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## 1 Executive summary

### 1.1 *Mattioli Woods Group, ICAAP and Pillar 3 disclosures*

Mattioli Woods plc ("Mattioli Woods" or "the Company") is a specialist wealth management and employee benefits business, operating at the top end of its chosen markets. Mattioli Woods is authorised and regulated in the United Kingdom by the Financial Conduct Authority ("FCA") and is an IFPRU €50k limited licence investment firm ("IFPRU 50k firm").

The Internal Capital Adequacy Assessment Process ("ICAAP") is our own assessment of the key risks Mattioli Woods' business model is exposed to and of the level of capital required to adequately support current and future risks of the business. We prepare a single ICAAP under a UK consolidation group which comprises Mattioli Woods and its subsidiaries ("the Group"). The Group prepares consolidated financial statements as at 31 May each year. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

The key risks relate to the active entities within the Group, being Mattioli Woods, Custodian Capital Limited ("CCL"), Mattioli Woods (New Walk) Limited ("MWNW"), M C Trustees (Administration) Limited ("MCTA"), M C Trustees (Pensions) Limited ("MCTP"), Broughtons Financial Planning Limited ("BFP") and SSAS Solutions (UK) Ltd ("SSL"). All other entities within the consolidation group are either non-operating or dormant companies acting solely as bare trustee to certain small self-administered schemes ("SSAS") and self-invested personal pension ("SIPP") schemes administered by the Group.

All risks associated with the operation of the dormant and non-operating subsidiary trustee companies that are part of the Group are considered as part of the risk assessments for Mattioli Woods.

In addition to the Group's consolidated capital resources requirement ("CRR"), the following regulated entities are required to maintain a minimum level of regulatory capital:

Regulated group companies	FCA permissions and operations
Mattioli Woods	IFPRU €50k limited licence investment firm, focusing on the provision of wealth management services for private clients and employee benefits advice to corporates.
Custodian Capital Limited ("CCL")	Categorised as an Investment Management Firm without permission to control or hold client money. CCL is also authorised as an Alternative Investment Fund Manager ("AIFM") under the AIFM Directive to: <ul style="list-style-type: none"> <li>• Act as the external fund manager to Custodian REIT; and</li> <li>• Act as manager of private property syndicates, which are "collective investment undertakings".</li> </ul>
M C Trustees (Pensions) Limited ("MCTP")	MCTP provides pensions administration services to SIPP clients and is authorised under IPRU(INV) Chapters 1 and 5.
Broughtons Financial Planning Limited ("BFP")	BFP specialises in the provision of financial planning advice and is classified as an Exempt CAD firm authorised under IPRU(INV) Chapters 1 and 13.

Non-Regulated group companies	Operations
Mattioli Woods (New Walk) Limited ("MWNW")	Subsidiary company which owns the new offices at 1 New Walk Place, Leicester, which is leased to Mattioli Woods plc.
M C Trustees (Administration) Limited ("MCTA")	MCTA provides pensions administration services to a small number of SSAS clients.
SSAS Solutions (UK) Ltd ("SSL")	Based in Belfast and employing 12 staff, SSL is an unregulated business solely acting as SSAS practitioner.

A 49% stake in Amati Global Investors Limited ('Amati'), an investment fund manager, was acquired on 6 February 2017. Amati does not form part of our UK consolidation group, therefore has not been considered in this ICAAP. Amati prepares its own ICAAP and Pillar 3 disclosures.

A summary of the FCA classifications for the Company and Group is set out in Appendix 1, with the Group legal structure summarised in Appendix 3.

## 1.2 Capital resource requirement and capital surplus

The table below summarises the Group's consolidated Pillar 1 capital requirement of £10,624k:

(£000)	31 May 2019 (£000)	31 May 2018 (£000)
Credit Risk	3,574	3,560
Market Risk	-	-
Fixed Overhead Requirement ("FOR")	10,624	10,140
Pillar 1 capital requirement	10,624	10,140
Common Equity Tier 1 after adjustments	29,716	28,251
Regulatory capital surplus	19,092	18,111
Surplus as % of Pillar 1 capital requirement	180%	179%
Total Capital Ratio <sup>1</sup>	22.4%	22.3%

## 1.3 Non-material, proprietary or confidential information

CRR Article 432 states that institutions may omit one or more of the disclosures if the information provided by such disclosure is not regarded as material. Information in disclosures shall be regarded as material if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

CRR Article 432 also allows the omission of one or more items if those items include information regarded as proprietary to an institution or confidential.

Information is regarded as proprietary if disclosing it publicly would undermine the Group's competitive position. Information is regarded as confidential if there are obligations to customers or other counterparty relationships binding the Group to confidentiality.

<sup>1</sup> Common Equity Tier 1 capital as a percentage of Pillar 1 capital requirement x 12.5.

**1.4    *Frequency of disclosure***

Pillar 3 disclosures are made on an annual basis, or when considered necessary as a result of changes in the business, market or specific economic circumstances, taking into account the scale and complexity of the Group's business operations.

**1.5    *Means of disclosure***

These disclosures have been compiled to satisfy those required under Pillar 3 and have not been audited. These disclosures explain how the board has calculated certain capital requirements and information about risk management generally. They do not constitute financial statements and should not be relied upon in making judgements about Mattioli Woods or for any other purpose than that for which they are intended.

This report is published in the investor relations section of Mattioli Woods' website ([www.mattioliwoods.com](http://www.mattioliwoods.com)) and is also available on request by writing to the Company Secretary, Mattioli Woods plc, 1 New Walk Place, Leicester LE1 6RU.

## 2 Background

### 2.1 Key business activities

The Group is one of the UK's leading providers of wealth management and employee benefit services, with total assets under management, administration and advice of over £9.3bn.

We put our clients at the core of everything we do, with the objective of growing and preserving their assets, while giving them control and understanding of their overall financial position. At the same time, we are growing our business, both organically and by acquisition, to deliver strong, sustainable shareholder returns over the long term. Our focus is on holistic planning and providing the highest levels of personal service, maintaining close relationships with our clients.

The total value of client assets managed, advised upon or administered by the Group comprises the following:

(£m)	Actual 31 May 2019
Discretionary Portfolio Management ("DPM")	1,394
Custodian REIT plc	483
The Mattioli Woods Structured Product Fund	243
Amati Global Investors – <i>Not included in the consolidation group ICAAP (section 1.1)</i>	453
<b>Gross Assets under Management</b>	<b>2,573</b>
Assets under Advice	2,025
Assets under Management/Advice	4,598
Assets under Administration	4,785
<b>Total</b>	<b>9,383</b>

Calculation of our CRR as a percentage of Assets under Management is included in section 1.3.

The Group's activities are split into four business segments, as set out below:

#### *Wealth Management – Investment and asset management*

Discretionary management and the provision of bespoke investment advice sit at the heart of our investment proposition. Continuing growth in the quantum of assets under management and advice has enhanced the quality of the Group's earnings through an increase in recurring revenues, while the migration of clients' assets under advice to assets under management allows us to deliver a more efficient wealth management service to those clients.

Our services are delivered by a dedicated team, with many years' experience in finance and investment.

FY19 Revenues: £26.0m

FY19 Segment result: £7.1m

FY19 Average staff: 224

Key specific risks:

- Business risk from market volatility
- Reliance on 3<sup>rd</sup> party investment managers

### *Wealth Management – Pension consultancy and administration*

Mattioli Woods is a leader in the provision of SIPP and SSAS arrangements, which are often central to our clients' pension strategies.

FY19 Revenues: £20.4m

FY19 Segment result: £4.4m

We have established a reputation for technical excellence, widely acknowledged within our industry. We maintain our technical edge through our in-depth understanding of UK pension legislation, which translates into the delivery of meaningful advice to clients by our consultancy team.

FY19 Average staff: 219

The provision of first-rate client service through personalised and proactive administration further differentiates us from our competitors, with our bespoke SIPP product having been awarded the Defaqto 5-star rating.

Key specific risks:

- Conduct risk from unsuitable advice
- Operational risk from inefficient processes leading to delays and complaints
- Compliance with regulations, especially where providing regulated advice

We do not advise on defined benefit pension transfers.

### *Wealth Management – Property management*

CCL is the discretionary fund manager of Custodian REIT plc, a UK real estate investment trust listed on the Main Market of the London Stock Exchange.

FY19 Revenues: £6.4m

FY19 Segment result: £1.5m

In addition, CCL facilitates direct property ownership on behalf of pension schemes and private clients and also manages the "Private Investors Club", which offers alternative investment opportunities to suitable clients by way of private investor syndicates. We believe investment in good quality properties, with strong leases and good quality tenants, typically provides stable returns over the long term and our property team offers years of experience in commercial property investment to help deliver this.

FY19 Average staff: 51

Key specific risks:

- Business risk from loss of position as fund manager for Custodian REIT plc
- Market risk from changes in values of commercial property

### *Employee benefits*

Mattioli Woods assists its corporate clients with employee engagement, with the aim of improving recruitment, retention and workplace morale. This encompasses consultancy and administration on areas such as pension schemes for employees, workplace savings, healthcare, international benefit solutions and risk benefits, in addition to the design, implementation and administration of these schemes.

FY19 Revenues: £5.6m

FY19 Segment result: £0.7m

FY19 Average staff: 56

The Group also offers its clients total reward and flexible benefit systems, assisting its clients to deliver these to their employees, along with advice, guidance and financial education. Recent changes in legislation, such as the new pension freedoms, are increasing demand for our financial education and wealth management services to be delivered through employers.

Key specific risks:

- Conduct risk from unsuitable advice
- Operational risk from inefficient processes leading to delays and complaints
- Viability (low-margin business)

Mattioli Woods is authorised and regulated by the FCA and is listed on the AIM market of the London Stock Exchange.

## **2.2 Industry overview**

The Group operates within the UK's financial services industry, which is subject to the effects of volatile markets and economic conditions. In recent years, we have seen a period of unprecedented change in legislation, regulation and customer needs. We continue to be proactive in relation to the opportunities

this creates, with our specialists dedicated to keeping up with the pace of change. Our entrepreneurial model allows us to adapt and advise our clients accordingly.

Our markets are serviced by a wide range of suppliers offering diverse services to individual and corporate clients. These markets are fragmented and remain highly competitive, with recent regulatory changes, particularly MiFID II and increased capital resource requirements for SIPP operators from 1 September 2016, driving margin compression and industry consolidation.

The Government introduced the most radical changes to pensions in almost a century in April 2015. The changes allow individuals and families significantly greater control of their pension funds, both now and into the next generation. The freedom to access pension funds from age 55, and removal of the 55% tax-charge on death, repositioned pensions at the centre of financial planning and provided a sense of ownership, paving the way for the inheritance of pension funds.

However, following the implementation of the pension freedoms, the Chancellor announced further changes to pensions, with restrictions to the annual allowance for high earners and the publication of a Green Paper on the possibility of a radical departure from the current tax regime, such as replacing upfront tax relief on pension contributions with tax-free pension payments. The continual change (and talk of change) to the UK pensions system and the Government's aim to ensure all individuals save for their retirement, are expected to drive sustained demand for advice, benefiting our core pensions business.

Changes in employee benefits as a result of auto-enrolment, the introduction of a charge cap on auto-enrolment pension schemes in April 2015 and the abolition of provider commissions in April 2016 led many employers to review their benefit and reward strategies. The move away from up-front commissions has reduced the Group's revenues on corporate pensions work, but we anticipate growing demand for ancillary services such as financial counselling and education from within the corporate client base.

