Alvarium Investments Limited

Pillar 3 Disclosures

Approved by the Board of Directors on 12 December 2022

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EXECUTIVE SUMMARY

This document represents the Alvarium Investment Limited ("AIL") Pillar 3 Disclosures as at 31st December 2021 and includes AIL's risk management arrangements, capital requirements and remuneration disclosures.

The Pillar 3 Disclosures are for AIL which is comprised of a number of firms also known as the 'Group' which form part of the UK Consolidated Group. (Discussed further detail in Section 3 and 4).

As of 31st December 2021, the Group's:

- Total capital resources were £ 30 million (2020: £ 30 million)
- This exceeds the Group's Pillar 1 capital requirement of £9.9 million by 303%
- Total capital ratio of 191% exceeded the own funds requirement of 47%

This document should be read alongside the AIL Annual report for the year ended 31st December 2020 which outlines Alvarium Investment Limited business, markets of operation and its strategy.

1 BACKGROUND

1.1 REGULATORY CONTEXT

There is a regulatory capital group at the Alvarium Investment Limited ("AIL") level. This group is a financial conglomerate and the responsibility for its capital management rests with AIL, though each of the entities supplies information on its regulatory capital and resources requirement.

There is a UK Consolidation group at the AIL level for each of the legal entities which are in scope (listed in Section 4 Company Overview).

The Capital Requirements Directive ("CRD") establishes a regulatory capital framework governing the amount and nature of capital that must be maintained by credit institutions and investment firms. In the United Kingdom, the Directive has been implemented by the Financial Conduct Authority, in its regulations through the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU').

The CRD framework comprises three Pillars:

- Pillar 1 sets out the minimum requirement for regulatory capital that meets a firm's Credit, Market and Operational risks.
- Pillar 2 requires a firm to regularly assess the amount of internal capital it considers adequate to cover the level and nature of the risks to which it is or might be exposed. This assessment should cover the major sources of risks to the firm's ability to meet its liabilities as they fall due and should incorporate stress testing and scenario analysis. This has been implemented in the UK as the Internal Capital Adequacy Assessment Process ("ICAAP"); and

Pillar 3 requires public disclosure of specified information relating to its capital, risk exposures and policies for managing these risks.

1.2 UK CONSOLIDATION GROUP

The firms which form part of the UK Consolidation Group are authorised by the FCA or other regulatory bodies as either a Collective Portfolio Management Investment ("CPMI") or categorised as a BIPRU firm for capital purposes.

Under the CPMI classification: As a CPMI Firm, firms must hold own funds and liquid assets in excess of the higher of:

1. The funds under management requirement - minimum capital requirement of €125,000.
2. The fixed overheads requirement ("FOR") being one quarter of the fixed overheads, and
3. The sum of the firm's market and credit risk requirements.

Under the BIPRU classification: As a BIPRU firm, firm's capital requirements is based on the greater of:

a) A base capital requirement of €50,000;
b) The sum of the firm's market and credit risk requirements; or
c) Its fixed overhead requirement ("FOR").

AIL's minimum regulatory capital requirement has been calculated to be £14,314m in the first year of operations, £14,466m in its second year and £14,743m in its third year based on the current methodology.

AIL intends to meet its initial regulatory capital requirements by holding capital to the value of £30,010m CET 1 capital after deductions as at 31 December 2020. Based on current forecasts, this is sufficiently above the current capital requirements. AIL will maintain a policy of holding capital resources above its regulatory requirement on an on-going basis and will monitor its regulatory capital position regularly.

The AIL UK Consolidated Group and Solo entity firms which comprise this Group will be required to hold at least the minimum regulatory capital requirements for the regulations which apply to them both on a Consolidated level and a Solo entity firm basis. The minimum regulatory capital requirement for AIL has been calculated and mentioned above. In addition to the minimum regulatory capital requirements for the AIL UK Consolidated Group, each entity within that group is subject to its own regulatory capital requirements on a solo basis. Each entity holds capital sufficient to meet its solo regulatory capital requirements.

