MIFIDPRU Public Disclosure – AFH Independent Financial Services Limited Year ending 31st October 2023

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A better future.

AFH financial group

Contents

Introduction

AFH Independent Financial Services Limited (the Firm, AFHIFS) trading as AFH Wealth Management is authorised and regulated in the UK by the Financial Conduct Authority (FCA).

The Firm is categorised as a small non-SNI MIFIDPRU Investment Firm under the Investment Firms Prudential Regime (IFPR), with effect from 1 January 2022.

These disclosures set out AFH Independent Financial Services Limited annual public disclosures as required under MIFIDPRU 8 for the year ending 31st October 2023.

Scope and application of the disclosure

The principal activity of the Firm is the provision of professional financial planning-led wealth management and advice services to retail investors in collective investment undertakings (CIUs) on a discretionary, non-discretionary and individual advisory basis.

The report is not required to be reviewed by the firm's auditor. Certain information has been omitted from the report, if in the opinion of the firm, such information is of a proprietary nature, price-sensitive or may intrude the privacy of any of the firm's clients and employees. The disclosed information is proportionate to the firm's size and organisation and to the nature, scope and complexity of its activities.

Frequency and location of disclosure

As a minimum, the Firm's MIFIDPRU disclosure will be posted annually in line with the Firm's Accounting Reference Date of 31st October and on completion of the firm's annual audited accounts.

MIFIDPRU 8 disclosure report is available on the firm's website at: afhwm.co.uk

As a small non-SNI firm we are required to disclose the following information:

1. Risk management objectives and policies
2. Governance arrangements
3. Own funds
4. Own funds requirements
5. Remuneration policies and practices

Risk Management Framework

The Firm's Risk Management Framework is embedded and operating appropriately, whilst continuing to evolve in line with the scale and complexity of the business and includes a well-defined comprehensive risk governance structure with appropriate risk management expertise, including processes for periodically assessing the efficacy of the Risk Management Framework.

The ultimate responsibility for managing risks lies with the Board as the Governing Body. The Chief Risk Officer and the Risk Team maintain the risk function and the Chief Risk Officer reports to the Board of which they are a member.

Regular MI from all key areas of the business is submitted to the Board. The Risk framework is supported by the Risk Team and Training and Competence (T&C) department.

The Firm's risk governance framework is based on a "three lines of defence" governance model, where each line has a specific role and defined responsibilities and works in close collaboration to identify, assess, and mitigate risks.

The first line of defence is the business (i.e. the primary risk generating groups), which is responsible for pursuing suitable opportunities within the strategic risk objectives and compliance requirements of the Firm, including primary responsibility for compliance with relevant legal and regulatory requirements and internal controls.

Risk and control functions such as Compliance, Risk and Finance form the second line of defence and provide independent oversight control to the first line businesses and support services. These functions are responsible for maintaining a firm-wide view of current and emerging risk exposures (in aggregate both across the Firm and for individual risk types); developing, reviewing and implementing group-wide risk management frameworks, policies, standards and procedures (specific to individual risk types); reporting on risk appetite and breaches; and ensuring coordination and consistency in the application of effective risk management approaches.

The third line of defence is Internal Audit which monitors the effectiveness of controls across various functions. This is measured through the Firm's compliance monitoring framework.

Risk Management in the Firm is subject to continuous review, improvement and augmentation as the business grows.

Risk Committee

- The role of the Firm's Risk Committee is to assist the Board in its oversight of the effectiveness of the Risk Management Framework. It performs its role through:
- defining the risk appetite and tolerance for the business
- ensuring that risk appetite and tolerance is considered when making key strategic decisions
- ensuring that there are adequate processes and systems for identifying and reporting risks and deficiencies, including emerging risks
- monitoring the alignment of the risk framework to the Firm's growth and acquisition strategy, supporting a culture of risk taking within sound risk governance
- having an overview of the key risk issues identified across the organisation.