In addition, some commentators believe the Government and FCA's joint review into the financial advice market may lead to further regulatory or legislative pressure to reduce the cost to consumers. We expect margin pressure to lead other organisations in our sector to develop increasingly integrated business models, as they seek to access more value through the supply chain and offer a broader range of services. At the same time, we expect to see further consolidation as firms continue to pursue economies of scale.

## 2.3 Prudential category

The 2006 Capital Requirements Directive ("CRD" or "the Directive") of the European Union ("EU") created a revised regulatory capital framework across Europe based on the provisions of the Basel 3 Capital Accord. This was implemented in the UK through changes to the FCA Handbook, and specifically through the creation of the Prudential Sourcebook for Investment Firms ("IFPRU"). With effect from 1 January 2014, the FCA adopted CRD IV, a major package of reforms to CRD, and as a result of the changes, Mattioli Woods became an IFPRU limited licence firm.

Mattioli Woods is authorised and regulated by the FCA as an IFPRU €50k firm, which is an IFPRU investment firm that satisfies the following conditions:

1. It does not:
  - (a) deal on own account; or
  - (b) underwrite issues of financial instruments (as referred to in Section A of Annex I of the Markets in Financial Instruments Directive ("MiFID")) on a firm commitment basis;
2. It offers one or more of the following services (all as referred to in Section A of Annex I of MiFID):
  - (a) reception and transmission of investors' orders for financial instruments; or
  - (b) the execution of investors' orders for financial instruments; or
  - (c) the management of individual portfolios of investments in financial instruments;



3. It does not hold clients' money or securities for investment services it provides and is not authorised to do so;
4. It is not a collective portfolio management investment firm; and
5. It does not operate a multilateral trading facility.

On a risk basis, the FCA will undertake a Supervisory Review and Evaluation Process ("SREP") of a firm's ICAAP, considering whether the amount and quality of capital a firm is holding to cover its risks is sufficient. As part of this process, the regulator will set a firm's Individual Capital Guidance ("ICG"), which represents the amount the regulator believes the firm needs to hold to adequately cover all relevant risks it is exposed to.

As a P3 CRD IV firm, under European Banking Authority ("EBA") rules the FCA will be required to review the Group's ICAAP once every three years, with effect from 1 January 2016. However, the Group's ICAAP has not yet been reviewed.

## **IFPRU**

IFPRU applies to an IFPRU investment firm in parallel with IPRU (INV) Chapter 11.

Generally, IFPRU only applies to a collective portfolio management investment firm's designated investment business (excluding managing an Alternative Investment Fund ("AIF") and managing a UCITS). However, IFPRU 2.2 (Internal capital adequacy assessment process) and IFPRU 2.3 (Supervisory review and evaluation process: Internal capital adequacy standards) apply to the whole of its business. Note that AIF requirements do not apply to the Group as a whole, whereas the CRD does.

The purpose of IFPRU is to implement, in part, CRD and certain national discretions afforded to the FCA as competent authority under the EU's prudential requirements for credit institutions and investment firms.

## **BIPRU 12 – Liquidity adequacy**

BIPRU 12 Liquidity Standards apply to the Group because Mattioli Woods is an IFPRU investment firm. As an IFPRU Limited Licence firm, Mattioli Woods does not meet the definition of an ILAS BIPRU firm, therefore BIPRU standards 12.5, 12.6, 12.7 and 12.9 do not apply.

The purpose of BIPRU 12 is to ensure that liquidity resources of the firm are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due.

## **Capital framework**

The capital framework consists of three 'pillars':

- Pillar 1 sets out the minimum capital requirements the Group is required to meet for credit, market and operational risk;
- Pillar 2 requires the Group, and the FCA, to take a view on whether additional capital should be held against capital risks not covered by Pillar 1; and
- Pillar 3 requires us to publish certain details of our risks, capital and risk management process.

### 3 Corporate governance and risk management

#### 3.1 Corporate governance arrangements

##### 3.1.1 Overview

The Board is committed to achieving high standards of corporate governance, integrity and business ethics. We recognise the need to ensure an effective governance framework is in place to give all our stakeholders confidence that the business is effectively run, ensuring good outcomes for our clients and looking after the interests of the Group's shareholders and other stakeholders.

##### Board structure

The Board has established a sub-committee structure comprising Risk and Compliance, Audit, Remuneration and Nomination Committees. During the financial year ended 31 May 2018 the Group undertook internal and external reviews of the effectiveness of the Board, its sub-committees and the senior executive management framework. We created a new Senior Executive Team to execute the strategy determined by the Board, bringing together a senior team with responsibility for all our key operational areas.

Following the end of the financial year ended 31 May 2019 the Group has again reviewed its management and governance structure, implementing a number of changes designed to improve the management and governance of the Group's key areas of operation, illustrated in Appendix 2.

The Senior Executive Team has been restructured into two new committees, comprising the Governance Committee and the Management Engagement Committee.

The Group's investment and asset management business is managed through a single committee, which has been renamed the Investment Committee (formerly the Asset Management Executive Committee), which ensures risk and investment controls are applied consistently across our various products and services.

Each operating subsidiary is managed by its own board, which reports to the Management Engagement Committee. We believe these changes give the business the optimal management structure to secure continued growth.

##### Changes to the Board

Murray Smith, Group Managing Director, stood down from the Board at the Company's AGM on 21 October 2019 to continue in a full-time role as Founder Director to the Group, where his focus will be on his client portfolio, acquisitions and acting as an ambassador for Mattioli Woods.

Murray has been instrumental to the success of the Group and we will continue to benefit from his experience and insight in this new role, with Murray's management responsibilities having been handed over to our Deputy Group Managing Director, Michael Wright. Following Murray stepping down as a director the Company has a Board comprising a majority of independent directors, which we believe represents the right governance structure for the business.

##### 3.1.2 Corporate governance code

In March 2018 the AIM Rules were changed such that all AIM companies were obliged to apply a recognised corporate governance code from September 2018, providing details of that code on its website along with details of how the company complies with or departs from the code.

In July 2018 the Board resolved to adopt the Quoted Companies Alliance ("QCA") revised corporate governance code ("QCA Code"), which requires the Group to apply 10 principles focused on the pursuit of medium to long-term value for shareholders and also to publish certain related disclosures.

In preparing to adopt the QCA Code the Board reviewed the Group's risk management framework and resolved to split the Audit, Risk and Compliance Committee into two committees: an Audit Committee and a separate Risk and Compliance Committee, reflecting the continued improvement of the Group's three lines of defence model. The Group's other governance arrangements remain unchanged.

### **3.1.3 Operation of the Board**

The Board is responsible to shareholders for the proper management of the Group and has a formal schedule of matters specifically reserved to it for decision. These include strategic planning, business acquisitions and disposals, authorisation of major capital expenditure and material contractual arrangements, setting policies for the conduct of business and approval of budgets and financial statements. Other matters are delegated to the management team, supported by policies for reporting to the Board. The Company maintains appropriate insurance cover in respect of legal action against the Company's directors, but no cover exists in the event that a director is found to have acted fraudulently or dishonestly.

The agenda and relevant briefing papers are distributed by the Company Secretary on a timely basis, usually a week in advance of each Board meeting.

The roles of Chairman and Chief Executive are distinct, as set out in writing and agreed by the Board. The Chairman is responsible for the effectiveness of the Board, directing strategy and ensuring communication with shareholders. The Chief Executive is responsible for overseeing the delivery of this strategy and the day-to-day management of the Group by the executive management team. The Board is committed to developing the corporate governance and management structures of the Group to ensure they continue to meet the changing needs of the business.

The Non-Executive Directors are considered by the Board to be independent of management and free from any relationship which might materially interfere with the exercise of independent judgement. The Board does not consider the Non-Executive Directors' shareholdings to impinge on their independence. The Non-Executive Directors provide a strong independent element to the Board and bring experience at a senior level of business operations and strategy. Anne Gunther is the Senior Independent Director.

All directors have access to the Company Secretary, who is responsible for ensuring that Board procedures and applicable rules and regulations are observed. Any director, on appointment and throughout their service, is entitled to receive any training they consider necessary to fulfil their responsibilities effectively.

The Board meets regularly throughout the year as well as on an ad hoc basis, as required by time critical business needs, and is the principal forum for directing the business of the Group.

### **3.1.4 Board directorships**

As at 31 May 2019 the Mattioli Woods plc board comprised six directors, three of whom are non-executive directors. The following table sets out the number of directorships held by each member of the board:

	Number of directorships at 31 May 2019		
	Mattioli Woods plc subsidiaries and associates	External to Mattioli Woods Group	Total
<b>Executives:</b>			
Ian Mattioli	15	2	17
Nathan Imlach	19	2	21
Murray Smith	8	-	8
<b>Non-executives:</b>			
Joanne Lake	1	4	5
Carol Duncumb	1	1	2
Anne Gunther	1	3	4

The Group embraces the benefits that are brought by a Board from a range of business backgrounds and who are actively involved in other businesses. The Board also recognises its members must be able to dedicate sufficient time to the Company.

The Board has considered the time commitments of each director and is comfortable that each has sufficient available capacity to carry out the required duties for Mattioli Woods.

### 3.1.5 Board committees

The Board has delegated authority to four committees. The Chairman of each committee provides a report of any meeting of that committee at the next Board meeting. The Chairman of each committee is present at the AGM to answer questions from shareholders.

#### Risk and Compliance Committee

The Risk and Compliance Committee comprises Anne Gunther (Chairman), Carol Duncumb and Joanne Lake. The Board believes the committee is independent, with all members being Non-Executive Directors. Committee meetings are usually attended by the Compliance Oversight function, with senior managers and representatives from the internal audit, risk and compliance functions attend committee meetings as necessary.

The Risk and Compliance Committee is principally responsible for monitoring identified risks and the effectiveness of mitigating action, keeping risk assessment processes under review, reviewing the impact of key regulatory changes on the Group, assessing material breaches of risk limits and regulations as well as reviewing client complaints.

The Risk and Compliance Committee is also responsible for the review of the ICAAP, including the scenarios and stress testing framework, and its recommendation to the Board for approval.

An overview of the Group's risk management framework are included in this document in section 3.2.

#### Audit Committee

The Audit Committee comprises Anne Gunther (Chairman), Carol Duncumb and Joanne Lake. Anne Gunther is a Chartered Banker and the Board is satisfied that all members of the committee have recent and relevant financial experience. The Board believes the committee is independent, with all members being Non-Executive Directors.

The key responsibilities of the Audit Committee are:

- To review the reporting of financial and other information to the shareholders of the Company and to monitor the integrity of the financial statements;
- To review the Group's accounting procedures and provide oversight of significant judgement areas;
- To review the firm's internal controls and effectiveness of the internal audit function;
- To review the effectiveness of the external audit process and the independence and objectivity of the external auditors; and
- To report to the Board on how it has discharged its responsibilities.

Committee meetings are normally attended by the Chief Executive and the Chief Financial Officer and by representatives of the external and internal auditors by way of invitation. The presence of other senior executives from the Group may be requested. The committee meets with representatives of the external auditors without management present at least once a year.

### **Remuneration Committee**

The Remuneration Committee comprises Carol Duncumb (Chairman), Joanne Lake and Anne Gunther. The committee meets not less than twice a year. It is responsible for determining and reviewing the Group's policy on executive remuneration and other benefits and terms of employment, including performance related bonuses and share options. The committee also administers the operation of the share option and share incentive schemes established by the Company.

The members of the Remuneration Committee have no personal interest in the outcome of their decisions and seek to serve the interests of shareholders to ensure the continuing success of the Company. The remuneration of the Non-Executive Directors is determined by the Board itself. No director is permitted to participate in decisions concerning their own remuneration.

