios are considered. These scenarios are based on LPFI's operating model and strategy, as well as incident and issue history. The material plausible risks identified through this exercise are noted below.

Information security, IT and data

Operations are heavily reliant on the continuously evolving and expanding suite of technology, which is characteristic of today's complex, modern technology enabled environment, necessary technical security architecture and implementation, and data quality management and handling. These risks are managed in accordance with a *Low-risk appetite* which helps foster a culture of stability, compliance and control over technology and data use. An information security incident or cyber-attack would most likely have significant operational, legal, regulatory and reputational impacts by virtue of the data held and there are various controls and mitigants which are leveraged to manage this risk

including implementation of firewalls, secure configuration and malware protection, penetration testing, phishing simulations and supported by training.

Governance, legal and compliance

Our ability to manage legal and compliance risk is imperative to maintaining regulatory trust, ensuring market integrity, and achieving the best outcomes for members, employers, clients and employees and ensuring governance arrangements are effective, appropriate and transparent is key. Operations are subject to legal, regulatory and statutory requirements that are directed, supported, and overseen by robust legal, risk, compliance and company secretarial expertise which help ensure the firm manages these risks in accordance with a *Low risk appetite* helping promote and support a strong risk culture.

Business operations

Business operations are key to enabling the delivery of services and failures to manage business operations will have flow on effects in member, employer and client experience, and potentially result in reputational damage and financial loss. A reliance on several key third parties and external suppliers to deliver services, or failings caused by or relating to these external parties may restrict our ability to operate effectively. Consequently, the firm manages these risks in accordance with a *Low-risk appetite* providing stability, control, and a solid reputation for reliability in this regard. Complimentary frameworks have also been developed to support the management of business operations risk, including Supplier Management and Business Continuity frameworks.

People and culture

Creating the right culture to attract and retain investment and other specialists is core to the LPFI's success. We mitigate risks related to our people and culture through an engaged workforce across a range of levels and functions, core to supporting the delivery of strategy and operations. Although our small size contributes to key person dependencies and from time to time, capacity constraints, ensuring we can rely on required resources, particularly subject matter experts and specialist skills and competencies is core to our people strategy. The firm has a *moderate risk appetite* for people and culture and encourages controlled agility and moderate change, promoting the ability to adapt without sacrificing stability and quality. This minimises the likelihood of alienating employees or causing cultural misalignment while still fostering an environment where innovation and development are encouraged.



Strategic

The strategy sets the vision and direction. Key to our success is that any risks to strategy are appropriately managed without impeding our ability to continue to meet core strategic goals and importantly continue to develop and deliver high standards of member, employer and client value. The firm manages these risks in accordance with a *Moderate risk appetite* which reflects a balanced approach to decision-making indicating a willingness to take calculated risks to achieve strategic objectives while maintaining an appropriate level of caution to safeguard the value of the fund and protect members interests.

Other sources of risk

In addition to risks to clients associated with the services provided, and risks to the firm from the business model/strategy, we've also assessed the risk to the firm relating to the balance sheet of LPFI. Although LPFI does not trade on its own account and only provides investment management services to clients, two other sources of risk have been considered, namely Credit & Counterparty risk and Market risk.

- **Credit and counterparty risk**

The impact of credit risk to LPFI is very low and would only arise where a counterparty failed to repay or settle obligations to LPFI. Specific sources of exposure to credit risk are clients failing to pay amounts due to LPFI and the counterparties (banks, money market funds, clients and UK Government) defaulting on settlement of amounts placed with them as part of LPFI liquidity management. The risk of counterparty default is considered to be remote due to their ratings, however concentration risk from liquidity will be managed against determined targets and limits of total liquid assets.

- **Market risk**

Likewise, LPFI also has a very low exposure to market risk as LPFI has a non-complex business model and the exposure to market variables such as interest rates, foreign exchange or equity and commodity prices has negligible impact.

