REGULATORY DISCLOSURE 2024

1. Summary

1.1 Regulatory Framework

The Financial Conduct Authority (FCA)'s regulatory framework for governing the amount and nature of capital that investment firms must hold is set out in the FCA Prudential sourcebook for MIFID investment firms (MIFIDPRU), which seeks to manage the potential harm firms can pose to consumers and markets.

MIFIDPRU is directly applicable to Succession Advisory Services Limited (SAS or the Firm), a MIFIDPRU investment firm, and includes the framework for annual regulatory disclosures. This document sets out those disclosures relating to its business that SAS is required to make publicly available under MIFIDPRU and includes the following key areas in its 2024 disclosure:

- Governance arrangements;
- Risk management objectives and policies;
- Own funds;
- Own funds regulatory requirements; and
- Remuneration policy and practices.

The disclosures in this document are made solely in respect of Succession Advisory Services Limited.

1.2 Business Structure

SAS as a wholly owned subsidiary of Succession Holdings Ltd. Group, is a subsidiary of Aviva plc. All references to Group refer to the Succession Holdings Ltd. Group. The principal activities of SAS during the disclosure period (1 January 2023 – 31 December 2023) were:

- the provision of the Succession Investment Platform ("SIP") service. to clients of companies within the Succession Group and also to clients of a number of member firms
- operating model portfolio structures ("MPS") as a Discretionary Fund Manager, with external support from three outsourced investment managers.

SAS has engaged Investment Funds Direct Ltd ("IFDL"), a wholly owned subsidiary of M&G plc., via an outsourcing agreement as the platform operator responsible for delivering the underlying investment administration platform technology. The platform provides access to a number of IFDL products, in addition to a range of product wrappers including Onshore Bonds, Offshore Bonds, Pensions and ISAs. In addition, SAS has entered into a Model B arrangement with IFDL whereby IFDL has regulatory responsibility for client money and client assets (safeguarding and administering).

The SAS MPS solutions are designed to ensure consistency of outcome for the end client, with a focus on performance and volatility. SAS monitors and provides oversight over the management of assets by third party investment managers, ensuring that these investment managers operate in line with SAS's internal investment matrix parameters over the long term to help achieve the objectives set by Succession Wealth in respect of its clients.

Member firms are independent of Succession Group and use the SIP for their own clients; paying fees to SAS for the provision of platform services which are then remitted to IFDL.

SAS is focused on building a profitable and sustainable business by deriving a recurring income stream for Assets under Administration ("AUA").

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SAS is authorised and regulated by the FCA, reference number 510054 and has its registered office at The Apex, Brest Road, Derriford Business Park, Derriford, Plymouth, Devon, PL6 5FL.

1.3 Regulatory Capital

SAS establishes its own funds and liquidity requirements via the Internal Capital Adequacy and Risk Assessment (ICARA) process and holds an excess of regulatory capital over its minimum requirement.

The ICARA process is central to SAS's risk management framework. Not only is it integral to how SAS manages risk, but it is also central to how it is supervised by the FCA.

As part of the ICARA process the SAS Board (the Board) oversees and assesses:

- SAS's processes, strategies and systems;
- the major sources of risk faced by SAS that may impact its ability to meet its obligations;
- the results of internal stress testing of these risks; and
- the amounts and types of financial resources and internal capital, including own funds and liquidity resources, and whether these are adequate both as to amount and quality to ensure that there is no significant risk that its liabilities could not be met as they fall due.

The outcome of the ICARA is formally approved by the Board at least annually, with more frequent reviews if there is a material change to the firm or the operating environment.

1.4 Frequency of disclosure

SAS makes a MIFIDPRU return annually, at the same time as the publication of its Annual Report and Financial Statements. In the event of a major change to the business model or in the event of other significant change, SAS may also make an additional disclosure as appropriate.

1.5 Location of disclosure

Disclosures are published on the SAS website and are also available free of charge on request by writing to The Apex, Business Park, Brest Rd, Derriford Roundabout, Plymouth, PL6 5FL.

