



## Investment Firms Prudential Regime public disclosures

Year-ending  
31<sup>st</sup> December 2023

## Introduction

**The Investment Firms Prudential Regime (“IFPR”) is designed to strengthen prudential requirements for investment firms. The aim is to enhance the resilience of the financial system and protect consumers by ensuring that firms are adequately capitalised and have appropriate risk controls in place.**

### Context

One of the key requirements of the IFPR is public disclosure. Investment firms must disclose information about their governance arrangements, risk management practices, and financial position to the public. This requirement aims to improve transparency and accountability in the investment industry. By providing this information, investors, and other stakeholders may make informed decisions about their investments and assess the risks associated with particular investment firms.

### Background

LGT Wealth Management UK Group (“LGT WM UK”) is a majority owned subsidiary of LGT UK Holdings Limited LGT UK Holdings Limited, whose ultimate parent company is the LGT Group Foundation, a foundation registered in the Principality of Liechtenstein. LGT Group Foundation is 100% controlled by the Prince of Liechtenstein Foundation, the beneficiary of which is H.S.H. Reigning Prince Hans-Adam II. von und zu Liechtenstein.

LGT WM UK is composed of:

- LGT Wealth Management US Limited (“**LGT WM US**” or the “**Firm**”), which is dual-regulated under the UK Financial Conduct Authority (“**FCA**”) and the Securities & Exchange Commission (“**SEC**”) in the United States.
- LGT Wealth Management UK LLP (“**LGT WM UK LLP**”), authorised and regulated by the FCA;
- LGT Wealth Management Limited (“**LGT WM Limited**”), authorised and regulated by the FCA;
- LGT Wealth Management Jersey Limited (“**LGT WM Jersey**”), regulated by the Jersey Financial Services Commission (“**JFSC**”);
- LGT Wealth Management International Limited (“**LGT WM International**”), regulated by the JFSC; and
- LGT Wealth Management (CL) Limited (“**LGT WM CI**”), regulated by the JFSC.

LGT WM US is principally engaged in the provision of investment management and financial advisory services to high net worth, and ultra-high net worth retail clients, companies, and trusts that have a nexus both the US and UK. The Firm also provides services to independent financial advisors through the Firm’s model portfolio services.

### Strategy

LGT WM UK is built on strong foundations of integrity, alignment of interests and a long-term perspective. Our fresh approach to wealth management is transparent and designed to meet the needs of our clients and serve their best interests by building long-term relationships and delivering services that are matched to their needs. We strive to attract and retain excellent staff who share our commitment to our clients, the markets, and the industry.

LGT WM UK seeks to make a positive contribution to healthy economic and societal development and regularly assesses the impact of its activities on its clients, business partners, staff, the environment, and society.

**About our disclosures**

This document is prepared to meet the requirements of MIFIDPRU 8, which is Chapter 8 of the FCA’s prudential sourcebook for MiFID investment firms. Under this regulation, firms must disclose certain information annually and as soon as possible after their audited accounts are approved. Our accounting year runs until the end of December, and all information (both qualitative and quantitative) in this document is as of 31<sup>st</sup> December 2023.

## Risk management

**Risk framework**

The LGT WM UK risk framework outlines the overall approach to risk-taking as agreed and set by the LGT WM UK LLP Governing Board and supported by the LGT US Governing Board. It comprises the risk/return-appetite, which defines the level of risk LGT WM UK is willing to accept, and the guiding principles, which translate the risk strategy into operating standards.

LGT WM UK identifies and assesses its risks and seeks to put in place measures to effectively manage and monitor those risks. Consistent with the overall business strategy, the aim of risk management is to achieve an appropriate balance between risk and return and minimise potentially adverse effects on the financial performance of LGT WM UK.

Within the risk management framework of LGT WM UK and in accordance with the Basel II framework, LGT WM US and LGT WM UK has defined seven risk categories, which cover the risk landscape (see below).

Strategic and business risk			
Market risk	Liquidity and Funding Risk	Credit Risk	Operational Risk
Interest rates Currency Equity prices Asset and Liability Management	Cash flows Refinancing	Counterparty default Concentration Collateral	Processes Employees Systems External events

**Regulatory risk and Reputational risk**

**Strategic and business risk**

Strategic risk is the risk of losses arising from strategic decisions, changes in the economic and competitive environment, inadequate or insufficient implementation of strategic objectives, or lack of capability to adjust to changing economic needs. Moreover, it comprises the danger of losses resulting from the dependency on highly qualified or experienced staff.