Governance arrangements

LPFI Board

The governance of LPFI is conducted through regular meetings of the LPFI Board of Directors (Board). The responsibility for governance and oversight of LPFI, therefore, rests with its directors. In particular, the Board is responsible for the following:

- Approving and overseeing the implementation of LPFI's strategies, objectives and business plan
- Maintaining a sound system of internal controls (financial and operational) and risk management, including approval of the risk appetite statement
- Overseeing LPFI's financial performance and adequacy of capital and liquidity requirements
- Overseeing LPFI's compliance with its regulatory obligations
- Overseeing the effectiveness of supplier management and outsourcing arrangements and custodians and other contractors providing services to LPFI
- Ensuring the policies and practices are appropriate for the provision of services to clients
- Overseeing the effectiveness of LPFI's investment management, advisory and client service activities.

In accordance with the FCA's Senior Management and Certification Regime, certain prescribed responsibilities are assigned to several senior management, including the Chief Executive Officer (CEO).

The LPF Group has one CEO and one Senior Leadership Team (SLT) covering all activities of the LPF Group. Responsibility for the implementation of LPFI's strategies and business objectives sits with the Chief Executive Officer, supported by the SLT.

The Board is not required to establish a Risk Committee. However, two management level committees – the Senior Leadership Committee and Risk Management Committee – operate to support the SLT to collectively discharge their responsibilities and oversee the delivery of strategic and other business priorities. The members of the SLT have functional responsibility for each of their respective business areas and report directly to the Chief Executive Officer.

The Chief Risk Officer has responsibility for compliance oversight and is the Chair of the Risk Management Committee. The Risk Management Committee operates to support the oversight of risk and compliance issues, including the effective operation of the risk management framework and risk and compliance processes and programmes. A high-level LPF Group risk register is maintained which describes and evaluates all key risks the LPF Group and its respective group entities, including LPFI, are exposed to and what controls and mitigating actions are in place to manage them. The risk register is formally considered by the Risk Management Committee quarterly and updated on an ad hoc basis where required. Colleagues from the LPF Group's second line Risk and Compliance function, and others from the business as relevant, attend the Risk Management Committee.

The Terms of Reference for the Board requires it to meet with sufficient regularity to discharge its duties effectively, at least four times a year. In practice, the Board meets at least on a quarterly basis and considers reports provided. These include reports from the business functions on the

performance of their respective areas, including finance, governance, and investment. The Board also directly considers risk matters within its quarterly meetings. As a director, the Chief Risk Officer, is a member of the Board.

Directorships

The Board had seven directors as of 31 March 2025 and its composition included two Independent Non-Executive Directors, one of whom is the Chair. An additional Independent Non-Executive Director has been appointed since the period end date, bringing the total membership to eight. The names of the directors as at the date of publication of the disclosures, their role titles, and the number of non-LPF Group directorships (executive and non-executive) held by each is set out in the table below.

Director	Role	No. of other non-LPF Group Directorships*
William Leslie Robb	Independent Non-Executive Director, Chair	3
Andy Marchant	Independent Non-Executive Director	3
Denise Le Gal	Independent Non-Executive Director	3
Richard Lloyd-Bithell	Non-Executive Director	-
David Vallery	Executive Director, Chief Executive Officer	1
Kerry Thirkell	Executive Director, Chief Risk Officer	-
Emmanuel Bocquet	Executive Director, Chief Investment Officer	2
Alan Sievwright	Executive Director, Chief Finance Officer	-

* Excluding executive and non-executive directorships held within the LPF Group.

Board Diversity

The LPF Group is committed to creating a workplace culture where colleagues are valued and we recognise the benefits a diverse workforce with different values, beliefs, experiences and backgrounds brings to us as an organisation, including diversity of experience.

Some of the directors are appointed to the Board due to their broader roles within the City of Edinburgh Council (as LPFI's shareholder) or as members of the SLT. While the Board hasn't set targets for board diversity, recruitment for the SLT members is carried out in accordance with applicable legislation and relevant people policies, including but not limited, to diversity, equality, competence and integrity characteristics consistent with the nature of the activities that the LPF Group undertake.