The Committee continues to review the Group's long-term incentive plans to ensure it can continue to attract, retain and incentivise appropriately qualified staff to achieve its goals.

### **Nomination Committee**

The Nomination Committee comprises Joanne Lake (Chairman), Carol Duncumb and Anne Gunther. The Committee is responsible for reviewing the size, structure and composition of the Board, establishing appropriate succession plans for the Executive Directors and other senior executives in the Group and for the nomination of candidates to fill Board vacancies where required.

The committee works in close consultation with the Executive Directors and met four times during the year, with the main items being considered including Board structure, the possibility of expanding the number of non-executive directors on the Board and management succession.

### **Other Committees**

These committees form part of the Corporate Governance framework, but are not sub-committees of the Board. The main committees comprise the Governance Committee, the Management Engagement Committee, the Investment Committee and the Executive Risk and Compliance Committee.

#### *Governance Committee*

The Board strongly believes that good governance and strong, responsible, balanced leadership by the Board are critical to creating long-term shareholder value and business success. The committee's role is to assist the Board in shaping the strategy, culture and ethical values of the Group, while supporting the Management Engagement Committee in the day to day management of Mattioli Woods and its subsidiaries.

The key responsibilities of the committee are to:

- Take a leadership role in shaping the corporate governance principles, culture and ethical values of the Group in line with the Group's strategic priorities;
- Oversee the brand and reputation of the Group, ensuring that reputational risk is consistent with the risk appetite approved by the Board and the creation of long-term shareholder value;
- Develop strategy and growth initiatives, such as possible acquisitions and new products and services;
- Implement the agreed strategy and support the day-to-day management of the Group by the Management Engagement Committee;
- Review and discuss the annual business plan and budget prior to its submission to the Board for approval;
- Oversee the Group's compliance with its statutory and regulatory obligations, including conduct of the firm and treating customers fairly; and
- Oversee the Group's conduct in relation to its corporate and societal obligations, including setting the guidance, direction and policies for the Group's corporate responsibility agenda and related activities and advising the Board and management on these matters.

The Governance Committee is chaired by the Chief Executive and comprises functional heads from the appropriate disciplines.

#### *Management Engagement Committee*

The Board has delegated its day-to-day operational authority to the Management Engagement Committee, subject to a list of matters which are reserved for decision by the Governance Committee or the full Board only. The Management Engagement Committee is primarily responsible for:

- Developing and monitoring all aspects of the Group's business on a continuing basis;
- Implementing the business strategy and business plans agreed by the Board from time to time;
- Ensuring that day-to-day operations are conducted in accordance with the relevant regulatory and statutory requirements;
- Monitoring the management and performance of the Group's operating subsidiaries (including their results compared to budget, risks and regulatory compliance); and
- Reviewing employee talent management and development programmes, ensuring they take into account diversity, including gender.

The Management Engagement Committee meets at least monthly but more frequently if required. The committee is chaired by the Chief Executive and committee meetings may be attended by any number of a broad range of senior managers from across the Group, depending on the meeting agenda.

#### *Investment Committee*

The Board has delegated authority to the Investment Committee to oversee the Group's investment management approach, developing the 'house view' on economics, investment markets and asset allocation; and considering how the Group should best apply these views.

In particular, the Investment Committee is responsible for developing and implementing the Group's asset management strategy, for developing and monitoring all aspects of the Group's investment business on a continuing basis, receiving reports from the board of Custodian Capital, the Structured Products Fund Oversight Committee and the Multi-Asset Team (including the Asset Allocation Committee). The committee is also responsible for ensuring that the Group's day-to-day investment and asset management operations are conducted in accordance with the relevant regulatory and statutory requirements through the investment research and investment operations teams.

The Investment Committee meets at least six times a year but more frequently if required. The committee is chaired by the Chief Investment Officer and comprises senior members of the investment, wealth management, technical and compliance functions.

#### *Executive Risk and Compliance Committee*

The Board has delegated authority to the Executive Risk and Compliance Committee to oversee the operation of the Group's risk and compliance framework and activity. The Executive Risk and Compliance Committee is responsible for ensuring that risk, compliance and Internal Audit are considered, reviewed and actions implemented across all areas of the Group including wealth management advice, asset management, pension administration and employee benefits. The committee is also responsible for ensuring that risks are fully considered in context of the Group's ICAAP and the impact on the Group's capital requirements.

The Executive Risk and Compliance Committee meets at least four times a year but more frequently if required. The committee is chaired by the Compliance Oversight Function and comprises senior members of the Group's management and risk and compliance function.

### **3.1.6 Induction, training and performance evaluation**

New directors receive an induction on their appointment covering the activities of the Group, its key business and financial risks, the terms of reference of the Board and its committees and the latest financial information.

The Chairman ensures directors update their skills, knowledge and familiarity with the Group as required to fulfil their roles on the Board and its committees. Ongoing training is provided as necessary and includes updates from the Company Secretary on changes to the AIM Rules, requirements under the Companies Acts and other regulatory matters. All directors have access to independent professional advice at the Company's expense where they judge it necessary to discharge their duties, with requests for such advice being authorised by the Chairman or two other directors, one of whom is a Non-Executive.

### **3.1.7 Evaluation of the Board's performance**

During the year ended 31 May 2018 an external review of the Board's effectiveness was undertaken by an independent third party. This involved one-to-one interviews with directors and a review of Board and Board committee papers and minutes. The key points raised in the review were around board composition and succession planning.

In response, we reduced the size of our Board to eliminate duplication of documentation and discussion between the Board and the executive management team, ensuring clearer lines of responsibility within the management team and creating a balanced Board of three Executive Directors and three Non-Executive Directors.

The Board intends to undertake a self-evaluation during the financial year ending 31 May 2020 and annually thereafter. Individual appraisal of each director's performance is undertaken either by the Chief Executive Officer or Chairman each year and involves meetings with each director on a one-to-one basis. The Non-Executive Directors, led by the Senior Independent Director, carry out an appraisal of the performance of the Chairman and Chief Executive Officer.

### **3.1.8 Retirement and re-election**

All directors are subject to election by shareholders after their appointment and to re-election thereafter at intervals of no more than three years.

Non-Executive Directors' appointments are initially for 12 months, and continue thereafter until terminated by either party giving six months' prior written notice to expire at any time on or after the initial 12 month period. The terms and conditions of appointment of the Non-Executive Directors are available for inspection at the Company's registered office during normal business hours and prior to the AGM.

### **3.1.9 Communications with shareholders**

The Board is committed to maintaining an ongoing dialogue with the Company's shareholders. The principal methods of communication with private investors remain the Annual Report and financial statements, the Interim Report, the AGM and the Group's website ([www.mattioliwoods.com](http://www.mattioliwoods.com)).

It is intended that all directors will attend each AGM and shareholders are given the opportunity to ask questions at the AGM. In addition, the Chairman, Chief Executive Officer and Chief Financial Officer welcome dialogue with individual institutional shareholders to understand their views and feed these back to the Board. General presentations are also given to analysts and investors covering the annual and interim results.

### **3.1.10 Internal control and risk management**

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. Such systems are designed to manage rather than eliminate risks and can only provide reasonable not absolute assurance against material misstatement or loss.

In accordance with the guidance of the Turnbull Committee on internal control, an ongoing process has been established for identifying, evaluating and managing significant risks faced by the Group. This process has been in place throughout the year under review and up to the date of approval of the Annual Report and financial statements.

The Board routinely reviews the effectiveness of the system of internal control and risk management to ensure controls react to changes in the nature of the Group's operations.

The Group maintains appropriate insurance cover and reviews the adequacy of the cover regularly, in conjunction with the Group's insurance brokers.

There are clearly defined procedures for reviewing and approving all bids, acquisitions and capital expenditure within the Group.

### **3.1.11 Governance arrangements of active subsidiaries**

Active subsidiary companies within the Group, including those that hold regulatory permissions, each operate their own board of directors, who are responsible the proper management of each subsidiary company. Each board may comprise both members of the PLC Board of directors and executive teams, plus other employees tasked with the management of those companies.

A summary of the governance arrangements of our active subsidiary companies is included within Appendix 4.

### **3.1.12 Diversity**

The Group is committed to the principle of equal opportunity in employment, regardless of a person's race, creed, colour, nationality, gender, age, marital status, sexual orientation, religion or disability. Employment policies are fair, equitable and consistent with the skills and abilities of the employees and the needs of the business.



Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. Group policy is that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### 3.2 *Risk management framework*

The Group's risk management framework is designed to ensure risks are identified, managed and reported effectively. The Group has been investing in its risk management framework to meet the requirements of key regulatory changes, such as MiFID II, the GDPR and the SM&CR, and the risk management framework remains subject to ongoing review.

We continue to apply a 'three lines of defence' model to support our risk management framework, with responsibility and accountability for risk management summarised as follows:

- **First Line:** Senior management and operational business units are responsible for managing risks, by developing and maintaining effective internal controls to mitigate risk. First-line systems and controls are employed to ensure business activities are conducted in compliance with internal policies and procedures. First-line supervision teams carry out monitoring of business activities on a day-to-day basis.
- **Second Line:** The risk, compliance and anti-money laundering functions maintain a level of independence from the first line. They are responsible for providing oversight and challenge of the first line's day-to-day management, monitoring and reporting of risks to both senior management and governing bodies.
- **Third Line:** The internal audit function is responsible for providing independent assurance to both senior management and governing bodies as to the effectiveness of the group's governance, risk management and internal controls.

Output from first, second and third-line monitoring is reported to the managers and management information is reported to the Executive Risk and Compliance Committee and the Risk and Compliance Committee.

#### 3.2.1 **Risk appetite**

Risk appetite is defined as both the amount and type of risk the Group is prepared to accept or retain in pursuit of our strategy. Our appetite is subject to regular review to ensure it remains aligned to our strategic goals. At least annually, the Board, Executive Risk and Compliance Committee and the Risk and Compliance Committee will formally review and approve the Group's risk appetite statement and assess whether the firm has operated in accordance with the stated risk appetite measures during the year.

Notwithstanding its continued expectations for business growth, the Board retains a relatively low overall appetite for risk, ensuring that our internal controls mitigate risk to appropriate levels.

The business' overall high-level statement of risk appetite is as follows:

"We will not knowingly take risk positions that threaten our ability to provide long term wealth management and employee benefits services for our clients. In addition, we will conduct our activities in a manner that balances our clients, staff and shareholders' needs."

The Board makes use of a 5x5 model to consider the impact and likelihood of risks, as well as agreed definitions against risk appetite.

Following the adoption of the definitions of risk appetite, Board members and other members of the senior executive team participated in surveys which have enabled the Board to define current appetite for risk.

### **How we use the risk appetite**

Practical application of our risk appetite, which defines the key risks which align to our strategy, comes through the setting of our Pillar 2 capital requirement. This provides a more detailed and critical analysis of each key risk and the underlying sub-risks. Here, the detailed quantitative and qualitative stress testing provides a robust challenge to the defined tolerance limits set by the Board. This, in turn, informs the Board so that we can better plan the impact and mitigating actions necessary to manage the business through future difficult economic cycles.

The risk appetite, as a base document, is also utilised as follows:

- Regular meetings of the directors and senior managers to consider the Group's operational and financial performance;
- Regular Audit and Risk and Compliance Committee meetings to review internal and external risk and compliance matters chaired by a non-executive director;
- Forms the basis of the Risk Register. This document captures the key risks across the business and is used to inform our risk-based audit activity;
- Key component of Board reporting are Key Risk Indicators, measured against actual performance; and
- Regular monitoring is carried out by the Group's compliance department through regular reviews of regulatory requirements and business risks.