The Risk Executive Committee meets every quarter, and otherwise as required. Its responsibilities shall be determined by its members from time to time and, in any event, include the responsibility to:

- determine its overall risk appetite, tolerance and strategy, taking account of the Firm's values and purpose, as well as the current and prospective regulatory, macroeconomic, technological, environmental and social developments, and trends that may be relevant for the Firm's risk policies
- identify the current risk exposures of the Firm, taking into account: strategic, operational, financial, regulatory compliance, conduct and reputational risks
- adopt a holistic view of the Firm and the key risks that it is exposed to, assessing the adequacy and effectiveness of the Firm's adoption and application of its Risk Management Framework

- undertake horizon-scanning of the risk and regulatory landscape, including material risks, reputational impacts arising from its acquisition strategy and undertake deep-dive reviews into significant risks at the request of the Executive Board or where, in the Committee's view, further scrutiny is required
- using internal and external sources of assurance, monitor the robustness of the Firm's risk management policies and processes, including the Firm's Risk Management Framework and their fitness for purpose when tested against strategy and risk appetite
- consider and review the prevailing risk culture in the organisation (values, beliefs, knowledge, attitudes and understanding about risk) and maintain oversight of relevant work streams and projects to bring about the desired risk culture
- review the firm's financial position using forward looking forecasts to ensure the firm remains well capitalised and able to meet its obligations.

In relation to Risk Assessment

- Keep under review the Firm's overall risk assessment processes that inform decision making, ensuring both qualitative and quantitative metrics are used
- review regularly and approve the parameters used in these measures and the methodology adopted
- review reports on any material breaches of risk limits and the adequacy of proposed action
- consider and approve the remit of all risk and assurance functions and ensure they have adequate resources and appropriate access to information to enable them to perform their respective functions and in accordance with the relevant regulatory standards
- review promptly all reports from the Chief Risk Officer (CRO)
- consider the major findings of any relevant internal investigations into control weaknesses, fraud or misconduct.

Risk Appetite Statement

AFH Financial Group Limited have defined their approach to risk management as follows:

- fulfilling the needs of all AFH's key stakeholders (clients, staff, regulators, shareholders)
- maintaining the reputation of the AFH brand in striving to educate, inform and enrich client lives
- retaining a willingness to explore opportunities, however not where high financial or operational risks are identified.

Risk Identification and Assessment

The Firm continues to build and improve its risk management processes to keep pace with the growing complexity of its business and market developments.

The process of risk identification is performed on a continuous basis as part of the day-to-day activities of the Risk Management and Control functions.

The objectives of the Risk Identification process include identifying material risks that inform risk measurement, monitoring and management, and inform the scenarios that drive the Firm's ICARA, as well as guiding the Firm's Risk Appetite.

Business and Strategic Risk

AFHIFS provides professional financial planning-led wealth management and advice to individuals and families, trust and corporate clients under advisory and discretionary services. AFHIFS provides wealth management, financial advice and investment services to retail investors using model portfolios on a discretionary, non-discretionary and individual advisory basis in collective investment undertakings (CIUs). The Firm continues to demonstrate strong year on year growth in revenue and profits through the provision of its services.

The business model of AFH is low risk and aims to deliver continued growth through the overall acquisition of like-minded businesses which are appropriately priced enabling the Firm to expand its captive distribution throughout the sector, generating new clients, retaining existing clients, increasing the productivity of advisers and continuing to offer professional and cost-effective services to clients. The Firm will continue its investment in technology and digital solutions to accelerate the benefits of scale and infrastructure.

The Firm is well capitalised in relation to the risks it runs in its business and when considering harm to clients and markets.