All SLT members and the Independent Non-Executive Directors were appointed following an openly advertised search process based on an individuals' skills, ability, experience and other role-related requirements, where candidates were considered on merit and against criteria. Prior to appointment, background checks are conducted to ensure individuals are fit and proper, with annual assessments carried out thereafter.

It's recognised that, as at the date of publication of the disclosures, of the eight members of the Board, 25% are female.

Own Funds

Composition of regulatory own funds

The table below details the composition of LPFI's own funds on 31 March 2025 and cross refers the MiFIDPRU item to the balance sheet within the company's Audited Financial Statements. There are no reconciling items.

	Item	£'000's	Balance Sheet reference
1	OWN FUNDS	2,113	Total equity
2	TIER 1 CAPITAL	2,113	Total equity
3	COMMON EQUITY TIER 1 CAPITAL	2,113	Total equity
4	Fully paid-up capital instruments	1,690	Called up share capital
5	Share premium		
6	Retained Earnings	423	Retained earnings
7	Accumulated other comprehensive income		
8	Other reserves		
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	Less: TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1		
19	CET1: Other capital elements, deductions and adjustments		
20	ADDITIONAL TIER 1 CAPITAL		
25	TIER 2 CAPITAL		

Main features of own funds

As shown in the table above, the capital structure of LPFI is relatively simple, made of own issued share capital and retained earnings.

Called up share capital

Called up share capital is made up Ordinary Shares issued by the company. These shares entitle the owner to vote, to participate in the company's dividends and to a claim on the residual assets of the company in the case of liquidation, after the claims of creditors have been met.

Retained earnings

Retained earnings represent the company's cumulative profits after all costs, including any dividends to shareholders.

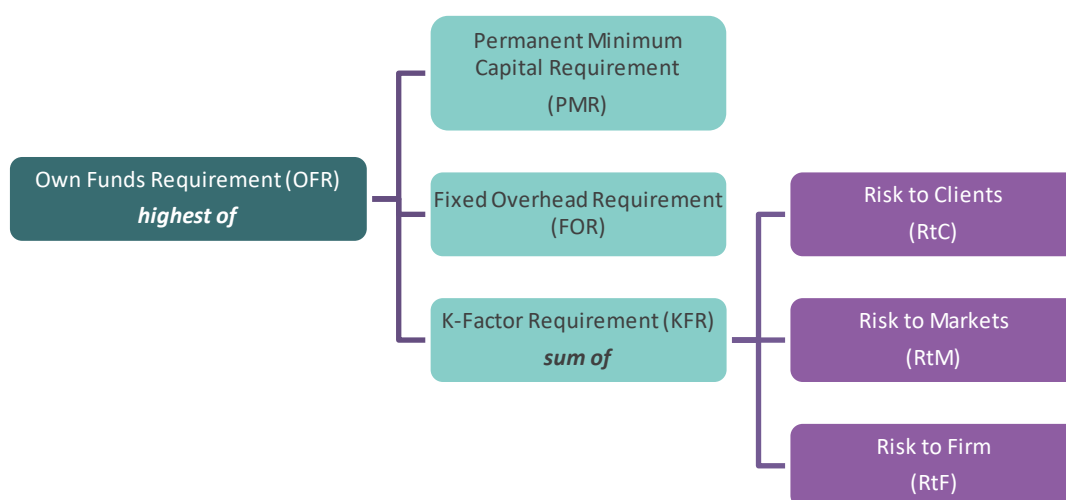
Own funds requirements

Compliance with own funds requirements as 31 March 2025

Own funds requirement

The own funds requirement is detailed in MIFIDPRU 4.3 as is arrived at through using business metrics. Broadly speaking as the size and scale of the firm's activities increase so will the own funds requirements.

The chart below graphically represents the how the own funds requirement is calculated.



The table below details the breakdown of, and compliance with, the own funds requirement.

