Morningstar Wealth Administration Limited

FRN 463566

MIFIDPRU 8 Disclosure

As at:

31 December 2023

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1 Introduction and Context

1.1 Firm Overview

Morningstar Wealth Administration Limited ("WAL" or "the Firm") is an investment management firm incorporated in England and Wales and regulated by the Financial Conduct Authority (FCA) as a MiFID (Markets in Financial Instruments Directive) Investment Firm. WAL administers the Discretionary Platform Service which provides advisers and wealth managers with an online platform through which they can provide end-to-end discretionary investment management solutions to their clients. The Company does not meet the FCA definition of a small and non-interconnected investment firm ("SNI") as set out in the MIFDPRU rules and is therefore required to provide additional disclosure around governance arrangements, capital resources and requirements and remuneration as a non-SNI in line with MIFIDPRU 8 requirements. These disclosures are not required to be subject to an independent external audit.

1.2 Basis of Disclosure

The FCA implemented a new Investment Firms Prudential Regime ("IFPR"), which came into effect from 1 January 2022. This introduced a new Prudential Sourcebook for MiFID Investment Firms ("MIFIDPRU"). WAL must comply with the rules set out within MIFIDPRU. The purpose of IFPR is to ensure that investment firms are financially resilient, and that they do not create harm or fail in a disorderly manner that brings wider disruption to investors or markets in which they operate.

IFPR introduces amended disclosure requirements, which replace historical disclosure obligations under the previous prudential regime. The purpose of the amended disclosure requirements under the rules set out in MIFIDPRU 8 is to enable the business model and potential risk of harm posed by each investment firm to be better understood by its stakeholders. Firms are required to publicly disclose, at least annually, their policies for managing risk, details of their regulatory capital requirements and supporting capital resources and information around their employee remuneration policies. These disclosures are designed to promote market discipline by providing market participants with key information on each firm's risk exposures and risk management processes.

The Investment Firms Directive ("IFD") was implemented across the EU from June 2021, providing a new prudential regime for investment firms. The IFD superseded existing prudential rules set out in the Capital Requirements Directive ("CRD"). It recognised that CRD was designed to apply to banking organisations, resulting in many of its requirements having limited relevance to investment management companies. The UK was heavily involved in the development of the IFD prior to its exit from the European Union and has implemented a similar regime in the UK, IFPR, which came into force from 1 January 2022.

Whilst UK-CRD will continue to apply to more complex firms, most investment firms including WAL are captured by IFPR and now cease to be regulated under the previous rule set. The rules relating to the IFPR regime are largely held within the prudential sourcebook, MIFIDPRU, which replaces previous rules set out in the IFPRU and BIPRU sourcebooks. This prudential regime introduced a number of fundamental changes, including:

- new Own funds requirements, including the introduction of a new K-factor approach to replace existing credit and market risk assessments. This change in approach is intended to place a greater focus on areas of operational risk and introduces the concept of "harms" that could be caused by the activities of investment management firms;
- a new approach for an investment firm's internal risk and prudential assessments, and the supervision of those requirements, which are now considered as part of an ICARA (Internal Capital and Risk Assessment) process;
- the introduction of new liquidity requirements and obligations for all investment firms;
- new governance and committee requirements; and
- a new remuneration code.

This document has been prepared by WAL in accordance with the requirements of MIFIDPRU 8. Unless otherwise stated, all figures
are as at the Firm's 31 December financial year-end.

1.3 Scope

The Firm has completed this disclosure on an individual basis, as per the rules in MIFIDPRU 8.1.7.

1.4 Frequency

The rules set out in MIFIDPRU 8.1.10R require that the information contained in this document is disclosed at least annually, on the date it publishes its annual financial statements. The Firm considers it appropriate to update the disclosure document more frequently during periods of significant material change to the Firm or business model.

1.5 Media and Location

The disclosure document is published on the Firm's website: https://morningstarwealthplatform.com/en-uk/legal-policies/.

2 Governance

2.1 Organisational Structure

Morningstar Wealth Administration Limited is a firm based in London, UK. WAL is owned by the Parent Group Morningstar, Inc. which is based in Chicago, US. Morningstar Inc, the ultimate parent, provides on-going support and commitments to WAL. WAL also has several subsidiaries based in the UK and a regulated branch in Dubai, UAE.