LGT WM US’s business plan is an integral part of LGT Group’s overall international growth strategy. LGT Group’s long-term and regionally diversified strategy is focused on the market segments of private banking and asset management with unique selling propositions of a stable family ownership with princely heritage, the alignment of interests through co-investments and strong investment management competence through global asset management and manager selection effort.

Regular Management Information reporting allows the Governing Board to ensure that strategic risk measures are evaluated in order to detect deviations from the business plan of LGT WM UK and the defined strategy of LGT Group:

**Market risk**

Market risk can arise from positions held for trading through interest rate and currency fluctuations. As LGT WM US does not manage its own assets, nor perform any proprietary trading, market risk is not significant. As such, it has been decided not to develop any specific internal methodology for the allocation of capital to market risk.

With respect to the investment of client's portfolios, overall limits are set for each portfolio, for individual investments within portfolios and, in some cases, for individual issuers in order to limit market exposure to the underlying risk factors.

### **Liquidity and funding risk**

Liquidity risk is the risk that the firm will be unable to meet its liabilities and other financial commitments to creditors or investors as and when they fall due. Funding risk is the risk that the firm will not have access to the financing it needs in a timely manner and at an affordable rate.

### **Credit risk**

Credit risk is the risk that a counterparty of a financial instrument fails to meet its contractual obligation and causes the Firm to incur a financial loss. In principle, credit risk exposure arises in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Firm's asset portfolio. Further, there is also credit risk in derivative financial instruments and off-balance sheet financial instruments, such as loan commitments and financial guarantee contracts.

### **Operational risk**

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. This risk can be caused accidentally, or through negligence, or be of natural origin and encompass all elements of the organisation. Operational risks are inherent in all types of products, activities, processes, and systems.

### **Regulatory risk**

Regulatory risk is the overall risk that a change in laws and regulations or a non-compliance with them will have a material impact on securities, business, sector, or markets. A change in laws or regulations made by the government or a regulatory body can increase the costs of operating a business, reduce the attractiveness of investment and/or change the competitive landscape.

### **Reputational risk**

Reputational risk is defined as the risk of potential damage through deterioration of the Firm's reputation or due to negative perception of its image among clients, counterparties, shareholders and/or regulatory authorities.

### **Risk process**

To reduce the potential for harm, the Firm has policies and processes in place that are designed to assess and analyse the different risk categories, to set guidelines, appropriate risk limits and controls, and to monitor the risks and adherence to limits with reliable and up-to-date information. The risk process for each risk type consists of the following key elements: risk identification, assessment and analysis, management, monitoring and review.

### **Three lines of defence model**

LGT WM US applies three lines of defence to risk management, which work together to identify, assess, and mitigate risk:

- The first line of defence consists of business units that are responsible for managing and monitoring risks on a day-to-day basis.
- The second line of defence consists of risk management and compliance functions that oversee and validate the effectiveness of the first line's risk management activities.
- The third line of defence consists of internal audit, which provides independent assurance to the Governing Board that the risk management framework is functioning as intended.

The three lines of defence model enables the Governing Board to make informed decisions about risk management, including setting strategies, defining risk appetite, and allocating resources to achieve the Firm's goals.

# Governance arrangements

## Summary

LGT WM UK views good governance as an essential factor in assuring its members, clients, staff, regulators, and other stakeholders that the Firm's businesses are being properly managed and controlled. LGT WM UK considers leadership, board effectiveness, accountability, remuneration and group relations to be at the core of good governance.

LGT WM UK has adopted a governance framework with the following objectives:

- robust governance arrangements including a clear organisational structure with well defined, transparent, and consistent lines of responsibility, i.e., three lines of defence model;
- effective processes to identify, manage, monitor, and report the risks it is or might be exposed to;
- internal control mechanisms, including sound administrative and accounting procedures and effective control and safe-guard arrangements for information processing systems;
- the arrangements, processes and mechanisms are comprehensive and proportionate to the nature, scale, and complexity of the risks inherent in the business model and of the Firm's activities;
- compliance with all relevant laws, regulations and provisions set out in our constitutive documentation;
- adequate oversight of subsidiary entities as well as any outsourcing arrangements, including any intragroup arrangements for critical or essential services.