	Item	31 March 2025 £'000's	31 March 2024 £'000's
1	OWN FUNDS	2,113	1,984
A	K-Factor requirement (sum of B, C and D)	441	303
B	Risk to Clients - Sum of K-AUM, K-CMH and K-ASA	411	300
C	Risk to Market - Sum of K-COH and K-DTF	30	3
D	Risk to Firm - Sum of K-NPR, K-CMG, K-TCD and K-CON		-
E	Fixed Overhead requirement	815	610
F	Permanent Minimum Requirement	75	75
G	Own funds requirement (greatest of A, E and F)	815	610
H	OWN FUNDS	2,113	1,984
I	Surplus own funds	1,298	1,374

Assessing adequacy of own funds in accordance with Overall Financial Adequacy Rule

As a FCA regulated investment firm LPFI is required to comply with the financial adequacy rules contained in MIFIDPRU 7.6. The **overall financial adequacy rule** is that:

- A firm must, at all times, hold own funds and liquid assets which are adequate, both as to their amount and their quality, to ensure that:
 - (a) the firm is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
 - (b) the firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

Financial Resources

To comply with the overall financial adequacy rule, LPFI compares the own funds and liquid assets requirements, firstly, with the internal assessment of the amount of capital and liquidity required to cover the risk to clients, the firm and markets of its business activities, and secondly, the amount of capital and liquidity required to wind down the regulated activities of the firm in an orderly manner.

The internal assessment of harm considered scenarios which, if they occurred, would result in a loss, either to the firm or its clients. The quantification of each loss considers factors such as exposure, portfolio or deal size, depending on the specific nature of the scenario.



The wind down assessment quantifies the amount of financial and non-financial resources that would be needed to wind down the regulated activities of LPFI in a way that does not result in adverse impacts on clients or the wider market. Key inputs are the costs of running down operations, as well as any costs specifically related to the wind down, such as any operational losses, and legal or other professional advice.

Financial Adequacy

LPFI has agreed internal thresholds for the amount of capital and liquidity that it seeks to hold, over and above the minimum required by MIFIDPRU in the overall financial adequacy rule. These thresholds are detailed in the Capital and Liquidity Risk Management Policy, which is subject to annual review and approval by the LPFI board.

Remuneration policy and practices

Qualitative disclosures

Lothian Pension Fund is committed to attracting, engaging and retaining talented and capable people. This will be achieved by offering a compelling employer brand, with a value proposition that includes market-competitive financial rewards.

Remuneration is made up of both fixed and variable components which are balanced to achieve an appropriate ratio between these elements, in line with SYSC19 and MIFIDPRU. Ratios of fixed to variable pay are reviewed and agreed annually by the LPFE Board.

LPFI is also committed to achieving value for money for stakeholders and good discipline around financial controls. The remuneration policy is therefore set in the context of the group's funding being determined by the Pensions Committee.

Our approach to remuneration is intended to:

- Maintain a competitive package that will attract, motivate and retain the skills, knowledge, experience, talent and high performing individuals required to deliver in the sectors within which we operate
- Align the interests of our employees with those of the stakeholders, namely, to be a leader in pension services and to deliver sustainable pensions and long-term stakeholder satisfaction in a competitive people market
- Promote sound and effective risk management, by avoiding excessive or inappropriate risk taking
- Provide transparency and fairness of pay throughout the organisation
- Ensure value for money in terms of both the overall workforce pay bill and the quality of service provided to its clients
- Adopt a 'pay for performance' approach, ensuring individual remuneration is set against goals that are aligned to the group's strategy. That will involve setting goals that are sufficiently stretching but which do not encourage inappropriate behaviours or risk taking and align to the group's long-term horizons
- Develop and sustain a high performance and stakeholder orientated culture
- Recognise the employees at all levels for their area of specialism and personal contribution towards achievement of the organisation's goals
- Ensure the policy complies with all applicable employment legislation
- Ensure the overall uplift to the annual pay bill is in line with the agreed budget set for the year.

Approach to Variable Pay

Based on benchmarking data and a move to performance-led remuneration, as well as a requirement to preserve the organisation's culture and behaviours, the following discretionary variable pay schemes are in place:

- Company-wide
- Portfolio managers
- Senior Leadership Team

All schemes are non-contractual, meaning they don't form part of an employees' contract of employment with LPFE now or at any time in the future.