1.6 Verification and basis of disclosure

This regulatory disclosure has been subject to verification (a) to the extent that financial information is equivalent to content taken from the audited annual financial statements and (b) the remaining content has been subject to an additional internal verification exercise. This disclosure explains how the Board has overseen the calculation of certain capital requirements and information about risk management generally. It does not constitute financial statements and should not be relied upon in making judgements about SAS, Succession Group Ltd. or other entities within the Group. The financial data provided in this disclosure is calculated as at 31 December 2023, which is the SAS financial year end, in accordance with MIFIDPRU.

1.7 Significant changes since the previous Disclosure

During the Disclosure Period, the Board Chair was Mr James Stevenson. On 31 January 2024 Mr Stevenson, resigned from his position and was replaced by Mr Simon Marsden.

1.8 Remuneration

Since the previous disclosure Period, the Remuneration section has been updated to align with the disclosure requirements contained within MIFIDPRU 8.6, following the end of the MIFIDPRU Transitional Provisions for this section. For this Disclosure Period, and going forwards, this information relates solely to SAS, except for in some cases where information relating to employees and directors within the Group that are not specifically SAS employees and directors has been included in this section where they undertake activities which have an impact on SAS's business activities and/or risk profile.

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2. Governance arrangements

2.1 SAS Board and Committees

The Board is responsible for promoting the long-term sustainable success of SAS. It has overall responsibility for the firm, including overseeing the implementation of the Group strategy as it applies to the SAS.

The Board oversees the operation of SAS's business by senior management, including its adherence to risk appetite, compliance with Group policies and values, and the maintenance of adequate accounting and other internal control systems. The Board maintains a list of matters reserved for its approval, which is reviewed annually.

The Board reviews public disclosures specific to the SAS business and has approved this Regulatory Disclosure.

The Board meets quarterly, with ad hoc meetings scheduled, as needed. As at 01 June 2024, the Board comprised three directors. Details of the number of directorships held by each Director are set out in the table below. The Chair of the SAS Board is the Chief Executive of Succession Wealth, a Director on the Group Board leads the Succession Executive Committee (ExCo). This provides an important link between SAS and the Group. It should be noted that Mr James Stevenson, who was a Director and Board Chair of SAS as well as the Chief Executive Officer for the Group, stepped down on 31 January 2024.
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SAS Director	Number of Directorships *(Including Externally held Directorships)*
Simon Marsden (Board Chair, SMF9)	6
Simon Taylor (Managing Director, SMF1)	1
Joanne Swain (Compliance Director, SMF16)	4

The Board oversees and is accountable for SAS's governance arrangements. Whilst MIFIDPRU requires the Board to establish its own risk, nomination and remuneration committees, SAS places reliance on the Nomination and Remuneration Committees operated by Succession Group, on the basis that their scope covers SAS matters as part of their oversight of the Group.

2.2 Conflicts of interest management

The Group, including SAS, segregates its activities using a three lines of defence model in line with industry practice. The Board manages any board-level conflicts of interest by applying the Group Conflicts of Interest Policy, with assistance from the company secretary. All identified conflicts are recorded within the group Conflicts of Interest register and reviewed on a periodic basis.

3. Risk Management

3.1 Overview

It is the responsibility of the SAS Board to ensure that SAS has appropriate arrangements in place to identify, manage, control and mitigate its key risks. The Board is responsible for overseeing the effectiveness of risk management arrangements.
To assist it in discharging its responsibilities, SAS has implemented the Succession Group's Enterprise-wide Risk Management Framework (RMF) for the identification, mitigation and management of risk exposures.

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SAS is also able to draw on the expertise of the Group's Risk & Compliance function. These arrangements have been in place throughout the Disclosure Period and up to the date of approval of the Annual Report and Financial Statements and are in line with the UK Corporate Governance Code.

A suite of risk policies is in place aligned to the risk management framework. These policies set out expectations for managing material risks within agreed risk appetite. This includes policies in respect of operational and conduct risks. The policies are reviewed on an annual basis. The Board meets on a quarterly basis to review business performance and strategic direction as well as to provide an appropriate level of challenge to Management.