### **3.2.2 Risk identification and management**

On an ongoing basis we consider the major risk sources listed in IFPRU 2.2.7 and opine on their relevance/irrelevance to our business and whether a risk requires inclusion in our Risk Appetite.

#### *Internal controls*

In accordance with the Financial Reporting Council guidance on risk management and internal control, an ongoing process has been established for identifying, evaluating and managing principal risks faced by the Group. Our risk management framework is designed to ensure:

- The Board periodically reviews the nature and extent of the principal risks faced by the business and opines on the acceptability and appetite for those risks;
- The Board routinely reviews the effectiveness of the systems of internal control to satisfy itself that the systems address the business risks and are being developed, applied and maintained appropriately;
- The Group maintains appropriate insurance cover and reviews the adequacy of the cover regularly, in conjunction with the Group's insurance brokers;
- There are clearly defined procedures for reviewing and approving all bids, acquisitions and capital expenditure within the Group; and
- The principle of segregation of duties is defined across the business operations, to ensure clear separation of processing, authorising and accounting.

Those charged with governance obtain assurance on the internal controls related to the Group's key activities from fully scoped internal audits. Control testing concludes on the design and effectiveness of

the internal control framework and control remediation is completed within an agreed timeframe. The delivery of the Group's Internal Audit activities has been outsourced to RSM.

### *Risk management*

The Group operates five key areas of day-to-day regulatory operation, summarised as:

- Wealth Management advice;
- Employee Benefits advice;
- Product provision;
- Corporate reporting and regulatory permissions; and
- Complaints and claims.

The structure of the risk management function is attached as Appendix 5.

### *Risk identification*

A Group Risk Register is maintained in the Insight4GRS 4risk system, which is a live database of risks across the business. These risks are reviewed and updated regularly through the year with input from line management through to senior management and the Board.

### *Risk assessment*

Identified risks are tracked in a department-level risk register and used as the basis for a consolidated risk register that provides the Risk and Compliance Committee with an overview of the key risks across the organisation. The Board and senior management are actively involved in a continuous risk assessment process as part of our risk management framework, supported by the annual ICAAP approval process.

Risk assessments take place for new acquisitions, projects and significant events to ensure key risks are identified, assessed, mitigated and managed by project managers during the course of the project and through to implementation.

Stress tests include consideration of the impact of a number of severe but plausible events that could impact the business. The work also takes account of the availability and likely effectiveness of mitigating actions that could be taken to avoid or reduce the impact or occurrence of the underlying risks.

The Group's risk assessment process considers both the impact and likelihood of risk events which could materialise, affecting the delivery of strategic goals and annual business plans. A top-down and bottom-up approach ensures that our assessment of key risks is challenged and reviewed on a regular basis, with the Board and its committees receive regular reports and information from senior management, operational business units and the risk oversight functions.

Each risk is given a weighting to gauge its probability and impact using the 5x5 assessment model which is used to define the level of risk by considering the category of probability or likelihood against the category of consequence severity. The weightings are then aligned to the risk appetite for each category of risk to create a measurable assessment of the movement of each risk.

### *Risk mitigation*

The Risk Register contains details of each risk and a list of the mitigating factors such as current controls and actions.

Ineffective controls will be allocated an action for management to implement, which are followed up by the Internal Audit function and the control owner to ensure the matter has been adequately mitigated in

order to prevent reoccurrence. Follow-up of control actions are reported to relevant senior management and the Risk and Compliance Committee.

Disaster Recovery ("DR") planning is facilitated by the Facilities department within first line of defence reporting into the Executive Risk Consultant and DR leads across the Group. A DR team of Business Facility Champions is made up of key representatives across all Group sites to ensure an efficient process of recovery and restoration of business processes. Each department has contributed to the DR plan by completing its own business impact analysis.

### *Risk monitoring and reporting*

Reporting and review structures are in place to ensure risks are effectively identified and appropriate controls and responses are in place.

Key Risk Indicators ("KRIs") are a core component of the risk framework and are used to establish basic transparency and reporting obligations, measuring and monitoring risks across the Group in a consistent format, and provide an 'early warning indicator' for potential process failure and / or control issues.

KRIs also highlight areas of high risk to more effectively allocate resources, perform sensitivity analysis and/or stress testing on specific areas, providing high level risk, process and control reporting to line management and risk committees.

Individual KRIs are owned by relevant managers and the Risk Manager assists the manager in determining what KRIs are applicable in their areas related to strategic risk and how these affect the overall Risk Register.

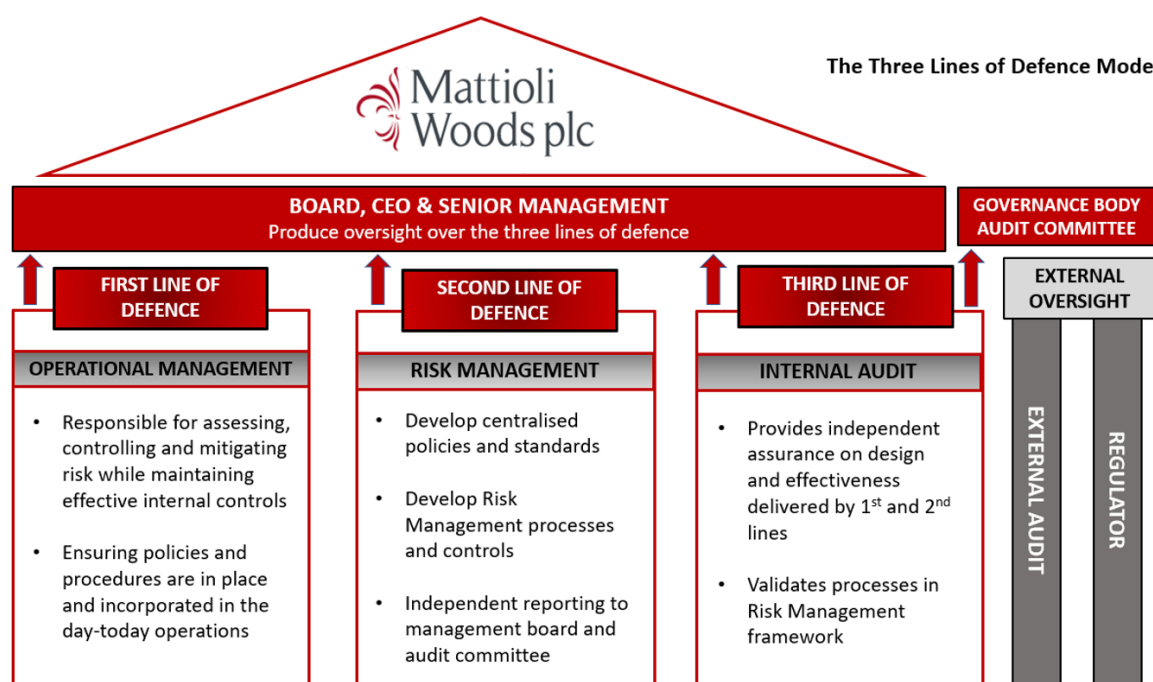
KRIs are reported to the Risk and Compliance Executive Committee, Risk and Compliance Committee and the Board with particular focus on the red and amber indicators, with risk owners providing mitigation plans to bring the measure back within tolerance.

### *Structure and organisation of risk management*

Responsibility for the Group's main risks lies with the Board, but is allocated across the business as follows:

- First line of defence: Responsibility for risk management lies with all staff. The managers appointed for each business area are responsible for promoting risk awareness and ensuring appropriate segregation of duties across their operational areas. Constant communication is encouraged. Information is provided to staff in the form of meetings and reminders, and all managers and staff are required to consider their department's risks on a regular basis.
- Second line of defence: Several components of the governance function perform activities, at an arms-length from the first line of defence. The risk function reports to the Executive Risk and Compliance Committee, which in turn report to the Risk and Compliance Committee. The risk function assists with building a risk awareness culture within the organisation through raising challenges (to the first and second lines of defence) where deemed appropriate. The Risk Management, Compliance, and Technical teams monitor and facilitate the implementation of the controls framework and assist the first line of defence management and staff to execute their control responsibilities. Management information is provided to, and challenged by, the Board and its sub committees on a regular basis.
- Third line of defence: Responsibility for providing assurance on the control of risk within the Group lies with the Internal Audit function, which reports to the Audit Committee. In addition, the statutory external auditors perform interim and annual substantive reviews of the Group's financial statements. The Audit Committee ensures that audit work is focussed on areas of significant risk and provides assurance on the management of risk.

The Group's three lines of defence model is summarised as follows:



Senior Management comprises the Management Engagement Committee and Compliance leadership.

### *Compliance policy*

We consider legislative changes and the findings of FCA and HMRC reviews and, where appropriate, we take action to ensure our systems and processes continue to represent best practice.

We maintain a dedicated compliance function across the Group, with systems to proactively monitor client investments, consultancy and administration services, investment advice, financial standing of suppliers, pension transfer advice, FCA rule book compliance and Audit & Pension Schemes Services compliance. In addition, each regulated entity maintains its own Compliance Manual.

We continue to invest in maintaining our staff's technical excellence and developing our administration systems. The majority of our consultancy team joined us as graduate trainees and already hold high-level examinations obtained during their training with us. A key objective of the Retail Distribution Review was to inspire consumer confidence so that the provision of personal financial advice is seen as a profession on a par with other professions. The FCA introduced a higher minimum qualification requirement for investment advisers, set at Qualifications Credit Framework ("QCF") Level 4 or equivalent. All the Group's advisers must have reached this level as a minimum.

### *Compliance monitoring*

Our internal compliance officers perform monthly control checks and concentrate on:

- Adherence to systems and controls.
- Ensuring investments made are undertaken in-line with the parameters at outset.
- Ensuring the fund selection process is documented and executed with appropriateness and diligence.

Compliance audits also cover the suitability reports of advice and risk profile.

## 4 Capital resources

### 4.1 Background

Capital resources are the capital held by the Group which is recognised by the FCA as regulatory capital. A firm's capital resources can be classified as either Tier 1 or Tier 2 capital. Under CRD IV there is no longer the concept of Tier 3 capital, with Tier 1 split between Common Equity Tier 1 ("CET1") fully loss absorbing capital and Additional Tier 1 Capital, summarised as follows:

Tiers of capital	Items
Common Equity Tier 1 (CET1) (fully loss absorbing capital)	<ul style="list-style-type: none"> <li>• Capital instruments (as set in Article 28/29)</li> <li>• Share premium accounts related to the above</li> <li>• Retained earnings</li> <li>• Accumulated other comprehensive income</li> <li>• Other reserves</li> </ul>
Additional Tier 1 capital	<ul style="list-style-type: none"> <li>• Capital instruments as laid down in Article 52</li> <li>• The share premium accounts related to these capital instruments</li> </ul>
Tier 2 capital	<ul style="list-style-type: none"> <li>• Capital instruments and subordinated loans that meet conditions laid down in Article 63</li> <li>• The share premium accounts related to these instruments</li> </ul>

The EBA has set minimum thresholds for the quality of capital to be held against the Group's total capital requirements:

- 56% CET 1 (being 4.5% divided by 8%); and
- 75% Tier 1.

Note that currently all Mattioli Woods' capital is CET1 capital. Points to note are that:

- Capital is not recognised until it has been reviewed by an external party and approved, but interim losses should be recognised immediately;
- CET1 has to be the highest quality of capital and should not be recognised as this unless it meets the specific criteria set out under the regulation; and
- To ensure this, there are a number of deductions required by the regulations, such as intangible assets and debtors' balances more than 90 days past their due date.