Business Environment Risks

The Firm is exposed to a variety of risks that could adversely affect its ability to execute its strategy and have an impact on profitability, business operations, financial conditions and future prospects. In addition to the specific risks addressed in the capital assessment, some environmental risks will only become apparent with the benefit of hindsight, as there may be risks that we may not be currently aware of or that we deem immaterial. These environmental risks can be grouped as follows:

Legal and Regulatory Risks

- Increasing regulatory burden and focus on conduct and behaviour; and
- potential legal costs, regulatory investigations and other sanctions related to conduct of business issues and financial crime.

Competition Risks

- The Firm faces competition in all financial services markets and for the products and services it offers based on many factors such as pricing, distribution systems, customer service, brand recognition and perceived financial strength
- reputational risk could damage AFHIFS's competitive position – the Firm's reputation for its expertise and integrity is essential to the development of the business and ability to attract the best staff; and
- competition from new transactional technologies, new entrants to the industry and continual innovation
- deficiencies in digital and IT transformation strategies; and
- deficiencies in operational resilience frameworks including cyber security risk and IT outsourcing.

Economic Risk

- 2023 has been characterised by high inflation rates, rising interest rates and quantitative tightening from central banks in response. World markets have priced in an expected recession and in the UK personal and corporate taxes remain at a post war high to fund increasing debt and to fund expansive government spending post covid19; and
- global economic and political crises present further instability and uncertainty including economic conditions deteriorating as a result of the war in Ukraine and consequent sanctions on Russia.

Material Harms Assessment

The Firm has considered the key material risks that the Firm is exposed to, potential harms to clients and markets and how they are mitigated. These are monitored on an ongoing basis by department heads and staff.

The Firm has set a materiality threshold when deciding whether to hold additional capital to mitigate a harm i.e. a harm has to have a financial impact of at least this threshold to hold additional capital.

Given the size of AFHIFS, the average transaction size and our primary service of independent financial services to retail clients, the Firm does not pose a threat to the wider market or financial system as a whole. In the event of the Firm's failure, it is expected that its resolution would be a normal insolvency process, and no form of special resolution would be necessary.

The main sources of risk to AFHIFS, its clients and markets are business, conduct and operational risks, which are considered to be:

Business and Strategic Risk

- The risk to the business of not being able to carry out its business plan and desired strategy due to internal and external commercial or regulatory changes
- making acquisitions influenced on pure commercial interests over risk and due diligence considerations.

The risk is controlled by the governing body of the Firm who approve business strategies and balance commercial opportunity with associated risks to achieve these.

The Finance department ensures robust management accounting; and along with Risk, ensure that there is detailed and thorough reporting and monitoring of business lines to detect and respond to deteriorating business performance and or increased risks from the business line.

Acquisition considerations and activity is managed on a consistent basis by a dedicated and experienced team and by the Firm's overall governing body. Robust due diligence carried out identifies areas of risk or non-alignment with the firm's culture which may lead to us declining the acquisition.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Our exposure to operational risk arises from routine processing errors as well as extraordinary incidents, such as major system failures for example failure to deliver services to clients and failure to receive payments from corporate clients. AFHIFS has not suffered any material losses due to operational risk failures, litigation or regulatory fines in the last 12 months.

Potential types of loss events related to internal and external operational risk include:

- clients, products and business practices
- execution, delivery and process management
- business disruption and system failures
- employment practices and workplace safety
- damage to physical assets
- internal fraud; and
- external fraud.

Reputational Risk AFHIFS's reputation is critical to achieving its strategic business goals and financial targets and damage to the Firm's reputation can have fundamental negative effects on its business and prospects. Reputational damage from negative publicity, protests, fines, penalties and other negative consequences from regulatory violations and legal actions could lead to negative perception by our stakeholders and may adversely impact client acquisition and damage our business relationships with clients, affecting staff recruitment and retention, reducing access to funding sources and resulting in a financial loss.

The Firm manages reputational risk by helping its customers succeed, creating an excellent customer experience, and maintaining an effective risk management framework.

All AFHIFS staff are encouraged to identify risk, including reputational risk, and bring it to the attention of the managers in their respective lines of business or functional areas.