2.2 Governance Framework

The Board is the governing body of Morningstar Wealth Administration Limited, and has the ultimate management authority and
responsibility of the Firm and its activities. The Board's main roles and responsibilities include:

a) Overseeing related risk management arrangements to ensure effectiveness of risk identification and management
b) Overseeing compliance with the applicable rules of the FCA and other organisations, as they apply to the Firm
c) considering the adequacy of the arrangements established to ensure compliance with the Rules and Guidance of the FCA and/or other regulatory bodies, as appropriate;
d) assessing the risk management strategy of the Firm and, where appropriate, ensuring that risks are adequately managed;
e) ensuring the compliance function is adequately resourced and has appropriate standing and independence within the Firm; and
f) considering other topics, as defined by the Board from time to time.

2.3 Directorship

The Board meets on a quarterly basis, or more frequently as needed. As of 31 December2023, the Board was comprised of:

Name	Title	Number of External Directorships
Mark Sanderson	Managing Director, Wealth UK & Offshore	-
Chris Divito	Non-Executive Director	1
Ben Lester	Head of Distribution - UK & International	-
Derek Smith	Head of Technology	-

Ben Lester and Derek Smith were appointed in January 2024.

2.4 Committees

Risk and Regulatory Change Committee

The Firm established the Risk Committee to oversee each business area's assessment of its key risks and the controls in place to mitigate them. The Risk and Regulatory Change Committee meets quarterly.

Audit Committee

The Firm has not established an Audit Committee due to its size.

Risk Committee

The Firm does not have a designated Risk Committee, based on its exemption as per MIFIDPRU 7.1.4R.

2.5 Diversity & Inclusion

Morningstar is committed to protecting human rights in all aspects of its business and to providing an equitable and ethical workplace. The goal is to provide a workplace where every employee feels respected, valued, and comfortable. To preserve this atmosphere, Morningstar will not tolerate harassment or other abusive behavior by anyone, including employees, board members, clients, vendors, suppliers, contractors, and consultants. To ensure modern slavery and other forms of abusive practices are absent from the business and supply chains, Morningstar is committed to implementing and enforcing effective systems and controls.

Morningstar is strongly committed to creating and preserving equal opportunity for all employees and applicants, in accordance with applicable law. All employment decisions, including recruitment, hiring, compensation, training, promotion, transfer, discipline, termination, and other personnel matters, are made without regard to race, colour ancestry, religion, sex, national origin, age, disability, protected veteran status, marital status, sexual orientation, genetic information, citizenship, gender identity and expression, parental status, or other legally protected characteristics or conduct.
Morningstar's strong commitment to equal opportunity requires a commitment from every employee and so Morningstar enshrines diversity and inclusion within its code of ethics, which is applicable to all employees, including employees of the Firm and members of the Board of Directors of each firm within the Morningstar group.

3 Risk Management

3.1 Risk Management Objective and Framework

The Firm's risk management policies and framework aim to provide reasonable assurance of the safeguarding of the assets and interests of all stakeholders, including the customers of the Group's operating businesses. The main aspects of WAL's risk management framework include:

- Risk governance, including:
  - setting risk tolerances;
  - establishing policies and procedures;
  - establishing a regional Risk committee; and
  - overseeing the risk management framework.
- Risk identification and assessment, including:
  - identifying the firm's key risks and emerging risks;
  - identifying business unit risk through tools such as risk and control self-assessments and regular meetings with business units;
  - reviewing new products and major changes; and
  - reviewing operating events and external events.
- Risk monitoring and measurement – quantifying and forecasting risks and monitoring risk tolerance. This includes:
  - monitoring and investigating operating incidents, and recording them in a database of operating incidents;
  - establishing and monitoring key risk indicators in the context of the firm's risk tolerance; and
  - overseeing the Internal Capital and Risk Assessment process, including the quantification of regulatory capital requirements.
- Risk reporting – providing information and reports to functional and regional business management, boards, committees and regulators. This includes:
  - risk profile and risk register reporting; and
  - operating incident and breach reporting.