In terms of Governance the relevant Board will monitor adherence to this principle.

1.3 FREQUENCY OF DISCLOSURES

Pillar 3 disclosures will be issued on an annual basis after the year-end and published as soon as practical when the audited annual accounts are finalised.

1.4 MEANS OF DISCLSOURES

This document has been published in the **Legal Information** section of the Alvarium UK website under the Section **Alvarium Investment (Pillar 3 Risk Disclosure Statement)**. Where equivalent information has been published in the 2020 Annual Report and Accounts, this will be referenced within this disclosure document.

1.5 OMISSIONS AND CONFIDENTIALITY

We are permitted to omit required disclosures if we believe that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions about the Group.

In addition, we may omit required disclosures where we believe that the information is regarded as proprietary or confidential. In our view, proprietary information is that which, if it were shared, would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our clients, suppliers and counterparties.

Due to confidentiality and data protection the Group has not disclosed quantitative information on remuneration.

1.6 SCOPE AND APPLICATION OF THE REQUIREMENTS

The firms which form part of the AIL UK Consolidation Group are authorised by the FCA or other Regulatory bodies as either a Collective Portfolio Management Investment (“CPMI”) or categorised as a BIPRU firm for capital purposes.

This Pillar 3 Disclosures is applicable for all the firms of Alvarium Investments Limited which form part of the UK Consolidated Group. For the full list of which firms this disclosure is applicable to please see section 3 Company Overview for further details.

2 COMPANY OVERVIEW

Alvarium is the trading name for a group of affiliated businesses that are subsidiaries of a UK holding company, Alvarium Investments Limited (UK company number 09111421). Directors, senior management team members and other representatives of Alvarium Investments Limited may refer to themselves as “partners”. The term “partner” is not intended to, and shall not be deemed to, carry any legal consequences for those individuals or for Alvarium Investments Limited, its subsidiaries or affiliated entities.

Alvarium is the trading name used by a group of companies which are owned or controlled by Alvarium Investments Limited including those listed below. Different services are offered by different entities which use the Alvarium trading name.

UK CONSOLIDATION GROUP

The firms in scope for the AIL UK Consolidation Group are:

Alvarium Investment Advisors (UK) Limited – regulated by the FCA (FCA FRN: 541713) as a BIPRU firm that is permitted to control but not hold client money. Consequently, it is caught by the consolidation requirements in BIPRU 8.5.1(1)R.

Alvarium Investment Management (UK) LLP (“AIM UK”)– regulated by the FCA (FCA FRN: 455686) as a BIPRU firm that is permitted to control but not hold client money. Consequently, it is caught by the consolidation requirements in BIPRU 8.5.1(1)R.

AIM UK acts as the discretionary Investment Manager for individual client portfolios for mainly retail clients. In addition, it acts as the discretionary Investment Manager for two professional clients, and, as the Investment Manager and Distributor for one non-UCITS retail scheme (NURS).

Casteel Capital LLP (“Casteel”)– regulated by the FCA (FCA FRN: 455718) as a BIPRU firm that is permitted to control but not hold client money. Consequently, it is caught by the consolidation requirements in BIPRU 8.5.1R(1).

Casteel manages the White Fleet - Casteel Diversified Fund, a global multi-strategy fund of funds in a regulated format (UCITS) offering weekly liquidity with a capital preservation philosophy. The allocation is managed proactively and dynamically based on an ongoing assessment of risk and global macro-economic factors.

Alvarium RE Limited (“ARE”)– regulated by the FCA (FCA FRN: 582903) as a CPMI firm with MiFID permissions that is permitted to control but not hold client money. Consequently, it is caught by the consolidation requirements in BIPRU 8.5.1(1)R.

The principal activity of ARE is the sourcing of alternative platforms in respect of Real Estate vehicles for Professional clients. In relation to these transactions, ARE provides advisory services.

ARE also acts as Principal for a number of active Appointed Representatives.