### Retained earnings

The Group may include interim or year-end profits in CET1 before the Group has taken a formal decision confirming the final profit or loss only with the permission of the competent authority, and meeting following conditions:

- Those profits have been verified by independent auditors; and
- The firm has demonstrated that any foreseeable charge or dividend has been deducted from the amount of those profits.

## 4.2 Regulatory capital calculations

The FCA evaluates whether issuance of CET1 instruments meets the criteria set out under the regulation. For any new equity issuance after 31 December 2014, the Group can only classify new shares as CET1 instruments after permission is granted by the FCA. The tables below set out the total available capital of the Group as at 31 May 2019, and how this is derived from total equity in our audited balance sheet as at 31 May 2019:

(£000)	Audited accounts 31 May 2019	Adjustments <sup>2</sup>	Regulatory capital 31 May 2019
Share capital	268	-	268
Share premium	32,137	-	32,137
Merger reserve	10,639	-	10,639
Equity – Share based payments	2,356	(2,356)	-
Capital redemption reserve	2,000	-	2,000
Own shares	(99)	99	-
Retained earnings	38,292	-	38,292
Less: Proposed dividends	-	(3,660)	(3,660)
<b>Total Equity / Common Equity Tier 1 ("CET1")</b>	<b>85,593</b>	<b>(5,917)</b>	<b>79,676</b>
Less: Intangible assets			(48,734)
Less: Own shares			(99)
Less: Significant investment in financial sector entity			(1,127)
<b>CET1 after adjustments ("Capital Resources")</b>			<b>29,716</b>

<sup>2</sup> Share based payment reserve not included in CET1, investment in own shares included in Equity but treated as an adjustment to CET1 in determining capital resources, dividends proposed after balance sheet date therefore not reflected in Equity as at 31 May 2019

## 5 Pillar 1 risks and calculation methodologies

### 5.1 Overview

The Pillar 1 requirement is a formulaic approach, whereby the risks to consider are mandatory, being Market, Credit and Operational risk. For each Pillar 1 risk area, we have considered its applicability to the Group, as well as quantified the risk requirement following FCA guidelines.

As a limited licence firm, Mattioli Woods is not required to hold capital at Pillar 1 under the FCA's standardised approach to operational risk and hence a Fixed Overhead Requirement ("FOR") is used instead. The Pillar 1 minimum capital requirement for a limited licence firm is the higher of:

1. Sum of Credit Risk capital requirement plus Market Risk capital requirement; and
2. The FOR (25% of audited fixed expenditure).

### 5.2 Pillar 1 calculations

The tables below set out the Pillar 1 capital requirements based on the actual reported balance sheet and income statement of the Group for the year ended 31 May 2019, which is the date of the last independently reviewed accounts:

(£000)	Actual 31 May 2019
Base capital requirement (€50,000) (A)	44
Credit Risk (CR)	3,574
Market Risk (MR)	-
CR + MR (B)	3,574
Fixed Overhead Requirement (FOR) (C)	10,624
Pillar 1 requirement (higher of A, B and C)	10,624

In relation to CCL's business, when a collective portfolio management investment firm calculates the Credit Risk capital requirement and the Market Risk capital requirement for the purpose of calculating the variable capital requirement under GENPRU 2.1.40R it must do so only in respect of designated investment business. For this purpose managing an AIF is excluded from designated investment business, with the associated risks considered as part of our operational risk assessment.

### 5.3 Credit risk

Credit risk is the risk that the counterparty to a financial obligation will default on repayments. The credit risk capital requirement:

- Is the amount of capital a firm is required to hold to cover the exposures subject to credit risk;
- Is 8% of risk weighted on and off-balance sheet exposure amounts;
- Applies to balance sheet exposures (i.e. assets) except when the exposure is already deducted from capital resources (e.g. material holdings, intangible assets, goodwill);
- Applies to off-balance sheet exposures – e.g. guarantees, undrawn commitments;



- Allocates exposure to classes based on the types of counterparty (e.g. institutions, corporates, collective investment undertakings); and
- Risk weights the exposures using the standardised approach or based on individual credit ratings.

The standardised approach to calculating the credit risk capital requirements is to:

- Identify and quantify all balance sheet exposures;
- Exclude exposures deducted from capital;
- Allocate each exposure to an exposure class;
- Determine and apply risk weightings (RW%) based on credit ratings to calculate risk weighted assets ("RWA"); where these are available; and
- Calculate the credit risk capital requirement as  $RWA \times 8\%$ .

#### *Credit policy*

The Group trades only with recognised, creditworthy third parties. All customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis.

#### *Counterparty risk*

Credit risk from the financial assets of the Group, which comprise cash and cash equivalents and investment syndicate loans, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The only significant concentrations of credit risk relate to the Group's bank deposits.

Loans may be advanced to new investment syndicates to facilitate the purchase of an investment. In the event a syndicate fails to raise sufficient funds to fully subscribe for the investment, the Group may either take up ownership of part of the investment or lose some, or all, of the loan. To mitigate this risk, loans are only approved by the Board under strict criteria.

#### *Credit risk exposure and capital requirements*

Intangible assets are deducted from capital and are therefore excluded from the calculation of credit risk capital requirement. All balance sheet credit risk exposures of the Group are identified and quantified in the following tables:

The calculation of the Group's credit risk capital requirements as at 31 May 2019 is set out as follows:

GROUP Balance sheet exposures (£000)	Carrying value at 31 May 2019 (FY19)	Exposure class	Exposure value at 31 May 2019 (FY19)	Credit step quality	Risk weighting	Risk- weighted exposure FY19	Credit risk 8% capital required FY19
Property, plant and equipment	16,664	Other items – Tangible assets	16,664	-	100%	16,664	1,333
Deferred tax assets	511	Public sector entities – Deferred tax – Capped at 10% CET1 (£29,600k)	511	-	250%	1,278	102
Other investments	81	Equity exposures	41	-	100%	41	3
		Units or shares in a Collective Investment Undertaking ('CIU')	40	-	100%	40	3
Investment in associate	4,211	Equity exposures – Significant investment in FS companies – Capped at 10% CET1 (£30,843k)	3,084	-	250%	7,711	617
Derivative financial assets	750	Corporate	750	-	100%	750	60
Trade receivables	5,143	In default – Specific provision >20% exposure	610	-	100%	610	49
Other receivables	437	Retail	12,857	-	75%	9,643	772
Work in progress	4,622	Corporate	1,761	-	100%	1,761	141
Accrued income	5,140	Institutions (rated) – Maturity <3 months	53	2&3	20%	11	1
		Public sector entities	62	1	20%	12	1
<i>Subtotal</i>	<i>15,343</i>	<i>Subtotal</i>	<i>15,343</i>				
Prepayments	1,042	Other items – Prepayments	1,042	-	100%	1,042	83
Cash and short-term deposits	23,248	Institutions (rated) – Maturity <3 months	21,721	2&3	20%	4,344	348
		Institutions (rated) – Maturity >3 months	1,527	3	50%	764	61
Credit risk exposure / Credit risk capital requirement	61,850		60,723			44,671	3,574
Deduction from CET1 – Equity exposures	-	Equity exposures – Excess above 10% CET1	1,127				
Deduction from CET1 – Deferred tax assets	-	Public sector entities – Excess above 10% CET1	-				
Total exposure	61,850		61,850				

## 5.4 *Market risk*

Market risk is the risk that the firm will lose money due to the daily fluctuations of the market. The market risk capital requirement is the amount of capital a firm is required to hold to cover the exposure to market risk split into:

- Interest rate position risk requirement ("PRR");
- Equity PRR;
- Commodity PRR; and
- Foreign exchange PRR.

In general, market risk capital requirement is calculated on:

- All trading book positions (not common in investment management);
- Non-trading book foreign currency positions; and
- Non-trading book positions in commodities.

For most investment management companies, the foreign currency PRR is the only element of the market risk requirement calculation that applies.

Market Risk is taken by our clients who are impacted directly by market movements. The Group is indirectly impacted by market movements through variances in fees generated by AuA/M (see analysis of clients' assets included in section 2). Here we recognise this as Business Risk, as such we do not hold capital for Market Risk in our Pillar 1 calculation.

### *Interest rate PRR*

Interest rate risk is the risk that the Group will sustain losses from adverse movements in interest bearing assets. This exposure is monitored to ensure that the Group is optimising its interest earning potential within accepted liquidity and credit constraints.

A source of revenue is based on the value of cash balances held in clients' schemes. These balances are not on the Group's balance sheet. The Group has a risk exposure to interest rate risk on these cash balances held by clients. The current low interest rate environment has meant the risk of a decline in earnings due to a decline in balances or interest turn is no longer as significant as it was. However, we continue to work to develop our banking relationships to access competitive interest rates for our clients.

### *Equity PRR*

We treat equity risk as a business risk which is the risk that volatility in particular asset classes may see changes in our how our investment revenues are derived.

### *Commodity PRR*

Commodity risk is the risk that the Group will sustain losses through adverse movements in commodity prices. The Group does not invest or speculate in commodities and is not exposed to any commodity price risk.

### *Foreign exchange PRR*

Foreign currency risk is the risk that the Group will sustain losses through adverse movements in currency exchange rates. The Group has a negligible proportion of transactions denominated in a foreign currency,

therefore the Group is not exposed to foreign exchange translation or transaction risk and does not hedge any foreign current assets or liabilities.

#### *Market risk exposure and capital requirements*

Over the short term if markets are volatile it is anticipated that the current investment strategy will mitigate any adverse impact on clients who will be repositioned to minimise their exposure. This will, however, increase administration costs. As a result, no market risk exposures have been identified and hence the market risk Pillar 1 capital requirement is nil.

### **5.5 Fixed Overhead Requirement**

The FOR is the calculation used by limited licence firms instead of operational risk requirements under Pillar 1 and is a proxy for the amount of capital that an investment management firm would need in order to wind-down in an orderly manner within a three month period, calculated as 25% of audited fixed expenditure, after adjusting for items such as profit shares paid as bonus, discretionary expenditure, foreign exchange losses and shared commissions.

Annual expenditure is the sum of total annual expenditure at the most recent accounting reference date which has been audited. If the Group's expenditure changes materially after the most recent accounting reference date, the FOR is adjusted accordingly.

The FOR is calculated in accordance with the EBA regulatory technical standards as the total expenses, after distribution of profits, in the most recent audited annual financial statements, less variable costs as noted below:

- Fully discretionary staff bonuses;
- Employees' and directors' shares in profits, except to the extent that they are fully discretionary;
- Other appropriations of profits and other variable remuneration, to the extent that they are fully discretionary;
- Shared commission and fees payable which are directly related to commission and fees receivable, which are included within total revenue, and where the payment is contingent upon the actual receipt of the commission and fees payable;
- Interest paid to customers on client money;
- Fees, brokerage and other charges paid to clearing houses, exchanges and intermediate brokers for the purposes of executing, registering or clearing transactions; and
- Non-recurring expenses from non-ordinary activities.