3.2 Risk Management Governance

The overall responsibility of the risk management policies within the Firm is held by the Board. Its duties and responsibilities are outlined in 2.2 above. The Board meets quarterly or more frequently as needed.
As well as the Board, the Firm also has in place a designated Risk and Regulatory Change Committee which also hold responsibility
over the Firm's risk management framework. Its key duties and responsibilities include:

a) Overseeing departmental risk registers and ensuring key risks are highlighted to management and the Board;
b) Reviewing controls implemented to mitigate risks to determine their effectiveness; and
c) Noting the impact of new or emerging regulatory changes on the business' operations,

risk profile and appetite

The Risk and Regulatory Change Committee meets quarterly or more frequently as needed.

3.3 Risk management structure

The WAL's risk governance framework is based on two lines of defence model, whereby:

a) 1st line: Business managers identify and manage risks;

b) 2nd line: The Chief Compliance Officer (CCO), supporting teams and the Board oversees and challenges the management of risk

3.4 Risk Appetite

The Firm defines "risk appetite" as the level of residual risk which the firm considers acceptable for any given risk. The Firm identifies its risks and categorises them both in terms of severity and whether they represent a material risk. These risks are then evaluated in regard to whether they are within the Firm's risk appetite, which the Firm has determined to be "Risk Averse".

Risks are subject to ongoing review and evaluation by both individual departments within the Firm and the Risk and Regulatory Change Committee, and key risks are highlighted for review by the Board.

3.5 Key Risks

The key risks associated with WAL are comprehensively discussed and evaluated in the sections below. Each risk is analysed in depth to provide a clear understanding of its potential impact. The key risks include operational risk, credit risk and liquidity risk.

3.5.1 Operational Risk

Operational Risk relates to the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. It includes legal and financial crime risks.

Operational risk can never be eliminated; however, to minimise the probability and impact of adverse operational events our risk management process includes specific reviews of the key risks identified via the Risk Register, the underlying internal control matrices and the effectiveness of the risk management process as a whole which is integral to the Firm's Risk Management Framework. This includes a range of policies and procedures carried out by all three lines of defence with the aim of enhancing operational controls and minimising errors.

The key operational risks assessed for the Firm are a consolidation of more granular risks managed through the Firm's ongoing risk management activity.

The risks assessed through this process include:

- Legal and Regulatory
- CASS
- Information Technology
- Change
- Processing
- Conduct of the business
- Outsourcing and material suppliers
- People
- Business Continuity
- Information Security
- Financial Crime.

Each is assessed within the risk matrices for each of the business units of the Firm. These are reported through the risk management framework and actions ascribed to all material residual risks.

3.5.2 Credit Risk

This represents the risk of loss through default by a counterparty and can include failure to recover debts, a default by the issuer of a market instrument (Issuer Risk) and/or a counterparty not fulfilling contractual obligations as a result of either short-term operational failures or its insolvency.

The Firm does not offer credit to clients and does not conduct any trading as principal. The significant majority of the fees which the Firm receives for its services are accrued daily and paid each month. Fee settlement is processed each month from accounts and funds directly operated by the Firm and, therefore, the Firm carries no aged debtor balances for unpaid fees.

The Firm arranges trades on behalf of its underlying investors in its role as Custodian. These trades are transacted through sub-custodians which, primarily, comprise FNZ and, via Morningstar Wealth International Limited, a sister company of the Firm, Northern Trust. When it executes trades, the Firm generates cash flows between the client money accounts which it manages and the sub- custodian for the respective assets being bought and sold. Because of its responsibilities under CASS 7 to maintain the client money resource against the requirement at all times, any delay in the settlement of the sell side of transactions by the sub-custodian would generate a funding gap on the client account which would have to be funded. This, and the risks associated with modelling cash flows with settlement days which might vary between system and sub-custodian, give rise to a counterparty risk and an associated credit risk exposure. To mitigate this risk, the Firm operates a Prudent Segregation policy to retain a balance within the client money account in accordance with the CASS rules.

3.5.3 Liquidity Risk

Liquidity Risk refers generally to the Firm's ability to:

- Operate within its defined tolerance for risk or cash buffer;
- Continue to pay its debts and other obligations as they fall due without incurring excessive cost in order to do so;
- Effect an orderly wind-down of its business should the need arise; and
- Realise its assets as may be required to fund the above.