The above schemes are based on detailed criteria that are reviewed annually by the LPFE board. Awards under the scheme, and the structure of the scheme, are at all times subject to the discretion of the LPFE Board. The Board reserves the right to vary the amount of variable pay or to modify or withdraw the schemes at any time.

Detailed measures for each calendar year shall be established by the LPFE board, after consultation with LPF's senior leadership team (SLT), not more than sixty days following the beginning of each calendar year. This will include critical measures which will determine whether any of the schemes operate at all in that year and, for the company scheme, additional more detailed individual performance, behavioural and company performance measures to determine the extent of any award (if applicable). Additional measures will apply to the portfolio manager's scheme.



The applicable criteria and measures for both the portfolio managers and SLT Schemes are made available to relevant participants and held on the HR system. Where an employee is eligible for either scheme, they'll be given the addendum for these schemes on their employee file and asked to sign it each year to acknowledge the basis on which any award is made.

Company-wide variable pay scheme

The group, through LPFE, currently operates a company variable pay scheme (**the company scheme**).

The company variable pay award is currently set at up to 10% of an employee's actual annual salary. Up to 5% is based on the company's performance against its goals and the remaining 5% is based on the employees' individual performance. This allocation is reviewed annually by the LPFE Board. The SLT will communicate an overview of the applicable measures to employees following their determination by the LPFE Board.

Portfolio manager variable pay scheme

In addition to the company scheme, certain roles within investments are eligible to participate in the portfolio manager scheme. The eligible roles that can participate in this scheme are:

- Portfolio manager (PM)
- Head of Fixed Income
- Head of Responsible Investments
- Head of Real Assets
- Head of Equity

The portfolio manager variable pay scheme allows for an award, up to a capped maximum percentage of salary, each year.

Awards under this scheme will vest on a cumulative basis and any award paid will be split into three equal instalments: one third of the award will be paid in March following the year in which performance has been assessed; the second instalment in the next following March and the third and final instalment in the March following that.

Awards made under the portfolio managers scheme will not form part of an employees' pensionable pay for the purposes of calculating their benefits with the Lothian Pension Fund.

SLT variable pay scheme

In addition to the company scheme, the below roles are eligible to participate in the SLT variable pay scheme:

- Chief Executive Officer
- Chief Operations & People Officer
- Chief Financial Officer
- Chief Risk Officer
- Chief Investment Officer

The SLT variable pay scheme allows for an award, up to a capped maximum percentage of salary, each year.

Awards under the SLT scheme will vest on a cumulative basis and the award will be paid in two instalments: the first instalment will be paid in March following the year in which performance has been assessed; the second instalment in the following March payroll. The first instalment will be for measures met on target and the second instalment will award any stretch measures met.

Awards made under the SLT scheme will not form part of an employees' pensionable pay for the purposes of calculating their benefits with the Lothian Pension Fund.

Specific rules on eligibility for award

Employees will only be eligible to receive a payment where they are employed by LPFI and not under notice of termination of employment (whether the notice is given by you or LPFI) on the date the payment is due.

For the portfolio managers and SLT scheme only – if an employee leaves LPFE’s employment during a calendar year, they’ll be ineligible to receive payment of any award (including any deferred or vested amounts) unless they granted ‘good leaver’ status by the LPFE Board. ‘Good Leaver’ status will usually be awarded if employment ceases due to:

- Ill-health, injury, disability
- Death
- Retirement
- Redundancy.

Employees will not be eligible if they’re subject to disciplinary action or performance action plans on either the date the award is made and/or the date payment would otherwise fall due. All employees employed by LPFE will be eligible for the company scheme.

Material risk takers

LPFI has assessed these material risk takers (MRTs) to be:

- SLT
- Portfolio managers / Head of Fixed Income / Head of Equity / Head of Responsible Investment and Head of Real Assets.

The list of all LPFI employees identified as MRTs is maintained by the People & Communications team. This list is updated as necessary on material changes to authority or responsibilities and is fully reassessed on an annual basis.

