Morningstar Wealth Administration Limited
FRN 463566

MIFIDPRU 8 Disclosure
Year ending **31 December 2024**

Table of Contents

1 Introduction and Context

1.1 Firm Overview

Morningstar Wealth Administration Limited ("WAL" or "the Firm") is an investment 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 Investment Platform Service which provides advisers and wealth managers with an online platform through which they can provide wealth 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 the Investment Firms Prudential Regime ("IFPR"), on 1 January 2022. This introduced the 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.

For further background and context, 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 The IFD superseded existing prudential rules set out in the Capital Requirements Directive ("CRD").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 subsequently implemented IFPR, a similar regime, which came into force on 1 January 2022.

Compared to previous disclosure periods, Section 2.0 *Risk Management Objectives and Policies* has been updated to highlight key risks in line with FCA guidance. Additionally, a new subsection has been added under Section 3.2 *Governance Arrangements*, outlining the entity's Conflict of Interest Policy to better align with FCA MIFIDPRU 8 requirements. Footnotes have also been included throughout the document to provide guidance and improve ease of reference.[1]

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 & Frequency

The Firm has completed this disclosure on an individual basis, as per the rules in MIFIDPRU 8.1.7.[2]

---

[1] MIFIDPRU 8.1.13 (4)
[2] MIFIDPRU 8.1.7

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.[3]

1.4 Media and Location

The disclosure document is published on the Firm's website: https://morningstarwealthplatform.com/en-uk/important-information-uk/[4]

[3] MIFIDPRU 8.1.10R
[4] MIFIDPRU 8.1.1E

2 Risk Management Objectives and Policies

2.1 Risk Management Objectives and Policies

The framework aims 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 Firm's risk management objectives and policies for the following categories of risk include own funds, concentration risk and liquidity risk and are further detailed below. [5] Including the strategies and processes and how this helps reduce the potential for harm. [6] Each risk 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.

Own Funds

Potential for harm associated with the business strategy:

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 Internal Capital Adequacy and Risk Assessment (ICARA) concludes that £2,406 thousand is required to support the on-going business and £1,558 thousand is required to support wind-down. Therefore, the binding capital requirement (OFTR) is the capital required to support on-going activities of the business, £2,406 thousand.

Strategies and processes used to manage own funds risk:

The Firm's approach to assessing the adequacy of its own funds involves two assessments, with the higher of the two determining the Firm's Own Funds Threshold Requirement. *Assessment A* starts with calculation of K-factor, which is carried out quarterly using prescribed FCA formulas. Hence the K-factor is the minimum requirement from assessment A perspective. However, for *Assessment B*, the analysis begins with the estimation of the Fixed Overhead Requirement (FOR) using the latest audited financials. Therefore, the minimum requirement from assessment B perspective is the FOR.

Concentration Risk

Potential for harm associated with the business strategy:

The risks arising from the strength or extent of a Firm's relationships with, or direct exposure to, a single client or Morningstar Group of connected clients. The concentration of the revenue source of MWAL is monitored and reported throughout the year. The top five clients of MWAL, based on revenue contribution, account for 36 percent of the total revenue for the period end 31 December 2024. The result of the sensitivity analysis suggests that over the three-year period; the worst-case scenario is a loss of £270 thousand. As this is the biggest variance, the internal buffer for liquidity has been set at £270 thousand.

Strategies and processes used to manage concentration risk:

The Firm, in the last ICARA, developed a set of appropriate early warning indicators (EWIs) and recovery indicators (RIs) for reporting and monitoring to the Board. Concentration risk is assessed in this way quarterly quantitatively and qualitatively. This helps reduce potential harm by ensuring that the Firm can assess emerging circumstances which might lead to failure as soon as possible and intervene appropriately.

[5] MIFIDPRU 8.2.1R
[6] MIFIDPRU 8.2.2R

Liquidity Risk

Potential for harm associated with the business strategy:

Liquidity risk refers generally to the Firm's inability 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; conduct an orderly wind-down of its business should the need arise; and realise its assets as may be required to fund the above. Liquidity risk may arise when the internally assessed liquidity ratio falls below the requirement and an increase in frequency of requests for intra-Morningstar Group funding. This risk is also measured quantitatively and qualitatively.

Strategies and processes used to manage liquidity risk:

To determine the adequacy of the Firm's overall financial resources, the Firm carries out appropriate stress testing and scenario analysis, including taking reasonable steps to identify an appropriate range of realistic adverse circumstances and events in which liquidity risk might occur or crystallise. The firm also monitors the cash resources available and models trading settlements to forecast cash settlement daily, and updates capital and liquidity forecasts on a quarterly basis.

2.2 Approach to risk management

The Firm's approach to risk management and corresponding risk management policies are outlined below.[7]

1. Risk governance, including:
    - setting risk tolerances;
    - establishing policies and procedures;
    - establishing a regional Risk committee; and
    - overseeing the risk management framework.
2. 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.
3. 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.
4. 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.

2.3 Risk management structure and operations

The ultimate governing body of WAL is the WAL Board of Directors. The Board meets at least quarterly and receives reports covering the operational, investment, financial and compliance aspects of WAL's activities. All Executive

[7] MIFIDPRU 8.2.3G (1)

Board members are subject to the FCA's Senior Managers and Certification Regime.
The Board continues to oversee the Firm's internal controls system's effectiveness. This oversight includes assessment of all material controls, including financial, operational and compliance controls and associated risk management systems. Please note, given the limited activities of the institution and the corporate structure of the Morningstar group, WAL may be subject to oversight by departments and control functions that have additional responsibilities within the group.