To address these, the Firm maintains a liquidity risk management framework under which it:

- Holds current reserves in the form of cash or short-term deposits, as entirely liquid assets;
- Monitor the cash resources available daily and update cash forecasts on a quarterly basis;
- Plan and monitor forecast cash requirements, expenses and revenue trends;
- Model trading settlements to forecast cash settlement balances daily; and
- Test cash flows in severe adverse scenarios under the wind-down plan.

3.5.4 Regulatory Risk

This is the risk, ultimately, of the business having its authorisation withdrawn by the regulator or having certain conditions applied which adversely impact its ability to function on a day-to-day basis.

The business mitigates any such risks by effectively planning for any change to laws and regulations and having a comprehensive understanding of regulatory expectations. This includes, but is not restricted to, ensuring regulatory returns are completed in a timely manner, having in place an adequate compliance programme, and providing training and education to staff in respect of products, regulations, and compliance or legal frameworks.

3.6 Effectiveness of the Firm's Risk Management Process

The effectiveness of WAL's risk management and internal control environment is defined in terms of governance, risk management and internal control activities, codified by the Risk Management Framework. The Firm believes the risk management processes and controls are appropriate for the Firm based on the activities undertaken by the Firm but does note that further enhancements to these arrangements would be beneficial. The Board will review and endorse the risk management objective annually.

4 Own Funds

The term "Own funds" refers to the regulatory capital resources which an investment firm holds to ensure that it remains financially secure. Each firm should retain a sufficient level of its Own funds to allow it to absorb losses incurred as a result of business stress and to enable the firm to be wound down in an orderly manner, should this be required. The Own funds disclosures presented below are made in line with the template requirement set out in MIFIDPRU 8.4 and MIFIDPRU 8 Annex 1.

Compared to the prior reporting period, there have been no significant changes to the composition or main features of own funds.

4.1 Composition of Regulatory Own Funds

As at 31 December 2023, to meet its regulatory obligations, WAL held Own funds of £3,261k (£3,506k in 2022). All Own funds are held within the common equity tier 1 capital and the composition is shown below.

	Item	Amount (GBP thousands) 31 December 2023	Amount (GBP thousands) 31 December 2022	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	3,261	3,506	Statement of Changes in Equity (Page 16)
2	TIER 1 CAPITAL	5,142	5,061	Statement of Changes in Equity (Page 16)
3	COMMON EQUITY TIER 1 CAPITAL	5,142	5,061	
4	Fully paid up capital instruments	2,150	2,150	Statement of Changes in Equity (Page 16)
5	Share premium	-	-	
6	Retained earnings	2,992	2,911	Statement of Changes in Equity (Page 16)
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	(1,881)	(1,555)	Note 10 (Page 33)
19	CET1: Other capital elements, deductions and adjustments	-	-	
20	ADDITIONAL TIER 1 CAPITAL	-	-	

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	-	-	
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	-	-	

An extract from the audited financial statements showing the Company's statement of financial position (balance sheet), with relevant references as noted in the table above, can be found in Appendix 1

4.2 Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements

The table below describes the reconciliation with Own funds in the balance sheet as at 31 December 2023, where assets and liabilities have been identified by their respective classes. The information in the table below reflects the balance sheet in the audited financial statements.

		a) Balance Sheet as in published/audited financial statements Balance Sheet as in published/audited financial statements Cross-reference to template OF1 As at period end 31 December 2023 (GBP Thousands)	b) Balance Sheet as in published/audited financial statements Balance Sheet as in published/audited financial statements Cross-reference to template OF1 As at period end 31 December 2022 (GBP Thousands)	c) Cross reference to template OF1
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Investments in Subsidiaries	£1,881	£1,555	11
2	Tangible Assets	£473	£71	
3	Current Assets	£4,242	£4,386	
	Total Assets	£6,596	£6,011	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Current Liabilities	£1,088	£951	
2	Non-current liability	£365	-	
	Total Liabilities	£1,454	£951	
Shareholders' Equity				
1	Capital	£2,150	£2,150	4
2	Retained Earnings	£2,992	£2,911	6
	Total Shareholders' equity	£5,142	£5,061	

4.3 Main Features of Own funds Instruments Issued by the Firm

The main features of Own funds instruments issued by the Company are:

- Share capital consists of fully paid ordinary shares of £1 each, with 2,150,000 shares in issuance as at 31 December 2023
- 100% of the called-up share capital is owned by the parent company, Morningstar Wealth Portfolio Services Limited
- 100% of total shareholder's equity is recognised as regulatory Own funds capital
- Share capital and retained earnings have no specific terms and conditions attached to them

5 Own Funds Requirements

5.1 Own Funds Requirement

The MIFIDPRU rules set out the Own funds requirement for each investment firm, being the minimum level of Own funds that the investment firm is required to hold. MIFIDPRU 4.3 states that the Company must always maintain Own funds so that they are at least equal to its Own funds requirement. As the Company is classed as a non-SNI MIFIDRU firm, the Own funds requirement is the highest of:

(i) Permanent Minimum Requirement (MIFIDPRU 4.4R)
(ii) Fixed Overhead Requirement (MIFIDPRU 4.5R)
(iii) K-Factor

Requirement (MIFIDPRU 4.6R) Own

funds requirement as at 31/12/2023:

Own Funds Requirement		31 December 2023 (GBP Thousands)	31 December 2022 (GBP Thousands)
Permanent Minimum Requirement		£150	£150
Fixed Overheads Requirements		£1,485	£650
K-Factor Requirement	∑ K-AUM, K-CMH and K-ASA	£1,573	£1,350
	∑ K-DTF and K-COH	£16	£9
	∑ K-NPR, K-CMG, K-TCD and K-CON	-	-

The Company held sufficient Own funds throughout the year to cover this minimum regulatory obligation. The Company held excess Own fund of £1.7m (2022: £2.2m) over the regulatory Own funds requirement as at 31 December 2023. The K-Factor requirement has increased because of Net new business and market movements.

The three components of the Own funds requirements are discussed further below.

5.1.1 Permanent minimum capital requirement

This is the initial capital required for authorisation by the FCA, which then applies on an on-going basis once a firm has been authorised as MIFIDPRU investment firm. It is a fixed amount based on the permissions held for investment services and activities the Company undertakes.

5.1.2 K-Factor requirement

The purpose of the K-factor requirement is to align capital requirements to the level of risk posed by investment firms and the activities they undertake. There are 9 K-Factors, which are split into the 3 categories noted in section 3.1:

- Harm to Client
- Harm to Market
- Harm to Firm

The Harm to Market and Harm to Firm K-factor categories are largely only relevant for firms that trade on their own account and are therefore not generally applicable to the Company. For many investment firms, including WAL, Harm to Client will be the most material risk they need to manage, being the failure of the firm to carry out its services or operations correctly. The K-Factor requirements are calculated on the first working day of each month, averaging business data over specified timeframes and applying a risk factor as noted in MIFIDPRU 4. The K-Factor requirement for the Company as at 31 December 2023 is broken down in the table above. A more detailed description of the various K-Factors can be found in Appendix 2.

5.1.3 Fixed overhead requirement (FOR)

The purpose of the FOR is to ensure that firms hold a minimum amount of capital to support an orderly wind-down. As determined by MIFIDPRU 4.5, the FOR equates to 3 months' worth of relevant expenditure. Relevant expenditure is the total expenditure before distribution of profits and firms may deduct certain items of variable expenditure such as staff bonuses, if fully discretionary. The FOR is based on the annual expenditure reported in the most recent audited financial statements. When a material increase to projected relevant expenditure is anticipated during the financial year, the FOR is recalculated based on the revised projected expense base and immediately becomes the requirement. The Company's FOR disclosed above, has been calculated using the annual expenditure from the audited financial statements relating to the financial year ending 31 December 2023.

5.2 Approach to Assessing the Adequacy of Own Funds

The K-factor requirements and FOR, as determined above, establish the regulatory minimum level of Own funds which the Company is required to hold. In addition, the Company also undertakes analysis to confirm that the level of Own funds and liquid resources that it holds are sufficient to cover areas of potential harm that may result from its specific activities and business model.

The overall financial adequacy rule as set out in MIFIDPRU 7.4.7 requires that the Company must, at all times, hold Own funds and liquid assets which are adequate, both as to their amount and their quality, to ensure that the 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 the firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

In line with the rules set out in MIFIDPRU 7, the Company has in place an ICARA process which seeks to identify all material harms that could result from the ongoing operation of the business, or from the winding-down of the business, and to establish the amount of capital and liquid assets required to cover those potential harms.