## Governance structure

### *Governing Board*

Entities within LGT WM UK are governed at the highest level by their respective Boards which have the responsibility for determining and setting the strategic direction, framework, policies, and culture by providing direction, control, and oversight of management. The Boards consider the strategic direction set by LGT Group.

The Boards seek to be aware of the material risks and issues that might affect the LGT WM UK and its stakeholders by reviewing and challenging management information provided by Senior Managers and other parties within the business. Where appropriate due to the scale, nature, and complexity of an LGT WM UK entity, the Boards have delegated matters to a Risk Committee, Audit Committee and Remuneration Committee, which have defined responsibilities and reporting obligations set out in their Terms of Reference which are reviewed annually.

The Boards meet at least quarterly and are comprised of executive, non-executive, and independent non-executive members to provide a balance of perspectives and challenge on the strategies and risk management framework. On an annual basis, the Board assesses its effectiveness to ensure it receives adequate information upon which it makes decisions.

The responsibilities, composition, and the manner of its proceeding's details can be found in each Board's Terms of Reference.

The table below shows the number of directorships held by Governing Board members excluding those held within LGT Group as required under MIFIDPRU8.

Name	Position	External directorships	
		Executive	Non-executive
<b>Paul Nixon</b>	Executive member	0	0
<b>Steven Payne</b>	Executive Member	0	0
<b>Susan Ward</b>	Independent non-executive member	0	2
<b>Ben Snee</b>	Chair, non-executive member	0	2
<b>Stephan Tanner</b>	Non-executive member	0	0

### *Management Board/Executive Committees*

Where prudent due to the scale, nature, and complexity of each LGT WM UK entity, a Management Board or Executive Committee ("ExCos") is formed, comprised of senior managers of the respective entity. The ExCos are responsible for managing the business

of the entity on a day-to-day basis within the business strategy and risk appetite set by the respective Board. They receive regular reporting from the Senior Managers responsible for each function and periodically assess their own effectiveness in operating the business in line with the business strategy and risk appetite.

The ExCos meet as frequently as necessary for the respective entity, but no less than quarterly, and its responsibilities, composition and the manner of its proceedings are detailed in its Terms of Reference.

### **Committee Structure**

The Terms of Reference for the Governing Board allows it to delegate matters to committees and sub-committees, which have defined responsibilities and reporting obligations. The committees and sub-committees operate under their own terms of reference, which are approved by the Governing Board as appropriate.

### **Governance committees**

LGT WM UK LLP has three Board-level governance committees which play a vital role in helping the LGT WM UK LLP Board to discharge its responsibilities effectively, including:

- Ensuring that there is clear accountability and oversight of key areas of the Firm's operations, including management responsibilities, risk management, remuneration, and internal controls
- Promoting effective decision-making by providing the Board with expert advice and guidance on complex issues
- Supporting the Firm's compliance with regulatory requirements, including both the FCA and SEC's expectations for governance and risk management, and
- Fostering a culture of accountability and transparency by ensuring that there are robust processes in place for identifying and managing risks, setting appropriate remuneration policies, and providing accurate and timely financial reporting.

#### *Risk Committee*

The Risk Committee has been established by LGT WM UK LLP to assist the Governing Board in its oversight of risk management arrangements across the Firm. Its objectives are to provide assurance that the risk profile of the Firm is being satisfactorily managed within the determined risk appetite, and to ensure that the Firm has established robust risk management and oversight policies, processes, and procedures, and to ensure that these remain relevant and fit-for-purpose.

#### *Audit Committee*

The primary function of the Audit Committee is to assist the Governing Board in fulfilling its oversight responsibilities defined by law and internal or external regulations by:

Reviewing financial information

Monitoring the adequacy of the system of internal controls and the compliance and risk management arrangements, which management and the Board Members have established, and

Monitoring the qualifications, independence and performance of the External Auditors and Group Internal Audit.