The FOR is calculated for the Group as follows:

Group (£000)	Actual FY19
Last reported annual expenditure	48,191
<b>Add:</b>	
Share of profits from associate undertakings	479
Gain on revaluation of derivative financial asset	100
Adjustment for annualisation of acquired overheads	682
<b>Total gross expenditure (annualised)</b>	<b>49,452</b>
<b>Less:</b>	
Staff and director bonuses not guaranteed	5,790
Shared fees and commissions directly related to revenue	768
Non-recurring from non-ordinary activities:	
Staff gifts & promotions	160
Entertaining	66
Projects	123
Advertising and seminar costs	637
Other non-recurring expenditure <sup>3</sup>	(589)
<b>Total of deductions</b>	<b>6,955</b>
Fixed overhead expenditure	42,497
<b>Fixed overhead expenditure requirement (25% of fixed overhead expenditure)</b>	<b>10,624</b>

The figures used to calculate the FOR requirement for the Group are taken from the Group's annual report for the year ended 31 May 2019.

<sup>3</sup> Other non-recurring expenditure principally comprises of the release of excess provisions for onerous leases and dilapidations at our Grove Park Leicester office. These have been adjusted for in our FOR calculation to give a truer reflection of the Group's fixed overheads

## 6 Remuneration disclosures

### Preamble to remuneration disclosures

The disclosures are in accordance with the 'proportionality rule'. CRR Article 450 (2) requires firms to disclose in a manner that is appropriate to their size, internal organisation, and nature, scope and complexity of activities.

Having considered regulation 604/2014 (EU), we deem that Mattioli Woods' directors comprise those staff whose professional activities have a material impact on our risk profile.

### 6.1 *Remuneration policy*

Mattioli Woods recognises the importance of its employees to the success of the Group and consequently the remuneration policy is designed to be market competitive to attract, motivate and retain high calibre individuals. The main focus of the Group's remuneration policy is to align the interests of the Executive Directors with the Group's strategic priorities and the long-term creation of shareholder value.

The Remuneration Committee reviews the regulatory and legislative framework with the aim of ensuring that the remuneration policy is in line with best practice, including the FCA codes of practice ("the FCA Codes") which set out the standards and policies that regulated firms are required to meet when setting pay and bonus awards for staff. External data is used to validate rather than to benchmark the total reward and the Remuneration Committee takes into consideration the current economic climate, remuneration policies of comparable businesses and pay and employment conditions elsewhere in the Group when considering Executive Directors' and other senior managers' pay.

The remuneration arrangements are designed to:

- Promote value creation;
- Support the business strategy;
- Promote the long-term success of the Group;
- Deliver a competitive level of pay for the Executive Directors and senior management;
- Encourage the retention of staff through deferred variable compensation, where appropriate;
- Ensure greater alignment between the interests of the Executive Directors and the long-term interests of shareholders through significant long-term equity participation;
- Be fair for both the director and the Group, with some element of discretion;
- Comply with financial services rules and regulations;
- Discourage excessive risk taking and short-termism;
- Encourage more effective risk management; and
- Support positive behaviours and a strong and appropriate conduct culture.

The Group's policy is to remunerate Executive Directors and senior management through basic salary and benefits, annual performance-related discretionary bonuses and participation in long-term incentive plans which promote the creation of sustainable shareholder value. The total reward is designed to include a balance of fixed and variable pay with an element of deferral.

Fees for the Non-Executive Directors are determined by the Board and are reviewed annually, having regard to fees paid to non-executive directors in other UK quoted companies, the time commitment and responsibilities of the role. Non-Executive Directors do not receive bonuses or share entitlements. No director is permitted to participate in decisions concerning their own remuneration.

The effective date for changes in directors' remuneration is 1 September, in line with the Group's other employees.

Shareholders will be asked to approve the Directors' Remuneration Report, including the remuneration policy which applies to the directors and employees of the Group, at the Company's next AGM on 21 October 2019.

## 6.2 *Single total figure of remuneration for each director*

Directors' remuneration payable in respect of the year ended 31 May 2019 was as follows:

	Salary and fees £000	Benefits <sup>4</sup> £000	Bonus £000	Long-term incentive plan £000	Pension related benefits £000	Share incentive plan £000	Total £000
<b>Executives:</b>							
Ian Mattioli	530	-	524	525	52	2	1,633
Nathan Imlach <sup>5</sup>	304	12	246	272	30	2	866
Murray Smith <sup>5</sup>	260	12	120	229	26	-	647
Sub-total	1,094	24	890	1,026	108	4	3,146
<b>Non-executives:</b>							
Joanne Lake	98	-	-	-	-	-	98
Carol Duncumb	49	-	-	-	-	-	49
Anne Gunther	57	-	-	-	-	-	57
Sub-total	204	-	-	-	-	-	204
<b>Total</b>	<b>1,298</b>	<b>24</b>	<b>890</b>	<b>1,026</b>	<b>108</b>	<b>4</b>	<b>3,350</b>
Fixed awards							1,434
Variable remuneration							1,916
<b>Total remuneration</b>							<b>3,350</b>
Beneficiaries remunerated > EUR 1 million <sup>6</sup>							1

Key management personnel ('Code staff') receive compensation in the form of short-term employee benefits and equity compensation benefits. Key management personnel, representing those Executive Directors that served throughout the year and 14 (2018: 18) other executives, received compensation in the form of short-term employee benefits and equity compensation benefits which totalled £5.9m for the year ended 31 May 2019, and is analysed below:

	2019 £000
Wages and salaries	4,907
Social security costs	803
Pension	86
Benefits in kind	96
<b>Total</b>	<b>5,892</b>

<sup>4</sup> The benefit package of each Executive Director includes the provision of life assurance under a group scheme.

<sup>5</sup> The benefit packages of Nathan Imlach and Murray Smith include the provision of a company car.

<sup>6</sup> Based on conversion rate of 0.88184 GBP per EUR closing rate 31 May 2019.

### 6.3 *Salary, fees and benefits*

The base salaries of the Executive Directors are reviewed annually having regard to personal performance, divisional or Group performance, significant changes in responsibilities and competitive market practice in their area of operation.

The Non-Executive Directors are only paid fees, which are not pensionable. In addition to a basic fee, Non-Executive Directors also receive additional responsibility fees in recognition of them being a member of or chairing a committee or being the senior independent director.

Benefits for Executive Directors principally relate to the provision of cars, death in service cover and permanent health insurance or cash allowances taken in lieu of such benefits.

Executive Directors may participate in the pension arrangements of the Group or elect to have pension payments paid into a personal pension plan or as cash in lieu of pension on the same basis as other employees. Pension payments in respect of Executive Directors are currently 10% of base salary.

The Mattioli Woods plc Share Incentive Plan ("the SIP") enables employees to buy shares in the Company at an effective discount to the Stock Exchange price by having an amount deducted from pre-tax salary each month. In addition, the Company can grant participating employees matching and/or free shares.

This benefit is the value of the SIP matching shares made in the year. Employees may contribute up to £150 per month to buy partnership shares with contributions matched on a one-for-one basis by the Company.

### 6.4 *Bonus*

Awards to Executive Directors and some other senior employees of the Group of profit related bonuses are made from a pool of the Group's earnings before interest, taxation, depreciation and amortisation after payment of bonuses payable to all other staff. For the year ended 31 May 2019, the bonus arrangements for the Executive Directors comprised:

- A corporate award based on actual profit achieved compared to target profit; and
- A personal award based on the achievement of personal objectives assessed on a discretionary basis, considering each executive's performance against their key objectives.

The payment of corporate award at its maximum level is dependent on outperformance of the Board's approved internal budget for the period. The maximum award as a proportion of salary and the actual award payable in respect of the year ended 31 May 2019 are summarised as follows:

Director	Actual award as a proportion of salary	Maximum award as a proportion of salary	Linked to corporate objectives	Linked to personal objectives
Ian Mattioli	98.9%	105.0%	50.0%	50.0%
Nathan Imlach	80.9%	84.0%	50.0%	50.0%
Murray Smith	46.2%	94.5%	50.0%	50.0%

Personal objectives are reviewed and approved by the Remuneration Committee at the start of each financial year, with the payment of personal awards being made at the committee's discretion. For the year ending 31 May 2020, the short-term incentive arrangements for each Executive Director are as follows:



Director	Maximum award as a proportion of salary	Linked to corporate objectives	Linked to personal objectives
Ian Mattioli	105.0%	50.0%	50.0%
Nathan Imlach	84.0%	50.0%	50.0%
Murray Smith	84.0%	0%	100.0%

## 6.5 Long-term incentive plan

To assist the Group to attract and retain appropriately qualified staff, it adopted the Mattioli Woods 2010 Long-Term Incentive Plan ("the LTIP") to incentivise certain of its senior employees and Executive Directors. Awards made to the Executive Directors under the LTIP are set out below.

The current LTIP was approved by shareholders at the Company's 2010 AGM. During the year ended 31 May 2019 the Remuneration Committee granted further awards under the LTIP in respect of the year ended 31 May 2018. The LTIP allows a significant element of deferred variable remuneration to be paid in equity or a cash equivalent award.

### Eligibility

Any employee (including an Executive Director) of the Company or any of its subsidiaries will be eligible to participate in the LTIP at the discretion of the Remuneration Committee.

### Form of award

Awards under the LTIP may be in the form of an option granted to the participant to acquire ordinary shares with a nominal exercise price of 1p. Alternatively, the Remuneration Committee may at its discretion grant participants a right to receive a cash amount which relates to the value of a certain number of notional shares

### Performance conditions

Options granted under the LTIP are only exercisable subject to the satisfaction of the following performance conditions which will determine the proportion of the option that will vest at the end of the three-year performance period:

Compound annual growth in EBITDA over the three-year performance period	Percentage of maximum award vesting
<5%	Nil
5%	30%
12%	100%

The percentage of maximum award vesting will be calculated pro rata between the minimum and maximum hurdles. If the performance conditions are not met over the three financial years commencing on 1 June before the date of grant, the options lapse. The options will generally be exercisable after approval of the financial statements for the financial year two years after the year of grant, or on a change of control (if earlier).

The Remuneration Committee has resolved that the performance period for any future awards under the LTIP will be extended to a five-year period after which the option will vest to create greater alignment between award-holders and shareholders and encourage a long-term perspective.

*Individual and overall limits*

The maximum award for any eligible employee under the LTIP for any one year is 100% of salary. The LTIP is subject to an overall limit on the total number of shares which may be issued within a 10 year period under the LTIP or any other employee share plan operated by the Group of 10% of the issued ordinary share capital of the Company.

*Clawback*

Vested and unvested LTIP awards are subject to a formal malus and clawback mechanism.

*Grant of equity share options under the LTIP*

As at 31 May 2019, the Company had granted options to certain of its senior employees and Executive Directors to acquire (in aggregate) up to 2.83% (2018: 3.26%) of its share capital. The maximum entitlement of any individual was 0.75% (2018: 0.80%). The options are exercisable at 1p per share.

*Grant of cash-settled options under the LTIP*

At 31 May 2019 there were no cash-settled options in issue (2018: nil).

*Terms of awards*

Options may be granted over newly issued shares, treasury shares or shares purchased in the market. Options are not transferable other than on death. Shares acquired through the LTIP may be delivered to participants by the trustees of the Mattioli Woods 2010 Employee Benefit Trust ("the EBT"), which was established for this purpose. The trustees may either subscribe for new shares from the Company or purchase shares on the market. The EBT may never hold more than 5% of the ordinary share capital of the Company at any time. At 31 May 2019 the EBT held 12,248 shares (2018: nil) and the Company held no shares in treasury (2018: nil).