- **Conduct Risk** i.e. the risk that a poor culture within AFHIFS and/or individual conduct, results in inappropriate behaviour, which could have a detrimental effect on client perception and/or regulatory risk for the Firm. Conduct Risk is addressed by the existing risk framework in the Firm; remuneration policies and procedures; Training & Competence monitoring and compliance with the Senior Managers and Certification Regime
- **Governance risks** i.e. the risk that AFHIFS's governance functions fail in their responsibility to ensure prudent management of the business and/or falls short of regulatory expectations, incl. material regulatory matters as well as minor filing errors. These risks are mitigated with strong internal processes for maintaining adequate governance including segregation of duties and appropriate oversight and monitoring.
- **Client concentration risk** i.e. Failure to identify and manage concentration risk i.e. only a handful of clients generating the majority of revenues. AFHIFS has no material client concentrations and revenues come from a wide array of clients.
- **Business Continuity Risk** – the Firm has a process for business continuity and disaster recovery. The Firm continues to maintain a hybrid working pattern following the operational changes made to accommodate remote working during the pandemic.
- **Key Person and Staffing risk:** mitigated by the monitoring of employee turnover for signs of heightened flight risk especially amongst client-facing staff.
- **GDPR and Cyber Risk** – the firm seeks to minimise this risk through close working relationships with outsourced suppliers supported by appropriate Service level Agreements against which performance is monitored. We continue to monitor and enhance our existing cyber security capability in line with the increasing threat and work with third party partners to test and implement security protocols.
- **Reduced Market Yield Risk** – our business model is based on providing above average market returns whilst reducing the cost of investment for our clients thereby increasing the net yield from their portfolios. The Investment Committee has membership from

external professionals who work with our research analysts to construct and manage portfolios appropriate to the risk and financial planning needs of our clients. Strong governance and oversight ensure the firm can effect contingencies as issues arise.
- **Regulatory, legislative and tax risk** – whilst the risks cannot be easily mitigated, we actively engage with our regulators in an open and constructive manner. We have appropriate expertise within our Risk and Technical teams to maintain an awareness of impending change and as relevant engage with independent experts to implement suitable processes and manage change. Internal management is augmented by scheduled external audits of our compliance function and processes. Our governance structure implemented through committees and managed internally seeks to ensure we remain compliant and well prepared for evolving regulatory change.

The firm has not suffered a financial impact above its material threshold for risks to clients and therefore the Board has assessed that additional capital is not necessary in the context of the strength of its overall capital position.

Governance Arrangements

The Board as the governing body overseas the risk appetite and profile of the Firm and ensures that business developments are consistent with the risk appetite and goals of the wider Group

They review and endorse the Firm's risk management framework which includes the establishment of policies for the control of risk. The Board receives information on the risk profile of the Firm, breaches of the policy framework and external developments that may have some impact on the effectiveness of the risk management framework. It also approves significant changes to risk management policies and framework and approves the ICARA annually. The Board also ensures that the Firm's risk culture remains strong and that controls are respected by staff – this is achieved by the Board setting clear expectations regarding appropriate behaviours; and implemented by the management team and through their leadership actions and communication, organisational governance, and the setting of incentives and consequences for staff.

Management Information (MI) is submitted as part of the Board meeting pack each month.

The Board of AFH Independent Financial Services Limited consists of:

Directors

Name	Position	Senior Management Function	External Directorships
Alan Hudson	Executive Director, CEO	SMF1, SMF3	3
Alex Larvin	Executive Director, Chief Risk Officer	SMF3, SMF16, 17	0
Austin Board	Executive Director, Chief Advice Officer	SMF3	0
Hayden Robinson	Executive Director, Chief Finance Officer	SMF2, SMF3	8
Stacey Costar	Chief Operating Officer	SMF24	0
Sophie Trimble	Chief Digital Officer	SMF18	0
Suzanne Cousens	Chief People Officer		0

For the purposes of the above, other directorships held within the AFH Group are not reflected in the above table.