3.2 Risk Appetite

The Board risk appetite is determined by the Board in accordance with the Group's approach to setting risk appetite, In particular, the Board has set out the amount of risk that it is prepared to accept in pursuit of SAS's strategic objectives before action is deemed necessary to reduce the risk. SAS's Risk appetite is aligned with its strategy and business model and is embedded in the culture of the firm through its management structure and governance arrangements, including those specifically relating to the management of risk.

The Board receive a quarterly report on SAS's material risks and associated management actions. Risk appetite statements are supported by key risk indicators which are used to measure and report to the Board on performance against each risk appetite statement.

3.3 Client Outcomes

Aligned with the Succession Consumer Duty Programme, SAS has adopted the Group framework, enabling and monitoring the delivery of good client outcomes.

3.4 Three lines of defence model

SAS operates within the Group's established three lines of defence model; however, all colleagues are responsible for ensuring proactive and effective risk management with appropriate escalations where risks are identified, irrespective of within which line of defence they operate. This structure promotes a positive risk culture.

3.4.1 First line of defence (1LOD)

The 1LOD owns and manages risks. Colleagues are responsible for identifying and managing risk as part of their accountability for achieving objectives. Key examples of 1st LOD control functions include:

- IT Security team: manages, tests, and controls the cyber control environment;
- Finance team: ensures that the appropriate accountancy framework and standards are adhered to and monitors regulatory capital and liquidity;
- Proposition team: provides oversight of the design, target markets and management of our core client propositions;
- Investment Management Team: provide oversight of the investment matrix and available solutions, including the Model Portfolio Solutions, to ensure that they remain appropriate for the target client market and operate within the parameters defined within the Investment Management Agreements, and
- Platform Governance Team teams: provide guidance and support to first line teams and oversee the operation of the Succession Investment Platform by the outsourced partner IFDL.

3.4.2 Second line of defence (2LOD)

The 2LOD is comprised of the Group's Risk & Compliance function that provides the policies, frameworks, tools, techniques and support that enable the 1LOD to take ownership of its compliance and risk management responsibilities. Risk & Compliance carries out monitoring to assess how effectively the 1LOD controls have been embedded and provides assurance to senior management and the Board. The Group's Risk and Compliance function includes teams that are focused on risk management, regulatory compliance, compliance monitoring, and the prevention of financial crime including money laundering fraud.

3.4.3 Third line of defence (3LOD)

The third line of defence is fulfilled by Aviva Internal Audit. Its main role is to provide independent assurance and ensure that the first two lines are operating effectively. Internal Audit is tasked by and reports to the Aviva plc Board and its Audit Committee and is responsible for all legal entities operating within the Group, including SAS.

3.5 Risk reporting

The 2nd LOD provides risk and control reporting to the Board and key committees, on the risk profile, risk appetite, risk events and emerging risks.

3.6 Internal Capital Adequacy and Risk Assessment

The primary purpose of the ICARA is to ensure a clear, accurate and transparent link between the risk profile of the business and the capital and liquidity held by firms. SAS currently operates its own ICARA, the outcome of which is formally approved by the Board at least annually, with more frequent reviews if there is a fundamental change to the business or the operating environment.

3.7 Risks of harm and uncertainties

SAS has carried out an assessment of its risks of harm to its clients, the market and the Firm, including those that would threaten its strategy, business model, future performance, solvency, or liquidity. SAS's potential risks of harm are categorised in line with the Group's risk management framework and aligned to the Group's level 1 risk categories: strategic, operational, financial and investment risks.

The Board and SAS's senior managers regularly discuss emerging risks. Topics discussed during the Disclosure Period included third party services, operational resiliency, cybercrime, invasion of Ukraine, and any communications from SAS's regulators, including consultation papers. The consideration of the impact of negative publicity and potential reputational risk arising as a consequence of risks materialising is fundamental to the risk assessment process. Unmitigated reputational risk can threaten the achievement of business objectives, which in turn can harm clients, the markets and/or the Firm.