WAL's risk management and control framework enables the identification, mitigation, and monitoring of risks to the business and consideration of potential harms to clients, the firm, and the wider financial markets. The ICARA process reflects the Company's risk management framework, incorporating assessment of its business model planning and forecasting, stress and scenario testing, recovery planning and wind-down planning.

The Company's board has set a capital coverage risk appetite aimed at ensuring that the amount of Own funds held exceeds the higher of the assessed internal capital threshold requirement and the prescriptive Own funds requirement, together with an additional margin for prudence.

The Company complies with the overall financial adequacy rule by regular monitoring of its capital and liquidity positions in comparison to the calculated threshold requirements, and by regular monitoring of risk exposures and associated metrics. This allows implementation of timely management action as and when appropriate to ensure continuing compliance, including updated assessments at least annually of threshold requirements to reflect emerging exposures and material changes in the business and risk and control environment.

The Company reviews the adequacy of the ICARA process at least once every 12 months, and (irrespective of the annual review) following any material change in the business model or operating model. Its governance structure provides significant oversight of the business and the ability to raise issues with relevant subject matter experts, and to discuss and implement appropriate management actions as and when required. The ICARA risk-based assessment typically generates a higher requirement than the Own funds requirement noted above. Throughout the year, the Company held a sufficient level of Own funds and liquid resources to cover the threshold requirements calculated through its ICARA processes.

6 Remuneration

6.1 Approach to Remuneration

The Firm's Remuneration Policy is applicable to all the staff of WAL, to the extent specified. SYSC 19G.1.24G provides that the term "staff" should be interpreted broadly to include, for example, employees of the firm itself, partners or members (in the case of partnership structures), employees of other entities in the group, employees of joint service companies, and secondees.

6.2 Remuneration Policy

The Firm's Remuneration Policy outlines the policies and processes of remuneration for all the Firm's staff. The policy aims to reflect the Firm's business philosophy of maintaining sound operational and regulatory systems and controls and a strong Compliance culture. The Remuneration Policy is reviewed by Compliance and the Board on an at least an annual basis in order to ensure that the terms are in line with current regulatory requirements.

As the governing body, the Board must discharge effective oversight to enable the Firm's arrangements to strengthen prudent risk-taking measures, ensure related conflicts of interest are managed and promote good conduct. Furthermore, the Board ensures prudential obligations, capital requirements, and liquidity management are considered accordingly when determining remuneration paid to employees.

It is the Firm's intention that its Remuneration Policy:

- Discourages risk-taking beyond the Firm's risk appetite;
- Discourages behaviours leading to misconduct and poor customer outcomes;
- Supports good behaviours and healthy firm culture; and
- Establishes and promotes sound and effective risk management practices.

6.3 Remuneration Governance

The Compensation Committee of the Firm's ultimate parent, Morningstar, Inc. is responsible for oversight of the Firm's remuneration policy and practices. In addition to the Compensation Committee, input regarding remuneration is also provided by the Board of Directors of the ultimate parent, Morningstar, Inc. and the Board of Directors of the Firm.

The Compensation Committee and the Board of Directors of Morningstar, Inc. are responsible for ensuring that proposed remuneration is in line with the Firm's performance, determined by comparison to both financial and non-financial criteria. The Board of Directors of the Firm are responsible for ensuring that the proposed remuneration is aligned with the Firm's risk approach and all applicable regulatory requirements.

6.4 Material Risk Takers

A material risk taker is defined in SYSC 19G.5.1R as a staff member at a non-SNI MIFIDPRU investment firm whose professional activities have a material impact (as described in SYSC 19G.5.3R) on the risk profile of the firm, or of the assets that a firm manages.

As required in SYSC 19G.5.2R, WAL assesses which members of its staff are material risk takers at least annually, or more frequently as required, including when staff leave or join the Firm. For the performance year 2023, the Firm identified four material risk takers.