Alvarium Fund Managers (UK) Limited (**“**AFMUK”) – regulated by the FCA (FCA FRN: 751355) as a CPMI firm with MiFID permissions that is permitted to control but not hold client money. Consequently, it is caught by the consolidation requirements in BIPRU 8.5.1(1)R.

AFMUK is the Alternative Investment Fund Manager to a number of Alternative Investment Funds.

Alvarium Securities Limited – regulated by the FCA (FCA FRN: 945435) but CAD Exempt and Article 3 MiFID Exempt.

Alvarium Investment Advisors (Portugal) – Empresa de Investimento, S.A. – regulated by the Comissão do Mercado de Valores Mobiliários (“CMVM”) (Registration number 311). Consequently, it is caught by the consolidation requirements in BIPRU 8.5.1(3)R.

Alvarium Investment Advisors (France) S.A.S – regulated by the Autorité des Marchés Financiers ("AMF"). Consequently, it is caught by the consolidation requirements in BIPRU 8.5.1(3)R. It also has a branch in Italy.

Alvarium Investment Managers (US), LLC – registered with the Securities and Exchange Commission ("SEC") as an investment adviser (CRD# 285731). Consequently, it is caught by the consolidation requirements in BIPRU 8.5.1(3)R.

Alvarium Investment Advisors (US), Inc – registered with the SEC as an investment adviser (CRD# 152104). Consequently, it is caught by the consolidation requirements in BIPRU 8.5.1(3)R.

Alvarium MB (US) BD, LLC – registered with the Financial Industry Regulatory Authority ("FINRA") as a broker dealer (CRD# 304839). Consequently, it is caught by the consolidation requirements in BIPRU 8.5.1(3)R.

Alvarium Investment Advisors (Suisse) SA – is a member of the Swiss Association of Asset Managers ("VSV"). Consequently, it is caught by the consolidation requirements in BIPRU 8.5.1(3)R.

Alvarium Investment Managers (Suisse) SA – is a member of the Organismo di Autodiscplina dei Fiduciari del Cantone Ticino ("OAD FCT"). Consequently, it is caught by the consolidation requirements in BIPRU 8.5.1(3)R.

Alvarium Investment Advisers (Hong Kong) Limited – licensed by the Securities and Futures Commission ("SFC") (License No: AJF298) to deal in securities, advise on securities and futures contract and undertake asset management. Consequently, it is caught by the consolidation requirements in BIPRU 8.5.1(3)R.

Alvarium Investments Limited – is defined as a Financial Holding Company as its main role is to acquire holdings in institutions or financial institutions and would therefore be in scope of consolidation per BIPRU 8.5.1R.

3 GOVERNANCE STRUCTURE

The corporate governance of AIL is based on a Board of Directors and separate Committees. Underpinning the corporate governance is a set of governance procedures designed to implement the requirements (as they apply to AIL) of the Senior Managers and Certification Regime (SMCR).

The Board of Directors is responsible for the strategic management of the business of AIL (including ensuring compliance with regulatory requirements and ensuring that clients receive an excellent and professional service protective of their interests). The Board will comprise the Chairman, the CEO (responsible to the Board for day-to-day management) and three executive directors. The identities and experience of all these individuals are set out in below.

A key member of staff who is not a member of the Board will be the Money Laundering Reporting Officer and Chief Compliance and Risk Officer, who will report to the Board by attending Board meetings. The Money Laundering Reporting Officer and Chief Compliance and Risk Officer will also report to the CEO who may occasionally brief the Board on his behalf.

Number of Directorships

In accordance with Article 435 of the CRR, the table below shows the number of outside directorships held by members of the AIL management body as at 31st December 2021:

Name	**Position**	**Number of Outside Directorships held**	**Number of Directorships held within AIL**
Alexander de Meyer	Chief Executive Officer	13	9
Kenneth Costa	Co-Chairman	4	2
Andrew Williams	Co-Chairman	49	8
Ali Bouzarif	Director	1	2
Tony Yeung	Director	58	1

Recruitment policy for selection of the management body

AIL in accordance with the UK Corporate Governance Code selects and recruits members of the Group's management body based on merit. When determining the structure of the Group's management body, AIL ensures as far as practical that individuals being appointed for these types of roles have the relevant skills, experience and overall a good mix of skills and experience to carry out the responsibilities of the management body.