3.7.1 Key Risks

A range of risks are assessed as part of the ICARA and on an ongoing basis, in accordance with the RMF. Material risks are those within each of the key risk categories that are either outside of appetite or requiring particular focus from senior management. The key risk categories and key controls in place are detailed in the following table:

Key Risk	Risk Description	Risk Mitigation
Strategic Risk	The risk of the current and prospective impact on earnings or capital resulting from an inappropriate or defective strategy.	A five-year business plan is in place and performance against plans is monitored by the Board on a quarterly basis.
Market Risk	The risk arising from fluctuations in asset values, income generated from assets, interest rates or exchange rates.	SAS does not take principal positions so exposure to market risk is derived from the relationship between market values and the income generated from assets on the platform which will decline if the market falls.
Credit Risk	The risk that a borrower or counterparty will fail to meet their obligations.	SAS's exposure to credit risk is derived from intercompany debt. This is low risk exposure.
Liquidity Risk	The risk that the firm, though solvent and profitable on a balance sheet basis, either does not have the cash (or near cash) resources or the ability to liquidate its assets	Liquidity risk is deemed to be low as SAS revenue streams are predictable, recurring and derived from multiple sources, including platform fees which are automatically deducted from the

Key Risk	Risk Description	Risk Mitigation
	to meet its obligations to creditors and/or capital providers as they fall due.	client accounts and reconciled daily by the third-party administrator (IFDL). SAS also receives revenue from discretionary management services which is automatically deducted from the client wrappers linked to the model portfolios. The charge is based on the value of the assets and cash held in the deposit account at the end of each calendar month and is remitted to SAS by IFDL. In addition, SAS holds large intercompany balances with Succession Group Ltd which is also a subsidiary of Aviva plc. The balances themselves are recoverable on demand.
Operational Risk	The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.	Particular operational risks for SAS are key personnel risk (due to the fact that SAS is a small firm and is dependent on a number of key people) and reliance on a material third party platform provider, currently IFDL. The Succession Platform is provided by IFDL which has over 10 years' experience in the field and has established processes and procedures that have been subject to considerable internal and external scrutiny. SAS has governance arrangements in place to provide oversight over the activities undertaken by IFDL.
Legal & Regulatory Risk	The risk of adverse financial impact, reputational damage, or regulatory sanctions as a result of non-compliance with emerging and/or existing legal and regulatory requirements.	Compliance arrangements are in place and overseen by the SAS Compliance Director who is a member of the Succession Group Risk & Compliance function. Responses are made to requests from regulators, including thematic reviews, and programmes are in place to prepare for regulatory changes.
Conduct Risk	The risk that our actions or inactions lead to poor client outcomes or have an adverse impact on market stability or effective competition.	SAS has processes in place to identify situations where client detriment may occur, takes action to mitigate this and where issues occur takes timely action to put this right for the client. Conduct risks are subject to regular review and monitoring.

3.7 Own funds assessment

SAS has measured the potential harm that might be incurred to its clients, the markets it operates in and its position within the Group in assessing its own funds requirement. SAS has considered a broad range of categories of risks including:

- strategic;
- duties to clients (conduct);
- market performance;
- operational delivery;
- regulatory compliance;
- financial crime;
- data;
- technology;
- operational resilience;
- people; and
- legal.

In line with the Succession Group values and behaviours, SAS always seeks to put the client first, this is therefore a fundamental consideration the assessment of risk. Every risk assessment considers the potential risk of harm to clients, market and the firm. SAS has a robust balance sheet and maintains an excess of own funds. The ICARA framework sets out SAS's approach to the identification, assessment, management and ongoing monitoring of significant risks and their impact on its own funds assessment

4. Own funds

4.1 Composition of regulatory own funds

Consistent with MIFIDPRU, regulatory capital or own funds are made up of a firm's common equity tier 1 capital (CET1), additional tier 1 capital and tier 2 capital. The entire base of SAS's regulatory capital is made up of CET1, which is the most robust category of financial resources against which all requirements can be measured.

The value of SAS's total own funds or CET1 capital as at 31 December 2023 was £25.7m and is comprised of issued share capital, share premium and audited retained earnings, adjusted for the net of the book value of deferred tax assets.