6.5 Categorisation of Fixed and Variable Remuneration

WAL is required to make a clear distinction between the criteria for setting its fixed and variable remuneration within the Firm. The Firm operates a flexible Policy whereby remuneration is appropriately balanced and the fixed award is expected to be a higher proportion of the total Remuneration. Should an exception be identified where the variable component exceeds that of the fixed component, during a financial period, this exception should be highlighted and presented to the Board for review. Fixed remuneration is set at an appropriate level which ensures that staff are not reliant on variable pay, and thus are not incentivised to take excessive risk.

Variable remuneration within the Firm may include cash and/or share-based bonuses provided by the below schemes:

- Morningstar Global Bonus Pool;
- Sales Commission; and
- Equity (Restrict Stock and Morningstar Stock Units).

With the exception of the Morningstar Global Bonus Pool, which is available to all permanent employees, the schemes are subject to eligibility criteria based on role and business unit type. All employees have an element of fixed remuneration to their overall compensation packages. Variable employee remuneration and similar incentives must not be solely, or predominantly, based on quantitative commercial criteria and must take into account appropriate qualitative criteria reflecting compliance with the applicable regulations, the fair treatment of clients, the quality of services provided to clients, and include sustainability and risk adjusted performance measures. As applicable, these criteria is set within each employee's objectives and includes financial and non-financial components. Consequently, bonus funding and related payment to employees is dependent on several factors, notably overall firm and associated business line performance and then taking the employee's individual performance factors both quantitative and qualitative, accordingly into account.

On occasion, the Firm is permitted to make discretionary awards of variable remuneration to employees, including Material Risk Takers, potentially constituting sign on bonuses, retention awards, severance payments or buy out awards. Such awards must be subject to approval by the Morningstar's Talent and Culture team and the WAL Board and a suitable rationale must be documented.

6.6 Remuneration Adjustments

WAL policy permits the adjustment of variable remuneration to take account of specific, crystallised risk, or adverse performance outcomes, specifically those relating to misconduct, serious reputational damage, or significant financial loss. As necessary, the WAL Board would appoint the appropriate control function to investigate and determine if adjustments are necessary, potentially including clawbacks of variable remuneration awarded. Under Firm policy, the period for potential clawbacks is three years from payment.

6.6.1 Risk and Performance Adjustments

Assessment of WAL's remuneration arrangements is integral to the internal capital adequacy and risk assessment (ICARA) process. The ICARA is an ongoing assessment, formally documented annually that considers the key risks identified as applicable to the activities of the Firm and the potential impact these may have on WAL's prudential obligations. Remuneration, and the associated consideration that related structures may promote excessive risk taking, is specifically integrated into the ICARA process.
The allocation of variable remuneration takes into account all types of current and future risks, including non-financial risks, in accordance with the MIFIDPRU Remuneration Code. The related structures and processes would be adjusted accordingly, should the overall current and future risk appetite be potentially compromised by the established remuneration arrangements.

6.6.2 Risk and Performance Adjustments for Material Risk Takers

In order to comply with MIFIDPRU Remuneration Code, the Firm is required to have in place processes through which it can, if necessary, reduce the variable remuneration of a material risk taker. The Board reviews proposed remuneration awarded to Material

Risk Takers for the annual reporting period and determines whether any proposed increase in fixed remuneration and/or granting of variable remuneration, breaches policy requirements. Should any potential breaches be identified, the WAL Board will escalate the concerns to Morningstar's Compensation Committee for immediate review. If WAL policy has been breached, the WAL Board will request a risk-based adjustment to the relevant Material Risk Taker's proposed remuneration award.

Severance payments may be made to material risk takers at the sole discretion of the Firm and will be assessed strictly in line with the requirements of the MIFIDPRU Remuneration Code 11.8. WAL's Remuneration Policy states payment of such awards requires approval from Morningstar's People and Culture team and the WAL Board.

6.7 Quantitative Disclosures

Total amount of remuneration awarded to senior management, other material risk takers and other staff:

	2023 Fixed remuneration (GBP Thousands)	2023 Variable remuneration (GBP Thousands)	2022 Fixed remuneration (GBP Thousands)	2022 Variable remuneration (GBP Thousands)
Senior Management	£460	£252	£537	£852
Other Material Risk Takers	£632	£163	-	-
Other staff	£1,350	£365	£792	£249
Total	£2,442	£780	£1,329	£1,100

The table above details the remuneration, split between fixed and variable, of the employees and material risk takers of the Firm. For the purposes of this disclosure, staff employed within the Morningstar group who are neither identified as material risk takers or as undertaking senior management functions for the Firm have been excluded.