Furthermore, before appointment and on a regular basis afterwards rigorous background checks are carried out to ensure individuals of the management body are fit and proper.

Diversity policy for the selection of the management body

AIL's management team believe the Group's diversity principles are central to the success of the business. These principles are published in the Group's Staff Handbook and include the following:

- Providing an environment where employees are safe and where there is equal opportunities for all to progress their careers within the Group
- To achieve diversity from all dimensions including building an all-inclusive work environment where all staff whether in the early years of their career or more experienced can bring their whole

selves to work and are treated fairly and on merit, regardless of their gender, race, age, disability, marital status, religion, gender identity or sexual orientation.

In addition, the HR Team works with the management team to regularly listen to employees' views and ideas through regular pulse surveys to implement action plans and new initiatives to cater to the needs of our people within the business.

4 RISK MANAGEMENT FRAMEWORK

4.1 RISK APPETITE

Risk appetite is defined as the Group's willingness to accept risks in pursuit of its objectives. Risk appetite is assessed against the businesses' key drivers of success, which form the basis for the risk appetite. The establishment of the Risk Appetite Statement is intended to guide employees in their actions and ability to accept and manage risks. Through the risk management framework and its Risk Appetite statement, the Group has established and communicated its risk appetite.

The following section sets out these risks, the controls around them and the risk appetite set by the Boards for each risk (please refer to the Risk Register for risk impact threshold for variety of risks)

4.2 RISK IDENTIFICATION AND ASSESSMENT METHODOLOGY

AIL has adopted a top down approach to risk management to ensure that all relevant risks are considered. The top-down approach can be described below:

- **Top-down approach:** Risks that are recorded in the Risk Register are examined by the senior management and the Boards. Challenge of the assessment and inclusion of risks, as well as capturing any risks that may not have been captured through the risk assessment process, is done through the top-down approach. The approach is re-assessed and evaluated on a regular basis.

4.3 RISK RESPONSIBILITIES AND MANAGEMENT

The Risk function is responsible for maintaining the Risk Register and independent risk oversight. All current material risks have a risk owner within the business. Risk owners are responsible for ensuring their respective risks are appropriately managed and mitigated in a timely manner.

Risk owners are expected to ensure that policies and control procedures are in place to manage the risks they own. They are also expected to ensure that exposure to the risk is correctly identified and assessed and identified risk events are appropriately reported in line with risk control processes. The Chief Compliance and Risk Officer is expected to manage or escalate in line with the Group's ' risk appetite.

Risk owners are assigned by category of risk, for each material risk, which are set out below:

Risk category	Owner
Credit Risk	**Chief Financial Officer**
Market Risk	**Chief Operating Officer or Chief Investment Officer**
Operational Risk	**Chief Operating Officer** **Chief Compliance and Risk Officer**
Liquidity Risk	**Chief Financial Officer**
Regulatory Risk	**Chief Compliance and Risk Officer**
Business Risk	**Chief Operating Officer** **Chief Compliance and Risk Officer Officer**

4.4 THREE LINES OF DEFENSE

Alvarium Investment Limited (or the Group) operates a risk management framework which uses the 'three lines of defence' model. This model separates out the tasks of risk management, risk oversight and risk assurance, calling them respectively the first, second and third lines of defence.