The remuneration of our MRTs is designed to support a culture where individuals are rewarded for the delivery of sustained performance, risk management and targeted performance in line with LPF’s strategic objectives. Performance will include a range of financial and non-financial factors to encourage long-term sustained delivery for our stakeholders. Those employees holding control, regulatory and/or senior management functions will have their remuneration assessed based on the responsibilities relating to their functions and independent of the business area they oversee. The LPFE Board shall have direct responsibility for determining the remuneration of all MRTs, having regard to input from SLT for the portfolio managers.

Any variable pay awarded under the applicable schemes (for PMs and SLT) in a given performance year will vest on a cumulative basis, which is detailed in the scheme rules and stated above.

The rules applicable to all schemes continue to apply to awards (including vested awards) made under the Senior Leadership Team and portfolio manager schemes, in that employees will not be entitled to receive any vested award where they:

Are under notice of termination of employment

- (i) Cease to be employed by LPFE at the point when any vested or other award becomes due (subject to good leaver treatment) for payment
- (ii) Are under performance or disciplinary review (at the sole discretion of the LPFE Board) on either the date the award is made and/or the date payment would otherwise fall due.

If employment is terminated by LPFE on the grounds of gross misconduct, the right to receive any further payments under either the Company Scheme or any other eligible Scheme (including any deferred or vested payments awarded in previous calendar years) will be forfeit. Examples of what constitutes gross misconduct are given below but this is not an exhaustive list:

- Acting fraudulently or dishonestly or in a manner that adversely affects the group's reputation or undertaking other misconduct
- Directing an employee, contractor, or advisor to act fraudulently, dishonestly or to undertake other misconduct
- Knowingly breaching material obligations through omission or negligence
- Receiving a variable pay award due to fraud, dishonesty or a breach of obligation committed by another person
- Knowingly receiving a variable pay award because of an error in the calculation of a performance measure

Further information on the scheme rules and objectives for each scheme can be found in in each colleague's file.

Remuneration Governance

The LPFE Board is in place and acts as the Remuneration Committee in respect of overseeing the establishment and implementation of a Remuneration Policy for all LPFE employees, which is designed to support the long-term business strategy and values of the LPF group as well as promote effective risk management and comply with applicable legal and regulatory requirements.

The board, which includes independent non-executive directors, reviews performance and approves remuneration arrangements as set out within its Terms of Reference, operating as the Remuneration Committee for the LPF group, including LPFI.



The group's remuneration policy and procedures have been designed to avoid conflicts of interest, encourage responsible business conduct, and promote risk awareness and prudent risk taking. They are subject to independent internal review by the LPFE Board. They do this through:

- Objective review and calibration: a detailed annual salary review exercise incorporating external benchmarking and thorough oversight and calibration by SLT
- Effective and independent governance: presenting balanced, detailed, and accurate information to the LPFE Board (acting as remuneration committee) for challenge and fully informed decision making
- Policy adherence: consistently reinforcing its performance management procedures across all its employees and functions within a robust framework
- Effective communication: transparently communicating with its employees around both the process and outcomes for each year.

The LPFE and LPFI board effectiveness are reviewed periodically as part of the group's wider governance review programme. This is to ensure that the governance around the group's performance

and remuneration processes continues to be proportionate and aligned to the scale of its business and strategies.

Financial and variable remuneration

This table sets out the amount of remuneration awarded to LPFI employees during the period.

For the year ended 31 March 2025	£'000s
Number of staff	57
Fixed remuneration	950
Variable remuneration	273
<i>of which, awarded in cash</i>	273
<i>of which, awarded in non-cash</i>	-
Proportion of total variable remuneration deferred	73
Total	1,224

Fixed and variable remuneration MRTs

This table sets out the amount of remuneration awarded to LPFI MRTs during the period.

For the year ended 31 March 2025	£'000s
Number of staff	18
Fixed remuneration	516
Variable remuneration	241
<i>of which, awarded in cash</i>	241
<i>of which, awarded in non-cash</i>	-
Proportion of total variable remuneration deferred	73
Total	757