Diversity and Inclusion

The Company is committed to encouraging diversity, equality and inclusion and preventing discrimination at work to promote and maintain a supportive workplace culture to ensure employees feel trusted, respected and able to fulfil their potential.

The firm is committed to being an equal opportunities employer preventing illegal discrimination in employment. The firm commits to:

1. ensuring the working environment is free of bullying harassment, victimisation and unlawful discrimination promoting dignity and respect for all
2. taking seriously complaints of bullying, harassment, victimisation and unlawful discrimination by fellow employees, clients, suppliers, visitors, the public and any others in the course of the firm's activities
3. making opportunities for training, development and career progression available to all employees, helping and encouraging them to develop their full potential so that their talents and resources can be fully utilised
4. making decisions about employees based on their merit (apart from any necessary and limited exemptions and exceptions allowed under the Equality Act)
5. reviewing employment practices and procedures when necessary to ensure fairness and updating them and policy to take account of changes in the law.

Monitoring the make-up of the workforce regarding information obtained to evidence adherence to our equality policy including diversity, inclusion and the prevention of discrimination in our organisation and our Anti-Slavery Policy and Modern Slavery statement.

Own funds

As set out in the tables on page 12, we are required to disclose the following information regarding our own funds.

1. a reconciliation of common equity tier 1 items, additional tier 1 items, tier 2 items, and the applicable filters and deductions applied in order to calculate our own funds
2. a reconciliation of (1.) with the capital in the balance sheet in our audited financial statements, and
3. a description of the main features of the common equity tier 1 instruments, additional tier 1 instruments and tier 2 instruments issued by our firm.

In accordance with MIFIDPRU 8.4, the following table is a reconciliation of CET1, additional tier 1 items, tier 2 items (if applicable) and deductions to our firm's own funds at 31st October 2023.

Own Funds

	Item	Amount (GBP thousands)	Source based on reference numbers / letters of the balance sheet in the audited financial statements
1	OWN FUNDS	48,698	Total
2	TIER 1 CAPITAL	48,698	Subtotal
3	COMMON EQUITY TIER 1 CAPITAL	48,698	Subtotal
4	Fully paid-up capital instruments	170	P17, P18, P28
5	Share premium	-	
6	Retained earnings	48,528	P17, P18
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	-	
19	CET1: Other capital elements, deductions, and adjustments	-	
20	ADDITIONAL TIER 1 CAPITAL	-	Subtotal
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	-	Subtotal
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 adjustment	-	

Own funds: Reconciliation of regulatory own funds to balance sheet in the audited financial statements.

Own funds: Reconciliation of regulatory own funds to balance sheet in the audited financial statements				
		Balance sheet as in published / audited financial statements	Under regulatory scope of consolidation	Cross reference to own funds table above
Assets – Breakdown by asset classes per the balance sheet in the audited financial statements				
1	Right of use assets	10,175	-	Box 6
2	Trade and other receivables	60,448	-	Box 6
3	Cash and cash equivalents	1,547	-	Box 6
4	Corporation tax receivable	2,100	-	Box 6
	Total assets	**6,4106**	-	

Liabilities – Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Trade and other payables	15,398	-	Box 6
2	Lease liabilities	10,175	-	Box 6
	Total liabilities	**15,408**	-	

Composition of regulatory own funds

Our common equity tier 1 capital after the application of adjustments, deductions and exemptions and deduction as applied under MIFIDPRU 3.3 consists of:

£170,100 of ordinary share capital, £48,527,860 of retained earnings as at 31st October 2023 including £27,494,207 of accumulated retained earnings brought forward from the financial year ending 31st October 2022 and profits of £21,033,653 profits in 2023.