- **Risk management (the 1st Line of defence)** - Risk management is the primary responsibility of front-line managers and senior management. Front line managers are responsible for identifying and evaluating risks posed to the business and its customers within their areas of responsibility, and for designing and operating suitable controls in-line with the agreed risk limits set by senior management.
- **Risk oversight (the 2nd Line of defence)** - Risk oversight is performed by independent, specialist functions that are responsible for oversight of the risks (e.g. how well are they being managed?). They achieve this by setting policy, monitoring the systems and controls the 1st line has in place to manage the risks and by challenging the 1st Line on the effectiveness of controls. The Risk Function provides oversight for business and operational risks and the Compliance Function provides oversight for regulatory and conduct risks. Whilst Risk and Compliance are independent from the 1st line, they can provide advice and support to the 1st line to help them develop effective controls. The 2nd line functions however, are not involved in operating the controls; the first line remains the owner of the risks in question and designing and operating suitable controls.
- **Risk assurance (the 3rd Line of defence)** - Risk assurance is the independent assurance provided by `neutral' parties that the risk management framework is operating effectively. The Group does not have an Internal Audit Function as it is not currently deemed proportinate.

4.5 MATERIAL RISKS

AIL in its current ICAAP document has identified on a Prudential Consolidated level its most material and key risks which is consistent with its risk register and also in the ICAAP outlines the relevant Governance, controls and mitigation in place for each of these risks.

Credit Risk

Credit Risk is the risk of loss to the Firm resulting from a failure of a counterparty, customer or debtor of the Firm failing to meet its financial obligations to the Firm when they fall due. AIL will not have Assets Under Management in their Balance Sheet, thus it will not be exposed to credit risk except on the Fixed Assets, Cash at Bank and Debtors. The major element of credit risk comes from the Debtors balance outstanding at the end of the financial year.

Market Risk

Market Risk is the risk of loss from fluctuations in values of, or income from, assets or in interest or exchange rates. In line with the nature of the business, AIL will not have material positions and thus it will not be exposed to market risk in the traditional sense. It will have a low level of market risk on FX due to some debtor balances being in USD, Euro etc (as well as having cash accounts in foreign currencies). For the accountants' calculations, they assumed half of year end debtor balances to be in a foreign currency and these are being funded with.

AIL does not make use of a VaR model for the calculation of its market risk capital requirement.

Liquidity risk

Liquidity risk consists of two primary items – funding liquidity risk and market liquidity risk. AIL has no borrowing and is not dependent on external financing for any aspect of its business. As a result, AIL is not exposed to funding liquidity risk. AIL has some exposure to market liquidity risk in that the banking counterparties could suffer severe financial distress and elect not to return some of AIL's cash deposits for which AIL will put in place a limit on deposits it could make with a single bank and this will be monitored and reviewed regularly.

Operational risk

Operational risk refers to the risk of a direct or indirect loss resulting from inadequate or failed internal processes, people, and systems or from external events. This would include administration and/or dealing errors or breaches or investment mandate breaches. The Funds offered are priced and administered by third parties regulated for this activity. AIL will seek to mitigate these risks by:

1. maintaining substantial financial resources
2. aligning the interests of staff and working members with supervision of the operations of its business
3. maintaining a risk matrix and key operating procedures for its business activities
4. reviewing the operations of all material business activities periodically and
5. keeping the business, structure, and operational requirements relatively simple.

Conduct Risk

AIL's conduct risk framework sets out the approach for managing and monitoring conduct risk. AIL's Board has responsibility and oversight for conduct risk through management information and feedback from key committees, such as Investment and Risk and Audit. AIL will have a de minimis level of tolerance for conduct incidents and will have no tolerance for the following:

a) Poor conduct or inappropriate judgement causing customer detriment (financial or non-financial).
b) Deliberate or reckless breach of regulation.
c) Bribery or corruption activity.
d) Operating without necessary regulatory permissions; and
e) Failure to report significant regulatory breaches promptly to the relevant regulator.

AIL recognizes that from time-to-time conduct risk will crystallise and become conduct incidents, leading to potential customer detriment. Conduct risk management framework application seeks to ensure it identifies and mitigates conduct risk which could result in customer detriment and impact market integrity.

Conduct risks including TCF risks will be captured a part of the operational / compliance risk reporting taxonomy. Controls and any mitigating actions will be recorded. An assessment will be carried out bi-annually to check the controls and put in place action plans where expected controls are missing or inadequate.