**Directors' interest in share options**

Outstanding share options granted to Executive Directors under the 2010 LTIP are as follows:

Director	Exercise price £	At 31 May 2018 No.	Granted during the year No.	Exercised during the year No.	Forfeited during the year No.	At 31 May 2019 No.
Ian Mattioli	0.01	209,676	62,176	(71,836)	-	200,016
Nathan Imlach	0.01	101,964	29,203	(37,224)	-	93,943
Murray Smith	0.01	89,350	28,114	(31,346)	-	86,118
<b>Total</b>		<b>400,990</b>	<b>119,493</b>	<b>(140,406)</b>	<b>-</b>	<b>380,077</b>

All of the options were granted for nil consideration. The Remuneration Committee intends to grant additional awards under the LTIP following the announcement of the Group's results for the year ended 31 May 2019.

## 6.6 *Service contracts*

It is the Group's policy for all Executive Directors to have contracts of employment that contain a termination notice period not exceeding 12 months. Ian Mattioli's appointment continues until terminated by either party on giving not less than 12 months' notice to the other party. The other Executive Directors' appointments continue until termination by either party on giving not less than six months' notice to the other party.

Joanne Lake, Carol Duncumb and Anne Gunther do not have service contracts. A letter of appointment provides for an initial period of 12 months and continues until terminated by either party giving six months' prior written notice to expire at any time on or after the initial 12-month period.

## 6.7 *Directors' shareholdings*

As at 31 May 2019, the interest of the directors in the issued shares of the Company, as shown in its register maintained under section 809 (2) and (3) of the Companies Act 2006 were:

Director	No.	%
Ian Mattioli	3,371,876	12.60%
Nathan Imlach	112,668	0.42%
Murray Smith	79,465	0.30%
Carol Duncumb	8,800	0.03%
Joanne Lake	4,100	0.02%
Anne Gunther	4,000	0.01%

Directors' shareholdings include any shareholdings of trusts or family members deemed to be connected persons.

## **APPENDIX 1 – FCA classifications**

### **MATTIOLI WOODS PLC**

(IFPRU €50k limited licence investment firm)

Mattioli Woods plc is currently authorised and regulated by the FCA for the following activities:

- Agreeing to carry on a regulated activity
- Advising on pension transfers and pension opt outs
- Advising on investments (except on pension transfers and pension opt outs)
- Arranging (bringing about) deals in investments
- Making arrangements with a view to transactions in investments
- Dealing in investments as principal
- Establishing/operating/winding up a personal pension scheme
- Dealing in investments as agent
- Managing investments
- Arranging safeguarding and administration of assets
- Advising on regulated mortgage contracts
- Arranging (bringing about) regulated mortgage contracts
- Making arrangements with a view to regulated mortgage contracts
- Advising on P2P agreements
- Credit Broking
- Entering into Regulated Consumer Hire Agreements as owner
- Exercising or having the right to exercise the owner's rights and duties under a regulated consumer hire agreement

### **CUSTODIAN CAPITAL LIMITED**

(IPRU(INV) Chapters 11)

Custodian Capital Limited is currently authorised and regulated by the FCA for the following activities:

- Establishing, operating or winding up an unregulated collective investment scheme
- Managing an unauthorised AIF

### **M C TRUSTEES (PENSIONS) LIMITED**

(IPRU(INV) Chapters 1 and 5)

M C Trustees (Pensions) Limited is currently authorised and regulated by the FCA for the following activities:

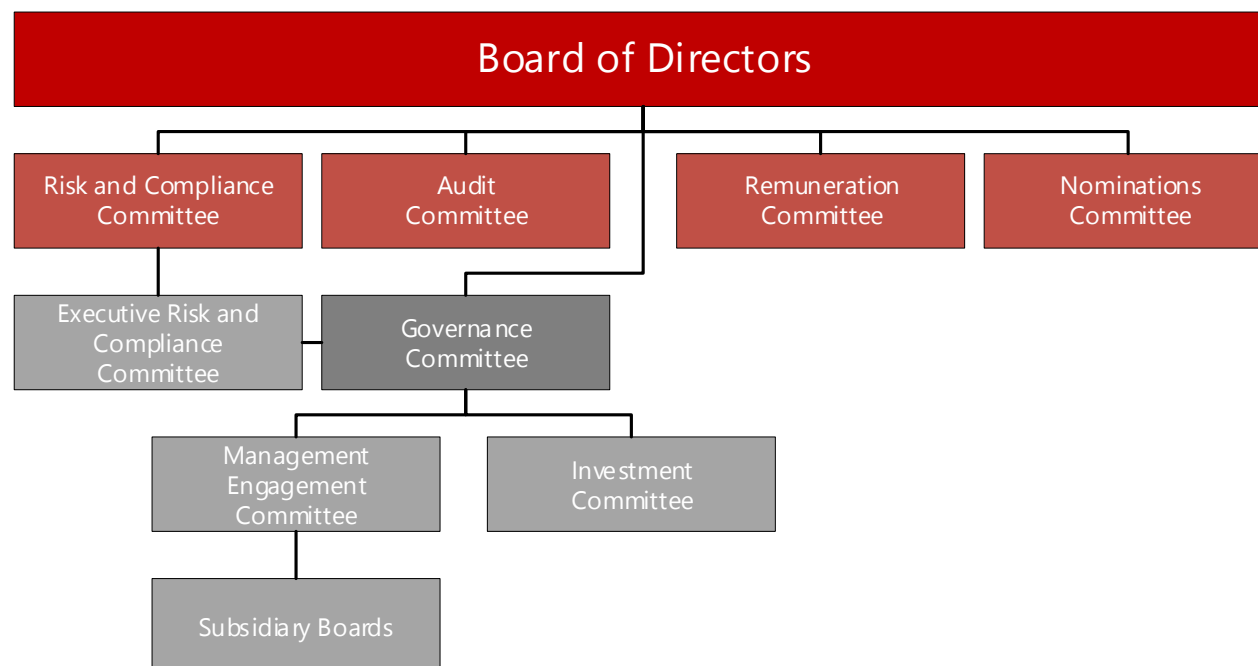
- Agreeing to carry on a regulated activity
- Arranging (bringing about) deals in investments
- Making arrangements with a view to transactions in investments
- Dealing in investments as principal
- Establishing/operating/winding up a personal pension scheme

**BROUGHTONS FINANCIAL PLANNING LIMITED**

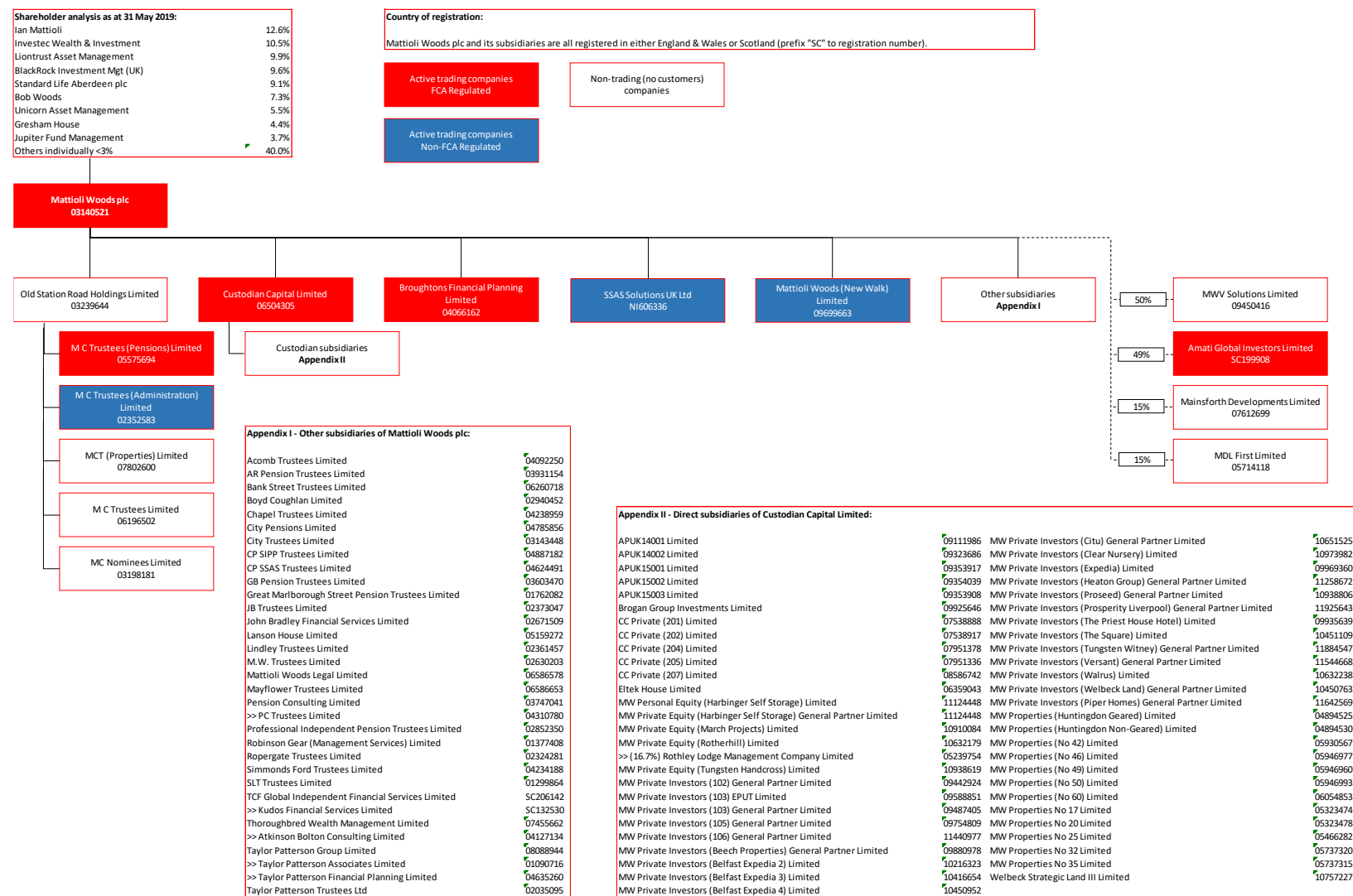
(IPRU(INV) Chapters 1 and 13)

Broughtons Financial Planning Limited is currently authorised and regulated by the FCA for the following activities:

- Agreeing to carry on a regulated activity
- Advising on pension transfers and pension opt outs
- Advising on investments (except on pension transfers and pension opt outs)
- Arranging (bringing about) deals in investments
- Making arrangements with a view to transactions in investments
- Advising on P2P agreements

**APPENDIX 2 – Governance structure at 31 October 2019**

## APPENDIX 3 – Group legal structure at 31 May 2019



## APPENDIX 4 – Governance of active subsidiary companies

Active subsidiary companies within the Group, including those that hold regulatory permissions, each operate their own board of directors, who are responsible the proper management of each of our active subsidiary companies. Each board comprises a blend of both members of the Group's board of directors and executive teams, plus other members tasked with the management of those companies. The composition of each board of directors as at 31 October 2019 is noted below.

The board of each subsidiary company is responsible for matters including; setting policies for the conduct of business of the company and day-to-day management of the company, as well as strategic planning, setting risk appetite, authorisation of major capital expenditure, material contractual arrangements, and approval of financial statements.

By operating a board with a mix of individuals from the Group's executive team, and those responsible for the day to day management of the companies, we believe that we are able to identify and mitigate any potential threats to the regulatory roles held by the authorised persons within these entities.

As part of our preparation for the FCA's Senior Management and Certification Regime (SM&CR) we are currently reviewing the ownership of Senior Management Functions, Prescribed Responsibilities and Certification Functions to ensure that governance arrangements remain adequate. Additional documentation of these roles will be included in the ICAAP ahead of SM&CR coming in to force for our regulated entities December 2019.