Own funds requirements

As a non-SNI investment firm we are required to have at all times own funds of at least an amount which is the greater of the following:

a) Permanent minimum capital requirement,

b) Fixed Overheads Requirement ("FOR") or

c) K-Factor Requirement ("KFR").

K Factor	£ 000's
Total K Factor	1,380

Fixed Overheads Requirement	£ 000's
Based on audited accounts as at 31/10/2024	7,629

Permanent Minimum Capital Requirement	£ 000's
Based on MIFIDPRU4.4.4	75

Since 1 January 2022, our firm has been monitoring the Overall Financial Adequacy Rule ("OFAR").

As a MIFIDPRU investment firm we are required to hold own funds and liquid assets which are adequate, both as to their amount and their quality, to ensure that:

- our firm is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
- our firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

We monitor the OFAR by monitoring the 'own funds threshold requirement' and 'liquid assets threshold requirement'. We review these requirements at least quarterly. The firm has determined that it has sufficient excess of capital to cover any additional harm from its ongoing operations and sufficient capital to continue business in the event of adverse market conditions and stress scenarios.

These requirements are formally reviewed by the Board when approving the firm's Internal Capital at Risk Assessment (ICARA). The ICARA was last approved by the board on 25th April 2024.

Remuneration Policy and Practices

The Firm has a Remuneration Policy in place which is in accordance with the relevant rules and guidance for the Firm's remuneration code as contained within the FCA's SYSC 19G Sourcebook of the FCA's Handbook.

As a non-SNI investment firm, the Company is required to disclose certain information on its remuneration policy and practices as well as certain quantitative aggregated information about the remuneration awarded to its staff in respect the Company's financial year ended 31st October 2023. As the Firm has no trading book or derivatives business and the rolling average of the Firm's on and off-balance sheet items over the preceding four-year period is below £300m, it meets the conditions in MIFIDPRU 7.1.4R(1) and SYSC 19G.1.1R(2). Consequently, reduced disclosure requirements apply.

In accordance with these requirements, this disclosure provides a summary of the Firm's qualitative and quantitative disclosures.

The Firm has in place a Remuneration Policy which is designed to ensure that it complies with the Remuneration Code and that its compensation arrangements:

- promote sustainability consistent with sound and effective risk management
- discourage excessive risk taking
- include measures to avoid conflicts of interest, and
- are in line with the Firm's business strategy, objectives, values, and long-term interests.

Remuneration comprises primarily of a contractually based salary or fixed compensation. This is based upon a number of considerations including employee's skillset, qualifications (as relevant to the role), professional experience and organisational responsibility as set out by their job description and terms of employment. Remuneration shall be competitive, and market based as well as supporting the Group's business strategy, goals, long-term interests and vision.

All base salaries for staff under the Senior Managers Certification Regime (SMCR) are approved by the Firm's Board.

Executive Directors

The Remuneration Committee of the AFH Group meets annually to review the remuneration of the Executive Directors and approve policies for remuneration of other senior executives. The Committee also monitors performance and approves the payment of all performance-related bonuses.

The base salaries of the Executive Directors are set at levels considered to be appropriate. Any increases are awarded having regard to performance and salary levels in comparable organisations. However, it is important to strike the correct balance between incentivising and protecting the interests of all relevant stakeholders. The Committee members do not participate in any discussions in which they have an interest. The Remuneration Committee policy is disclosed in the Group's annual report.

Senior Managers and other Staff

The Board set the remuneration of the Directors and other staff including senior management. Fixed remuneration is set at an appropriate level that is sufficient to attract and retain high calibre employees. The Firm does not have any practice of remunerating its investment personnel for generating high returns.

Individuals who are subject to variable pay within the Firm are identified. These individuals must be assessed especially where any bonus is performance related. Consideration must be given to the risk of any conflicts with their duty to act in the best interests of the clients.