Having well trained staff is central to AIL's ability to treat customers fairly and ensure the company is fully compliant. As such, AIL commits to:

a) Ensuring staff are and remain fully trained and competent to carry out their roles.
b) Ensuring staff fully understand the TCF outcomes and what it means for their role.
c) Ensuring staff's performance is monitored and managed on a regular basis.

In order to develop AIL's staff conduct risk knowledge and competence guidance will be held in the staff handbook as well as company intranet which will be accessible to all. All new joiners will receive TCF training as part of their induction programme.

In order to ensure AIL's conduct values are demonstrated throughout the firm, senior management will play a key role in driving the conduct risk strategy and culture from the top. Senior management will be responsible for ensuring AIL has the appropriate systems and controls in place to monitor fairness risks and take action where customer fairness issues are identified.

Reputational risk:

AIL are at risk from poor investment performance affecting its ability to generate profits; from the loss of one or more key staff; the loss of a large customer or through poor client service. AIL has sought to keep mandates simple as a mitigant of these risks. The firm understands that there could be a claim or legal action from a client. AIL will review the disclosure requirements in BIPRU 11.5.4 to 11.5.18 and assess if any disclosures in respect of these specific regulations are required.

Business continuity:

AIL will review its business continuity and disaster recovery procedures annually. A full off-site disaster recovery and business continuity test will be planned and completed in due course.

Non-significant Risks:

The following risks have been considered and deemed not to be applicable to the firm:

Interest rate risk in the banking book

Does not have a banking book and does not conduct any lending so there is no interest rate risk to manage as part of its revenue generating activity.

Exposure to equities in the non-trading book

AIL does not have exposure to equities in the non-trading book.

Residual Risk

Residual risk is not relevant as it does not have credit exposures on its balance sheet that are appropriate for credit hedging (no maturity, basis, asset mismatches) and so does not employ credit mitigation techniques.

Securitization Risk

AIL Does not securitize assets, nor does it invest in securitized assets, so it is not exposed to securitization risk.

Pension Obligation Risk

Group provides staff with pension benefits on a defined contribution basis. It does not have a defined benefits scheme to support and therefore does not have pension obligation risk.

Risk of excessive leverage

Group does not operate in a way that uses excessive leverage and therefore has no risk in this regard.

5 OWN FUNDS REQUIREMENT

5.1 CAPITAL REQUIREMENT

AIL intends to meet its initial regulatory capital requirements by £30,010m of CET 1 capital after deductions as at 31 December 2020. Based on current forecasts, this is sufficiently above the required level. AIL will maintain a policy of holding adequate capital resources above its minimum capital requirement on an on-going basis and will monitor its regulatory capital position on a monthly basis.

Regulatory capital is determined in accordance with the requirements of the CRR regulation and is divided into two tiers:

- Tier 1 Capital The total of issued share capital, retained earnings and other reserves created by apportionment of retained earnings, adjusted for the net of book value of goodwill, intangible assets and deferred tax assets that rely on future profitability if they represent greater than 10% of own funds; and
- Tier 2 Capital Is designed on supplementary capital and is composed of items such as revaluation reserves, hybrid instruments and subordinated debt.

5.2 OWN FUNDS CALCULATION

Own Funds (in £'000s)	AIL as at 31st December 2021	AIL as at 31st December 2020
Equity per Statement of Financial Position		
Share capital	7	7
Share premium	22,611	21,668
Retained earnings	53,825	61,047
Total equity (i)		
Regulatory adjustments	76,443	82,742
Intangible assets		
	(46,403)	(52,732)
Total regulatory adjustments (ii)	(46,403)	(52,732)
Total regulatory own funds (i) + (ii)	30,040	30,010

6 REGULATORY CAPITAL REQUIREMENTS

6.1 CURRENT CAPITAL POSITION

The Group's principal revenue generating activity is providing investment management and wealth management services through a range of Investment Advisory, Co-investment, Merchant Banking, and Family Office Service portfolios. AUM has increased from £14.6bn as at 31 December 2019 to £16.2bn as at 31 December 2020. The firm also generates income from managing LXI Reit plc, Home Reit plc, and HLIF PAIF. Additional income arises from merchant banking, corporate finance, real estate transactions and private office operations.