SAS's objectives when managing capital are to:

i. comply with the regulatory capital requirements set by the FCA under MIFIDPRU;
ii. safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
iii. maintain a strong capital base to support the development of its business.

Table 1 shows the breakdown of SAS's total available regulatory capital reconciled to the capital shown in the SAS audited financial statements.

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Table 1: Composition of Regulatory Own Funds			
	Item	**Amount (£000s)**	**Source** (based on the audited financial statements)
1	**Own Funds**	**25,723**	
2	**Tier 1 Capital**	**25,723**	
3	**Common Equity Tier 1 Capital**	**25,731**	
4	Fully paid- paid up capital instruments	17	Page 15 and note 17
5	Share premium	8,219	Page 15 and note 18
6	Audited Retained earnings	17,495	Page 15 and note 18
7	Accumulated other comprehensive income		
8	Other reserves		
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	8	
19	CET1: Other capital elements, deductions and adjustments	8	Page 15 and Note 16
20	**ADDITIONAL TIER 1 CAPITAL**	0	
21	Fully paid up, directly issued capital instruments		
22	Share premium		
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1		
24	Additional Tier 1: Other capital elements, deductions and adjustments		
25	**TIER 2 CAPITAL**	0	
26	Fully paid up, directly issued capital instruments		
27	Share premium		
28	(-) TOTAL DEDUCTIONS FROM TIER 2		
29	Tier 2: Other capital elements, deductions and adjustments		

4.2 Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements

Table 2 shows the breakdown of the total available regulatory capital for SAS reconciled to the capital shown in the audited financial statements.

Table 2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements			
		Balance sheet as published/audited financial statements (£000s)	**Cross reference to Table 1**
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements			
1	Debtors	26,641	Page 15 and Note 12
	Cash	1,423	Page 15
	Total Assets	**28,064**	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements			

	Short Term Creditors	2,311	Page 15 and Note 13
	Long Term Creditors	22	Page 15 and Note 14
	Total Liabilities	**2,333**	
	Total Assets less Liabilities	**25,731**	Line 3 of Table 1

Own funds: main features of own instruments issued by the firm
Succession's financial resources comprise the issued share capital of the company and the profit and loss account.

5. Own funds regulatory requirements

5.1 Overview

The level of regulatory capital that must be held is referred to as the own funds threshold. The own funds threshold requirement was determined by the higher of three elements:

- permanent minimum capital requirement (PMR): £0.15m
- fixed overheads requirement (FOR): £1.85m
- total K-factor requirement (KFR): £0.79m

In addition, SAS conducts scenario testing and analysis in order to identify additional risks including those potentially arising from Group activities to determine its own assessment. SAS has concluded that a higher own funds threshold of £7.10m is required.

SAS ensures it continues to maintain compliance with the overall financial adequacy rule through regular monitoring of:

- own funds held by SAS compared with the own funds threshold requirement calculated according to MIFIDPRU; and
- the liquid assets held by SAS compared with the liquid assets thresholds calculated according to MIFIDPRU. The outcome of this analysis is reported to its risk committees at least quarterly. Further detail is provided below on each element of the capital and liquidity requirement.

The outcome of this analysis is reported to the Board each quarter. Further detail is provided below on each element of the capital and liquidity requirement.

5.2 Permanent minimum capital requirement

SAS's PMR is fixed at £0.15m consistent with MIFIDPRU.

5.3 Fixed overheads requirement

SAS's FOR is one quarter of its previous financial year's annual relevant expenditure. From this sum, SAS deducts the value of Exceptional costs, donations and corporation tax, leaving a net value of £7.39m for fixed costs. SAS's FOR was therefore £1.85m.

5.4 K-factor assessment

As a consequence of SAS activities, the only K-factor which applies to SAS is K-AUM.

The K-AUM requirement is 0.02% of SAS's average assets under management held on behalf of clients as measured on the last business day of each month during the previous fifteen months excluding the most recent three months. The current K-AUM is £0.78m (31 March 2024).