#### *Human Resources and Compensation Committee*

The Local HR Compensation Committee (LHRCC) assists the Governing Board in fulfilling its oversight responsibilities according to internal and/or external regulations in remuneration matters for LGT WM UK and its subsidiaries, with specific focus on Senior Management. In meeting its responsibilities, the LHRCC has the general duty of overseeing the implementation of the LGT Group's and any local remuneration policies and practices and has the following specific duties:

- Preparing decisions regarding remuneration, including decisions which have implications for the risk and risk management of LGT WM US and which are to be taken by the Governing Board;
- Directly overseeing the remuneration of the senior officers in the risk and compliance functions;
- Discuss and define the yearly compensation review criteria for the LGT WM UK and submit its recommendation to the LGT WM UK LLP Governing Board for approval;
- Review and define the LGT WM UK Compensation regulations in accordance with regulatory requirements on remuneration and submit its recommendation to the Governing Board for approval; and
- Discuss further compensation subjects and other topics as defined by the Governing Board.

## Diversity policy

LGT recognises the importance of equality, diversity and inclusion in the workplace and strives to maintain a culture where all people are treated equally, fairly and with respect, underpinned by core values including 'Belonging' and 'Respect'.

The Firm has a responsibility to ensure equal opportunities for all staff, enabling them to succeed both personally and professionally. A dedicated #included committee, reporting to the LGT WM UK LLP Management Board, supports the Firm's mission to build and champion a diverse and inclusive workforce. The Respect and Dignity at Work Policy sets out the zero tolerance of bullying or harassment in any form. Through its Equal Opportunities Policy, the Firm is committed to providing equal opportunities in every aspect of employment from the recruitment and selection of candidates; training, development and promotion; review of performance, pay and benefits; and the application of all policies and procedures through to the last day of employment.

Although all areas of diversity and inclusion are of equal importance, LGT WM UK has set targets in respect of gender by signing up to the Women in Finance Charter in 2018. At that point, 21% of senior management roles were held by females. By December 2023, our female representation increased to 35%, with 33.3% female representation remaining on LGT WM UK's Management Board. Further Women in Finance Charter (WIFC) targets will be set in January 2025, post the completion and integration of an acquisition.

At the end of 2023, females accounted for 40% of the workforce, increasing from 38% in December 2022. Work continues on ensuring higher female representation overall. Specific actions at entry level roles which encourage diversity on all aspects include blind recruitment processes, partnering with various organisations to raise awareness of opportunities in the sector, including offering placements and internships through external partnerships supporting underrepresented groups including GAIN, Investment 2020 and 10,000 Black and Able Interns.

The Firm has now been able to capture over 90% of our people's ethnicity and socioeconomic data and we are committed to being transparent on our data trends including reporting publicly our WIFC and Pay Gap figures. We will continue to publish voluntarily our Ethnicity Pay Gap Reports and will also publish our first Social Mobility Pay Gap report in 2024. There is still further work to be done on our diversity data reporting and analysis, however we are in a strong position to better utilise our people data to understand our workforce demographics, trends, gaps and patterns by building a tangible and intuitive dashboard. This dashboard will be used as a foundation to revisit the Firm's Diversity and Inclusion strategy and aims in context of the FCA proposals on Diversity and Inclusion.

## Own funds

### Own funds

The Firm on both a consolidated and individual basis is sufficiently capitalised with the sole use of common equity tier 1 capital. This capital at a consolidated level is derived from Partner Capital contributions £40.922m and audited reserves £2.690m, with a breakdown provided as follows:

Composition of regulatory own funds	£'000	Reference to Balance Sheet
<b>OWN FUNDS</b>	<b>35,655</b>	
<b>TIER 1 CAPITAL</b>	<b>35,655</b>	
<b>COMMON EQUITY TIER 1 CAPITAL</b>	<b>35,655</b>	
TIER 1 CAPITAL BEFORE DEDUCTIONS	<b>43,613</b>	
Fully paid up capital instruments	40,923	<b>7</b>
Share premium	-	
Retained earnings	2,690	<b>8</b>
(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	<b>(7,958)</b>	
CET1: Other capital elements, deductions and adjustments	(7,958)	