### *Upcoming changes:*

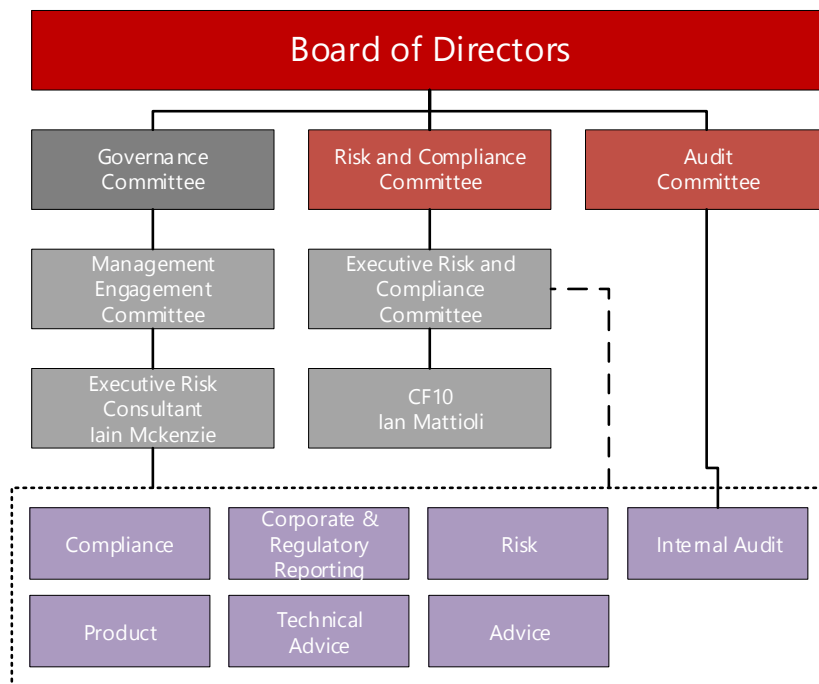
- Custodian Capital Ltd board – Murray Smith and Nathan Imlach to stand down, Ravi Tara to be appointed following FCA approval;
- M C Trustees (Pensions) Ltd board – Murray Smith and Nathan Imlach to stand down, Ravi Tara, Michael Wright and Alex Brown to be appointed following FCA approval; and
- Broughtons Financial Planning Ltd board – Murray Smith and Nathan Imlach to stand down, Ravi Tara, Michael Wright and Alex Brown to be appointed following FCA approval.



**Governance Membership Matrix - 30 November 2019**

		D – Director C – Chair M – Member A – Attendee												
		Mattoli Woods plc board	Governance Committee	Management Engagement Committee	Audit Committee	Risk & Compliance Committee	Executive Risk & Compliance Committee	Gustodian Capital Ltd	MC Trustees (Pensions) Ltd	Boughtons (Administration) Ltd	SSAS Solutions (UK) Ltd	Mattoli Woods (New Walk) Ltd		
Joanne Lake	Non-Executive Chairman	C			M	M								
Carol Duncumb	Non-Executive Director	D			M	M								
Anne Gunther	Non-Executive Director	D			C	C								
Ian Mattioli	Chief Executive Officer	D	C	C	A	A	M	D					D	
Nathan Imlach	Chief Financial Officer	D	M		A	A		D	D	D	D			
Murray Smith	Founder Director							D	D	D	D	D		
Simon Gibson	Chief Investment Officer		M											
George Houston	Technical Director		M			A	M							
Michael Wright	Group Managing Director			M			M					D		
Iain McKenzie	Executive Risk Consultant			M	A	A	M							
Ravi Tara	Group Finance Director			M	A									
Farah Salah	Finance Director – MW				A									
Ian Elkington	Finance Manager				A							D		
Mark Sapstead	Corporate Reporting Officer					A	M							
Emma Vincent	Compliance Manager					A	M							
Richard Shepherd-Cross	Managing Director – CCL							D						
Edward Moore	Finance Director – CCL							D					D	
Gary Bond	Managing Director – BFP										D			
Allison Chambers	Managing Director – SSL											D		
Michael Galway	Managing Director – SSL											D		
Lianne Harrison	Trustee								D					
Patrick Sanderson	Trustee								D					

## APPENDIX 5 – Risk management structure at 31 October 2019



## APPENDIX 6 – Regulatory capital requirements and own funds disclosure as at 31 May 2019

In accordance with CRR Article 437 (1), the table below sets out the total available capital of the Group. This table links to Section 4.

Common Equity Tier 1 (CET1) capital: Instruments and reserves		Regulation (EU) No 575/2013 article reference	Actual 31 May 2019 (£000)
1	Capital instruments and the related share premium accounts	26 (1), 27, 28, 29	32,405
	of which: Instrument type 1	EBA list 26 (3)	32,405
	of which: Instrument type 2	EBA list 26 (3)	
	of which: Instrument type 3	EBA list 26 (3)	
2	Retained earnings	26 (1) (c)	34,632
3	Accumulated other comprehensive income (and other reserves)	26 (1)	12,639
3a	Funds for general banking risk	26 (1) (f)	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	486 (2)	
5	Minority interests (amount allowed in consolidated CET1)	84	
Sa	Independently reviewed interim profits net of any foreseeable charge or dividend	26 (2)	
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	Sum of rows 1 to Sa	79,676
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	36 (1) (b), 37	(48,734)
9	Empty set in the EU		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	36 (1) (c), 38,	
11	Fair value reserves related to gains or losses on cash flow hedges	33(1) (a)	
12	Negative amounts resulting from the calculation of expected loss amounts	36 (1) (d), 40, 159	
13	Any increase in equity that results from securitised assets (negative amount)	32 (1)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	33(1) (b)	
15	Defined-benefit pension fund assets (negative amount)	36 (1) (e), 41	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	36 (1) (f), 42	(99)

17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	36 (1) (g), 44	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	36 (1) (h), 43, 45, 46, 49 (2) (3), 79	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79	(1,127)
20	Empty set in the EU		
20a	Exposure amount of the following items which qualify for a RW of 1250 %, where the institution opts for the deduction alternative	36 (1) (k)	
20b	of which: qualifying holdings outside the financial sector (negative amount)	36 (1) (k) (i), 89 to 91	
20c	of which: securitisation positions (negative amount)	36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258	
20d	of which: free deliveries (negative amount)	36 (1) (k) (iii), 379 (3)	
21	Deferred tax assets arising from temporary differences (amount above 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	36 (1) (c), 38, 48 (1) (a)	
22	Amount exceeding the 15 % threshold (negative amount)	48 (1)	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	36 (1) (i), 48 (1) (b)	
24	Empty set in the EU		
25	of which: deferred tax assets arising from temporary differences	36 (1) (c), 38, 48 (1) (a)	
25a	Losses for the current financial year (negative amount)	36 (1) (a)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	36 (1) (l)	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	36 (1) UI	
28	<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	Sum of rows 7 to 20a, 21, 22 and 25a to 27	(49,960)
29	<b>Common Equity Tier 1 (CET1) capital</b>	Row 6 minus row 28	29,716
<b>Additional Tier 1 (AT1) capital: Instruments</b>			
30	Capital instruments and the related share premium accounts	51, 52	
31	of which: classified as equity under applicable accounting standards		

32	of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	486 (3)	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	85, 86	
35	of which: instruments issued by subsidiaries subject to phase out	486 (3)	
36	<b>Additional Tier 1 (AT1) capital before regulatory adjustments</b>	Sum of rows 30, 33 and 34	
<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>			
37	Direct and indirect holdings by an institution of own ATi instruments (negative amount)	52 (i) (b), 56 (a), 57	
38	Direct, indirect and synthetic holdings of the ATi instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	56 (b), 58	
39	Direct, indirect and synthetic holdings of the ATi instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	56 (c), 59, 60, 79	
40	Direct, indirect and synthetic holdings by the institution of the ATi instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	56 (d), 59, 79	
41	Empty set in the EU		
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	56 (e)	
43	<b>Total regulatory adjustments to Additional Tier 1 (AT1) capital</b>	Sum of rows 37 to 42	
44	<b>Additional Tier 1 (AT1) capital</b>	Row 36 minus row 43	
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	Sum of row 29 and row 44	29,716
<b>Tier 2 (T2) capital: Instruments and provisions</b>			
46	Capital instruments and the related share premium accounts	62, 63	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	486 (4)	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and <b>ATi</b> instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	87, 88	
49	of which: instruments issued by subsidiaries subject to phase out	486 (4)	
50	Credit risk adjustments	62 (c) & (d)	
51	<b>Tier 2 (T2) capital before regulatory adjustments</b>		
<b>Tier 2 (T2) capital: regulatory adjustments</b>			

52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	63 (b) (i), 66 (a), 67	
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	66 (b), 68	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above iO% threshold and net of eligible short positions) (negative amount)	66 (c), 69, 70, 79	
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	66 (d), 69, 79	
56	Empty set in the EU		
57	<b>Total regulatory adjustments to Tier 2 (T2) capital</b>	Sum of rows 52 to 56	
58	<b>Tier 2 (T2) capital</b>	Row 51 minus row 57	
59	<b>Total capital (TC = T1 + T2)</b>	Sum of row 45 and row 58	29,716
60	<b>Total risk weighted assets</b>		
<b>Capital ratios and buffers</b>			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	92 (2) (a)	60.0%
62	Tier 1 (as a percentage of total risk exposure amount)	92 (2) (b)	22.4%
63	Total capital (as a percentage of total risk exposure amount)	92 (2) (c)	22.4%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	CRD 128, 129, 130, 131, 133	
65	of which: capital conservation buffer requirement		
66	of which: countercyclical buffer requirement		
67	of which: systemic risk buffer requirement		
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	CRD 128	
69	[non-relevant in EU regulation]		
70	[non-relevant in EU regulation]		
71	[non-relevant in EU regulation]		
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			

72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	36 (1) (h), 46, 45 56 (c), 59, 60 66 (c), 69, 70	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)	36 (1) (i), 45, 48	
74	Empty set in the EU		
75	<b>Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)</b>	36 (1) (c), 38, 48	
<b>Applicable caps on the Inclusion of provisions In Tier 2</b>			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	62	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	62	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	62	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	62	
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)</b>			
80	- Current cap on CET1 instruments subject to phase out arrangements	484 (3), 486 (2) & (5)	
81	- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	484 (3), 486 (2) & (5)	
82	- Current cap on AT1 instruments subject to phase out arrangements	484 (4), 486 (3) & (5)	
83	- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	484 (4), 486 (3) & (5)	
84	- Current cap on T2 instruments subject to phase out arrangements	484 (5), 486 (4) & (5)	
85	- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	484 (5), 486 (4) & (5)	

## APPENDIX 7 – Capital instruments main features as at 31 May 2019

In accordance with CRR Article 437 (1), the table below sets out the main features of the Group's capital instruments.

Capital instruments main features template		
1	Issuer	Mattioli Woods plc
2	Unique identifier e.g. CUSIP, ISIN or Bloomberg identifier for private placement	MTW
3	Governing law(s) of the instrument	England and Wales
	<i>Regulatory treatment</i>	
4	Transitional CRR rules	N/A
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/ solo and (sub-)consolidated	Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares at 1p each
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	£32.4m comprising nominal value and share premium
9	Nominal amount of instrument	£267,704
9a	Issue price	£1.32 per share at original date of issuance
9b	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	15 November 2005
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
Coupons/ dividends		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible



24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type into which it is convertible	N/A
29	If convertible, specify issuer of instrument into which it converts	N/A
30	Write-down features	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	The most subordinate position in the event of liquidation of the issuer
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A