5.5 Liquid assets threshold requirement

SAS's liquid assets threshold requirement is calculated as one third of its FOR plus an assessment of the additional amount required to fund ongoing business operations, withstand potential stress or ensure an orderly wind down. This is held as instant access cash.

6. Remuneration policies and practices

6.1 Overview

The Remuneration section of this disclosure is made on a solo basis under MIFIDPRU 8.6. In addition, information relating to employees and directors within the Group that are not specifically SAS employees and directors has been included in this section where they undertake activities which have an impact on SAS's business activities and/or risk profile, in particular in relation to co-manufacturing of MPS. Under the MIFIDPRU Remuneration Code.

6.2 Governance & the role of the Remuneration Committee

The Remuneration Committee is responsible for determining the Remuneration Policy which includes the remuneration of executive directors, other members of SAS's executive management, including all other employees who have been identified as Material Risk Takers ('MRTs') under the MIFIDPRU Remuneration Code. MRTs are those employees who are considered to have a material impact on the risk profile of the entity. The MRTs are reviewed on an annual basis by the Remuneration Committee.

All key remuneration decisions are subject to approval by the Remuneration Committee. In discharging its responsibilities under its terms of reference, the Remuneration Committee ensures that risks are properly considered in setting the overall remuneration for SAS, and in particularly the incentive structures for staff members who have been identified as its MRTs.

In determining remuneration, the Remuneration Committee takes into account all factors it deems necessary, including relevant legal and regulatory requirements and associated guidance, as well as the importance of promoting effective risk management and of rewarding individual contributions to the success of SAS, in a fair and responsible manner and in line with market practice at the relevant time.

6.3 Remuneration Policy

The Remuneration Policy is designed to ensure that remuneration supports the strategic objectives of the firm, is appropriately positioned against the external market, and provides fair rewards that will attract, retain, and motivate individuals of the highest calibre required to run the firm.

Remuneration packages are comprised of the following elements:

Fixed remuneration:

- Base salary – reflecting the individual's responsibilities, experience and contribution;
- Pension – provides adequate pension saving arrangements for directors and employees;
- Benefits – to support the wellbeing of directors and employees and provide flexibility to suit a diverse workforce;
- Variable remuneration - may be awarded to eligible employees where the performance of both SAS and the employee substantiates the award and in accordance with the over-arching principles and parameters set by the Remuneration Committee. This may include bonuses, incentive payments, and any compensation payments deemed appropriate by the Committee.

The Committee keeps the balance between fixed and variable remuneration under review.

6.4 Fixed vs Variable Remuneration

Fixed remuneration is set at a level that is sufficient to attract and retain high calibre staff.

For Variable incentives, the Combined profits of SAS and other Succession Group companies contribute to determine the variable pay of all members of senior management.

6.5 Severance payments

Severance payments are to be made on an exceptional basis and are not a common form of remuneration upon leaving SAS. Severance payments must not provide a disproportionate reward and instead must reflect appropriate compensation for the early termination of the contract. The following criteria may be taken into account for the purposes of determining the amount of any severance payment:

- the reasons for the early cessation of employment;
- the length of an individual's service with SAS and the Group;
- the individual's performance over time; and
- the seniority of the individual's role within SAS and the Group.

For MRTs, any payments relating to the early termination of an employment contract reflects the individual's performance over time and does not reward failure or misconduct.

6.13 Material risk taker identification

MRTs are those staff members whose professional activities have a material impact on the risk profile of the Group and/or its relevant regulated entities, or the assets they manage. The MRT population is identified in accordance with the MIFIDPRU Remuneration Code which establishes qualitative criteria to identify categories of staff whose professional activities have a material impact on the firm's risk profile. These categories broadly include Board members, senior management, senior control function staff and other key risk takers. This also includes an additional test specifically relating to our own risks covering senior leaders who have material decision-making or risk responsibilities or those with the potential to cause significant harm to the firm. MRT roles have been identified based on their ability to pose a risk to SAS or the assets it manages.

6.14 Remuneration

The total remuneration for all staff of SAS in the financial year ending 31 December 2023 was £0.81m, of which 100% was fixed. There were bonus payments totalling £0.02m made in 2023.