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

		31 December 2022
		£'000
<b>Ref.</b>	<b>Assets</b>	
1	Intangible assets	726
2	Property, plant and equipment	8,329
3	Trade and other receivables	48,970
4	Cash and cash equivalents	49,208
		-
	<b>Total Assets</b>	<b>107,233</b>
	<b>Liabilities</b>	
1	Trade and other payables	24,684
2	Trade and other payables - non current	1,967
	<b>Total Liabilities</b>	<b>26,651</b>

<b>Total assets less current liabilities</b>	<b>80,582</b>
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**Shareholders' Equity**

1	Members Capital Classed as equity	40,923
2	Other reserves classified as equity	39,659

<b>Total Shareholders' Equity</b>	<b>80,582</b>
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The above capital is used to support a consolidated fixed overhead requirement of £21.776m, which is the higher than both the permanent minimum capital £0.9m requirement and the K-Factor requirement £11.074m. A summary provided, as follows:

<b>Capital requirement</b>	<b>£'000</b>
Permanent minimum requirement (PMC)	900
Fixed overheads requirement (FOR)	21,776
K-factors requirements (KFR) (Only SNI firms)	11,074
	-
<b>Capital requirement (Highest)</b>	<b>21,776</b>

This provides the Firm with a capital buffer of £13.879m, being the difference between Tier 1 Capital £35.655 and the FOR £21.776, which in turn drives a solvency ratio of 164%.

**Own funds requirement**

Breakdown of K-factor requirement:

	<b>£'000</b>
K-AuM	3,903
K-CMH	3,385
K-ASA	3,748
K-COH	39
<b>Total</b>	<b>11,075</b>

## Remuneration

Below are the general principles of the Firm's remuneration policy:

- Remuneration practices are compliant with the FCA and other regulatory requirements (including, where applicable, the EBA requirements that apply to the LGT Group).
- Remuneration practices should be straightforward, transparent, in line with the LGT WM UK and the LGT Group's business strategy, culture and values and geared towards the long-term.
- Equal remuneration for women and men for equal contribution, or contribution of equal value, and avoiding bias, including in relation to gender, race, ethnic-origin, sexual orientation, age and other potentially discriminatory factors and ensuring compliance with the Firm's Equal Opportunities Policy.
- Success is evaluated on a long-term basis, in particular for Risk Takers.
- Targets are designed to avoid conflicts of interest and the assumption of excessive risk and remuneration practices are consistent with and promote sound and effective risk management, including environmental, social and governance risk factors.



- Excellent performance, outstanding dedication and successes achieved with integrity within the scope of the identified risks are considered in remuneration decisions in addition to the market and internal remuneration comparisons.
- The amount and type of remuneration are consistent with local market conditions and the total remuneration makes it possible to recruit and retain experienced and highly qualified personnel.
- The ratio of fixed to variable remuneration is appropriate and complies with legal and regulatory requirements.
- Breaches of regulation or internal policies and instructions, as well as misconduct, can result in a reduction of variable remuneration.
- Variable remuneration components must not reward failure and are not paid out if it is not financially tenable for the Firm or would be detrimental to its or LGT Group's sound capital base.

### **Material Risk Takers**

The Firm's Material Risk Takers (MRTs) have been identified in accordance with the MIFIDPRU Remuneration Code ([SYSC 19G.5](#)) and made purely on the following qualitative basis:

- Individuals who are members of the Management Boards of LGT WM UK LLP and its subsidiaries (as appropriate) and hold Senior Manager functions under SMCR and
- Individuals not captured by the above includes one who holds the role of Chief Investment Officer, one who holds responsibility for the activities of a control function and one who holds the responsibility for the activities of information technology.

### **Remuneration Components**

#### *Fixed remuneration*

Fixed remuneration for each individual is reviewed annually based on a number of factors, including performance reviews, career progression, market rates, inflation and organisational affordability. For revenue producers, consideration is also given to financial contribution.

#### *Benefits*

All employees have a benefits pot in addition to salary, from which employer pension contributions are made. For those who have reached the pension lifetime allowance, a cash equivalent has been added to base pay. Within the benefits pot, in addition to core insurances, there is a range of options available. The Firm regularly assesses its benefits offering to ensure it remains competitive and valued by its employees.

#### *Core variable remuneration*

Bonus pools are set and governed by the LHRCC, taking into consideration a number of factors included profitability.