The below table summarises the Group's capital resources as at 31 December 2021

Capital resources £'000s	Year ended 31st December 2021
Capital resources	
Share capital	7
Share premium	22,611
Retained earnings	53,825
Intangible assets	(46,403)
CET 1 capital after deductions	30,040
Own Funds credit and market risk	4,480
Own Funds Fixed Overhead Requirement	9,868
Additional Own Funds Pillar 2	4,445
Wind down capital requirement	3,946
Minimum required capital	14,313
Capital surplus / (deficit)	15,727
CET 1 capital ratio	1.91

6.2 CAPITAL ADEQUACY

AIL's minimum regulatory capital requirement has been calculated to be £14,314m in the first year of operations, £14,466m in its second year and £14,743m in its third year based on the current methodology.

6.3 FIXED OVERHEAD REQUIREMENT

A BIPRU firm must calculate a fixed overheads requirement, an amount that is equal to one quarter of the firm's relevant fixed expenditure calculated in accordance with GENPRU 2.1.54 R.

Incoming prudential rules for investment firms

AIL has reviewed its capital requirements using both the current methodology and the incoming methodology being applied from January 2022, Investment Firm Prudential Regulations (IFPR).

Under IFR / IFD capital calculations, the K factors that will apply to the business are K-AUM and K-COH.

Based on the forecasts created, the expectation is that for the forecast period under IFPR, the FOR will be the primary driver of the Pillar 1 Capital Requirement, being materially higher than the PMC and the K-factor calculated requirement.

6.4 PILLAR 1 REQUIREMENT

Pillar 1 is the calculation of the minimum regulatory capital requirements (own funds requirements). Pillar 1 does not capture all risks affecting firms (focus is on Market, Credit risk) and if Pillar 2 calculation of market, credit is higher than Pillar 1, the higher figure is taken. Additional capital may be appropriately held in Pillar 2 for those risks not captured at all by Pillar 1.

The base capital requirement for a firm is set by the 'Pillar 1' calculations of the Capital Requirements Directive CRD IV.

The Pillar 1 requirement is equivalent to the higher of its Fixed Overhead Requirement (FOR)

The variable Capital requirement for a firm is higher of:

1. the sum of credit risk capital requirements and market risk capital requirements or
2. the fixed overhead requirement

The Fixed Overhead Requirement is 25% of the adjusted fixed overheads. Fixed overheads requirement (25% of fixed expenditure)

Credit Risk

Credit Risk is the risk of loss to the Firm resulting from a failure of a counterparty, customer or debtor of the Firm failing to meet its financial obligations to the Firm when they fall due. AIL will not have Assets Under Management in their Balance Sheet, thus it will not be exposed to credit risk except on the Fixed Assets, Cash at Bank and Debtors. The major element of credit risk comes from the Debtors balance outstanding at the end of the financial year. AIL has adopted the Standardised approach (BIPRU 3.4) and the Simplified method of calculating risk weights (BIPRU 3.5) for calculating its Pillar 1 Credit Risk capital requirements. The credit risk capital requirement will be calculated @ 100% risk weight on the Fixed Assets and Debtor balances and @ 20% risk weight on the cash balances. The capital requirement will be 8% of these risk weighted balances.

Market Risk

Market Risk is the risk of loss from fluctuations in values of, or income from, assets or in interest or exchange rates. In line with the nature of the business, AIL will not have material positions and thus it will not be exposed to market risk in the traditional sense. It will have a low level of market risk on FX due to some debtor balances being in USD, Euro etc (as well as having cash accounts in foreign currencies). For the accountants' calculations, they assumed half of year end debtor balances to be in a foreign currency and these are being funded with.