Variable incentives may be awarded to eligible employees where the performance of both the Firm and the employee substantiates the award, in accordance with the over-arching principles and parameters set by the Board and the Remuneration Committee. This can include variable discretionary bonuses for all employees across the Firm, incentive payments and any other payments deemed appropriate by the Board and Remuneration Committee.

Any bonuses or incentive payments are linked to corporate and individual performance and designed to promote the long-term success of the Firm with the individual's conduct and behaviours assessed as part of the award process.

Variable remuneration is only achieved via agreed incentive plans, and the rules of those incentive plans govern the delivery of variable remuneration. Therefore, it is not possible to pay variable remuneration through any vehicles that facilitate the avoidance of the Remuneration Code.

Advisers

The Regulator does not prescribe how firms should structure their remuneration however, it has indicated that firms must consider whether their incentives increase the risk of mis-selling. The FCA are concerned with remuneration structures rather than the absolute monetary amount paid to individuals.

There is a bonus scheme in place for employed advisers which has been created in line with applicable remuneration requirements. This scheme has compliance and quality measures in place to ensure that individuals are not solely remunerated based on performance. Advisers are objectively assessed in a range of ways; skill assessments, file reviews, training sessions including validation and annual examinations.

The Firm evaluate an individual's risk status based on a number of KPI criteria, weighted appropriately, depending on the Firm's view of how they should contribute towards an overall risk evaluation. Any eligible bonus is subject to the adviser reaching the high standards expected across risk management, conduct and compliance, consistent with our culture of professionalism. In addition, by adopting this stance we can ensure that measurements are in place to reduce the risk of a conflict and client detriment arising.

Having these controls in place allows the Firm to align its policies and procedures with effective risk management to avoid a scenario where individuals have an incentive to act in any way that could undermine this.

Governance and reporting

The Firm's governing body is the Board who are responsible for overseeing and implementing the Firm's remuneration practices which includes:

- determining the framework and policy for remuneration and ensuring it does not encourage undue risk taking
- agreeing any major changes in remuneration structures
- reviewing the terms and conditions of any new incentive schemes and in particular, considering the appropriate targets for any performance-related remuneration schemes
- considering and recommending the remuneration policy for the senior employees taking into account the appropriate mix of salary and discretionary bonus
- in determining remuneration arrangements, the Board will give due regard to best practice and any relevant legal or regulatory requirements including the MIFID PRU Remuneration Code.

Material Risk Takers (MRTs)

Material risk takers are staff members whose professional activities have been assessed as having a material impact on the risk profile of the company or the assets the firm manages taking into account prudential, operational, market, conduct and reputational risks.

At least annually AFH undertakes a comprehensive review of persons who it considers to be MRT's for the purposes of the Code. This review also takes into account any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers (i.e. Identified Staff as per the Remuneration Policy). Such staff are subject to specific regulations on remuneration policies are subject to additional restrictions related to variable remuneration.

Aggregate quantitative information on remuneration

The following tables sets out aggregate quantitative information on compensation of individuals who were employed by the AFH Group in 2023.

2023 Remuneration (£)	Directors *	Other Senior Management Function	Material Risk Takers	All Other Staff	Total
Number of Employees	4	2	12	557	575
Fixed Remuneration	1,299,756	280,450	1,167,749	20,038,002	22,785,957
Variable remuneration	15,311	71,781	65,569	1,097,503	1,250,163
Total	**1,315,067 ***	**352,231**	**1,233,318**	**21,135,504**	**24,036,120**

*Directors costs were borne by AFH Financial Group Ltd

2023 Remuneration (£)	Directors	Other Senior Management Function	Material Risk Takers	Additional Explanation
Guaranteed Variable pay	-	-	-	No Awards Made in 2023
Severance Payments	-	60,375	-	
Highest Severance	**-**	**60,375**	**-**	

Investment Policy

The Company meets the conditions of MIFIDPRU 7.1.4R(1). As a result, the disclosure obligations relating to Investment Policy set out in MIFIDPRU 8.7. do not apply to the Company.