Bonus awards for revenue producers are determined by reference to revenue generation and new business, with an overlay of conduct and compliance considerations. Although there is a formula that underpins these awards including a defined proportion for conduct and compliance, the awards are ultimately discretionary and may be withdrawn entirely, if appropriate.

For all other roles, bonus awards are based on performance against objectives, conduct, market data and going above and beyond what is expected.

All bonus proposals are subject to thorough calibration and oversight by the LHRCC to ensure fairness and consistency and alignment to the Firm's culture. Variable remuneration for MRTs is assessed in detail with specific consideration given to conduct, effective risk management and compliance. The proposals for MRTs in control functions has additional oversight by more senior individuals holding functional reporting lines in those respective roles at LGT Group.

### **Deferred remuneration**

#### *Material Risk Takers (MRTs)*

For MRTs, a maximum ratio of 1:2 (1:1 for those in Control Functions) of fixed to variable remuneration is applied. Either 50% or 60% (depending on overall quantum of total variable and overall remuneration) of variable remuneration is deferred into a Value Alignment Plan (VAP). The value of tranches of the VAP are linked to the overall profitability of the wider LGT group, so that the amount ultimately paid out will vary depending upon the success of LGT and there is an alignment with the long-term sustainable

success of LGT. Amounts within the VAP are made available for payment to the MRT over five years (with 1/5 vesting each year) following an initial one year blocking period in accordance with the VAP rules.

All variable remuneration for Risk Takers is subject to Malus and Clawback provisions for up to six years. Malus and Clawback, where relevant, is operated by the LHRCC at its absolute discretion, taking into account criteria that it deems appropriate which may include:

- misbehaviour, misconduct including gross misconduct, failing to meet appropriate standards of fitness and propriety, fraud or other conduct with intent, a material error and / or severe negligence of a MRT, or any other action that causes serious loss or reputational damage;
- the LGT WM UK LLP and / or relevant business unit suffering a material downturn in its financial situation and/or performance or material failure of risk management; and
- financial misstatement or errors in connection with the calculation of variable remuneration.

#### *LGT WM UK LLP Executive Members (Partners)*

Subject to sufficient profits being available after any profit allocation to base drawings and the variable pool, additional profits may be made available to the Executive Members by reference to the performance of the Firm and the LGT Group. Individual allocations to Executive Members from the bonus pool will be made for strong contribution to the success and performance of the Firm, going “above and beyond” expectations of the Member and, where applicable, net new business contribution over a certain threshold or any other formulaic criteria set by the LHRCC from time to time.

The awards are subject to deferral in full. For MRTs, this is part of the overall deferral arrangements for variable remuneration as described earlier. For other Executive Members (but not Risk Takers), entitlements are paid into separately identifiable execution only accounts held by each Executive Member for this purpose and must be allocated to specific funds. One third of the deferred amount is released every 12 months.

All allocations out of the Bonus Pool (not just allocations to Risk Takers) are subject to Malus and Clawback.

#### **Guaranteed variable remuneration**

Guaranteed variable remuneration is only provided to new hires, determined on a case-by-case basis. The awards align to the individual’s most recent bonus award prior to joining and is for the first year of employment only.

#### **Severance pay**

The Firm does not have a policy on severance pay. In cases of redundancy, any payment is based on the statutory redundancy calculations, at full pay rather than statutory pay. Additional ex gratia amounts may be awarded, subject to commercial justification. Any settlement agreements for Executive Members and MRTs would be agreed with the LHRCC, with deferred arrangements remaining subject to malus and clawback.

#### **Total Remuneration FY 2023**

Senior Managers are captured within the Material Risk Taker category only.

	<b>Material Risk Takers (£m)</b>	<b>All other staff (£m)</b>
<b>Number of staff</b>	13	650
<b>Fixed remuneration</b>	3.49	53.06
<b>Variable remuneration</b>	4.72	26.29
<b>Total remuneration</b>	8.21	79.35

A total of 22 guaranteed bonuses were awarded during 2023, for new joiners in their first year. None of these are for Material Risk Takers. Only three severance payment was made during 2023, with none of these individuals being a Material Risk Taker. The top three highest earners have an average total remuneration of £0.95m.