6.5 PILLAR 2 REQUIREMENT

The Pillar 2 Capital is calculated as noted in the following table:

Alvarium Investments Limited (UK) Pillar 2 Capital Requirements	Year 1	Year 2	Year 3
Base capital requirement for a 125K firm	€ 125,000	€ 125,000	€ 125,000
Pillar 2a capital requirements calc			
Market Risk	324	324	324
Operational Risk	2,383	2,383	2,383
Liquidity Risk	129	129	129
Regulatory Risk	353	353	353
Business Risk	1,256	1,256	1,256
MFO capital requirement post Pillar 2a capital requirement analysis	4,445	4,445	4,445

7 REMUNERATION

AIL's Remuneration policy has been agreed and approved by the firm's Finance Committee, which is a sub-committee of the Board. This policy provides a framework to attract, retain and reward employees to achieve the strategic and business objectives of Alvarium Investment Limited (AIL) within its risk management framework and risk appetite.

7.1 REMUNERATION POLICY

The remuneration policy for AIL is reviewed and approved by the Finance Committee, a sub-committee of the Board on an annual basis. This policy enables AIL to achieve its strategic objectives, including effective risk management and to manage conflicts of interest, as well as enabling AIL to attract, motivate, retain and reward employees who make a strong contribution to the firm in achieving its strategic and business objectives.

The policy also enables AIL to assess and implement its regulatory obligations by defining the appropriate structures and practices which align to financial services and regulatory remuneration codes. The firm has also structured its remuneration policy for Material Risk Takers (MRTs) around its FCA proportionality level 3 status that integrates robust governance and risk management principles.

In addition, this policy reflects the firm's position as an equal opportunities employer. The remuneration policy and its implementation seeks to ensure all job applicants and employees are treated fairly and on merit, regardless of their gender, race, age, disability, marital status, religion affiliation, gender identity or sexual orientation.

7.2 FINANCE COMMITTEE

The AIL Finance Committee comprises of 3 executive directors and the Chief Finance Officer, which met on at least quarterly during 2021. It considers the remuneration of all employees. As the Board does not currently have any non-executive directors, neither does the Finance Committee.

7.3 LINK BETWEEN PAY AND PERFORMANCE

At AIL the total reward of staff members typically comprise a salary, and benefits including pension scheme, life assurance, private medical cover and income protection insurance along with a number of bonus or profit-sharing arrangements. Salaries are set in the context of affordability, external market considerations as well as internal relativities and equal pay factors.

The remuneration of senior management and Material Risk Takers ('MRTs') is reviewed annually by the Finance Committee, which reviews the size and profile of MRT awards against all variable awards granted every financial year. In addition, there is a second line of defence review which incorporates the impact of any individual conduct matters on remuneration.

7.4 QUANTITATIVE REMUNERATION DISCLOSURE

Alvarium Investments Limited had 23 staff classified as MRTs during the 2021 performance year. Total aggregate remuneration paid to MRTs for the year ended 31 December 2021 was £13,977,188.71. This total remuneration includes salaries paid within the year, allowances, benefits and both cash and share incentives paid or for deferred incentives awarded within 2021.

The total remuneration paid to MRTs can be further broken down by role as follows (£m):

Business Unit	£ m
Senior Management qualitative MRTs (SMF)	13,977,188.71

The total remuneration paid to MRTs can be further broken down by business unit as follows (£m):

Business Unit	£ m
Management Body	3,034,078.37

An analysis of the fixed and variable elements for the 23 staff classified as MRTs during the year ended 31st December 2021 is detailed in the table below, broken down by senior management and other MRTs

MRT Remuneration by Fixed / Variable Component (£'000s)	Total MRTs
Number of MRTs (number)	23
Fixed Remuneration for the period	3,787,396.00
Variable Remuneration for the period	8,132,317.87
Cash	0
Shares	2,057,469.84
Shared linked instruments	0
Total Variable Remuneration	10,189,792.71
Total Remuneration	13,977,188.71