There were no guaranteed variable remuneration awards made to Material Risk Takers in the performance period. There were no severance payments awarded to Material Risk Takers in the performance period.

Appendix 1 – Statement of Financial Position

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MORNINGSTAR WEALTH ADMINISTRATION LIMITED

STATEMENT OF FINANCIAL POSITION

Registered number: 06016828

AS AT 31 DECEMBER 2023

	Note	2023 £	2022 £
Fixed assets			
Investments	9	–	–
Investments in subsidiaries	10	**1,880,892**	1,554,500
Tangible assets	11	**473,161**	71,250
		2,354,053	1,625,750
Current assets			
Debtors: amounts falling due within one year	12	**1,707,665**	3,097,286
Cash at bank and in hand	13	**2,534,307**	1,288,322
		4,241,972	4,385,608
Creditors: amounts falling due within one year	14	**(1,088,429)**	(950,737)
Total assets less current liabilities		**5,507,596**	5,060,621
Creditors: amounts falling due after more than one year	15	**(362,843)**	–
Deferred tax liability	16	**(2,385)**	–
Net assets		**5,142,368**	5,060,621
Capital and reserves			
Called up share capital	17	**2,150,000**	2,150,000
Revaluation reserve	18	–	–
Retained earnings	19	**2,992,368**	2,910,621
Shareholders' funds		**5,142,368**	5,060,621

The financial statements were approved by the Board of directors and authorised for issue on 13 June 2024.

DocuSigned by:

Mark Sanderson

M Sanderson

Director

Appendix 2 – K-Factors

Term	Harm	Explanation
K-ASA	Client	K-ASA (Assets Safeguarded and Administered) – is the K-factor requirement for the amount of Own funds assigned against the risk of harm associated with the safeguarding and administering of a client's financial instruments.
K-AUM	Client	K-AUM (Assets Under Management) is the K-factor requirement for the amount of Own funds investment firms are required to hold against risks associated with managing assets for clients. It covers both assets managed on a discretionary portfolio management basis and assets under an ongoing non-discretionary advisory arrangement.
K-CMG	Market	K-CMG (Clearing Margin Given) is an alternative to K-NPR to provide for market risk for firms that deal on Own account or execute for clients in the name of the investment firm It is based on the total margins an investment firm is required to give to a clearing member and can only be used with the agreement of the FCA.
K-CMH	Client	K-CMH (Client Money Held) is designed to capture the risk of an investment firm causing potential harm to clients where it holds their money. It takes into account whether the funds are recorded on the investment firm's Own balance sheet or in third party accounts, and arrangements provide that client money is safeguarded in the event of bankruptcy, insolvency, or entry into resolution or administration of the investment firm.
K-COH	Client	K-COH (Client Orders Handled) is the K-factor Own funds requirement designed to cover potential risks from both the execution of orders in the name of the client and the reception and transmission of client orders.
K-CON	Firm	K-CON (Concentration Risk) is an Own funds requirement that only applies to exposures in the trading book for investment firms that deal on Own account or execute for clients in the name of the investment firm. It seeks to provide additional Own funds to manage concentration risk to a single counterparty or group of connected counterparties.
K-DTF	Firm	K-DTF (Daily Trading Flow) is an Own funds requirement that applies to investment firms that are dealing on Own account, including where executing client orders in the name of the investment firm. It is designed to capture operational risks related to the value of trading activity an investment firm conducts throughout each business day. It excludes the value of orders handled which are already captured by K-COH.
K-NPR	Market	K-NPR (Net Position Risk) is the K-factor that applies to firms that deal on Own account or execute for clients in the name of the investment firm. It provides for market risk and is based on the market risk framework (standardised approach, or if applicable, internal models) of the Capital Requirements Regulation.
K-TCD	Firm	K-TCD (Trading Counterparty Default) is a K-factor Own funds requirement that only applies to investment firms dealing on their Own account or execute for clients in the name of the investment firm. It aims to capture risks from trading counterparties failing to meet their obligations to the investment firm.