2.3.1 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 3.2.1. The Board meets quarterly or more frequently as needed.

2.3.2 Committees

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

Risk Committee
WAL specific risks are incorporated into and assessed via the wider Wealth Risk & Corporate Governance Committee (RGC).

2.4 Risk Appetite

The Board decides the Firm's appetite or tolerance for risk – those risks it will accept and those it will not take in the pursuit of its goals and objectives. The Firm has a low to medium appetite for risk. The information, noted within this section, collectively constitutes the Firm's Risk Appetite Statement and is broken down into the following risk categories: Credit, Market, Currency Operational, Business, Reputational, Environmental Social & Governance (ESG) and Liquidity. [8]

The limits set for each risk category will serve as the basis for the Firm to monitor and mitigate the occurrence of these risks. As risks materialise and aggregate, suitable management actions will be applied as they approach the respective limits. Risk appetite is assumed to be low if the Firm has no tolerance for such risk and actions are in place to mitigate such risk and not ignore it or the Firm has decided to hold additional financial resources to mitigate the effect of suck risk. Risk appetite is defined as medium or high if the Firm concludes that the risk is necessary and cannot be eliminated due to the nature of its business.

2.5 Effectiveness of the Firm's Risk Management Process

The effectiveness of WAL's risk management and internal control environment is assessed through a combination of governance, oversight, and review mechanisms set out in the Firm's Risk Management Framework. [9] These include the maintenance of a central Risk Register, which is updated and reviewed at Quarterly Risk Meetings to monitor emerging risks, progress on mitigating actions, and the accuracy of residual risk assessments. Outcomes from these meetings, together with thematic updates on risk management, are reported to and challenged by the Risk & Corporate Governance Committee. This oversight enables the Board to form a view on whether the Firm's processes remain appropriate for the nature and scale of its activities. The Board formally reviews and endorses the Firm's risk management objectives on an annual basis, and ongoing enhancements to the framework and controls are pursued to strengthen effectiveness.

[8] MIFIDPRU 8.2.3G (3)
[9] MIFIDPRU 8.2.3G (4)

3 Governance Arrangements

3.1 Governance Structure

Morningstar Wealth Administration Limited (WAL) is a firm based in London, UK. WAL is owned by the ultimate 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.

3.2 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 Firm ensures that its management body defines, oversees, and remains accountable for the implementation of governance arrangements that support effective and prudent management. These arrangements include the segregation of duties within the organisation, the prevention of conflicts of interest, and are designed to uphold market integrity and protect client interests. [10]

3.2.1 The Board's main roles and responsibilities include:

The Board ensures effective and prudent management of the firm including segregation of duties, as well as:

a) Oversee related risk management arrangements to ensure effectiveness of risk identification and management
b) Oversee compliance with the applicable rules of the FCA and other organisations, as they apply to the Firm
c) To consider 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) To assess the risk management strategy of the Firm and, where appropriate, to ensure that risks are adequately managed;
e) To ensure the compliance function is adequately resourced and has appropriate standing and independence within the Firm; and
f) To consider other topics, as defined by the Board from time to time.

3.2.2 Conflict of interest Policy

Morningstar Wealth, which includes WAL, has a conflict of interest policy which is reviewed and acknowledged by the Board on a periodic basis.

In accordance with Morningstar Wealth policy,[11] a conflict of interest may occur where the entity/entities and/or an employee has an interest (personal or professional) that conflicts with the interests of any of Morningstar Wealth UK's clients.

Conflicts may arise between Morningstar Wealth UK and its clients, between Morningstar Wealth UK and other members of the group, between an employee and Morningstar Wealth UK, and between clients of Morningstar Wealth UK. Such conflicting interests may make it difficult for Morningstar Wealth UK or the employee to fulfil their duties impartially and can create an appearance of impropriety that may undermine confidence in Morningstar Wealth UK or the individual, even if no unethical or improper act results from the conflict.

[10] SYSC 4.3A.1R
[11] MIFIDPRU 8.3.1.R (1)

Policy provides clear requirements and restrictions relating to the identification, reporting, management, and mitigation of conflicts of interests to ensure awareness and understanding of the associated regulatory obligations. Consequently, potential conflicts are managed through measures including but not limited to:

- Employees disclosing information linked to potential conflicts of interest via the My Compliance Office system.
- Directors disclosing details of any identified conflicts of interest at the commencement of quarterly board meetings.
- Maintenance of a Morningstar Wealth specific conflicts of interest register.
- Under certain circumstances, disclosure of identified conflicts of interest to clients.
- As required, appropriate segregation of duties.

3.3 Directorship

The Board meets on a quarterly basis, or more frequently as needed. As of 31 December 2024, the Board was comprised of the following[12]:

Table 1: External Directorships

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 no longer holds a directorship at Morningstar as he resigned in November 2024.

3.4 Diversity of the board

The objective of the policy

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. [13]

- Policy is set at a global level, and we have a process in place around hiring that address this
- Before a director is appointed to the Board, the Company undertakes a due diligence review of the candidate's background, competence and qualifications.

Assessment of objective achievement

- In 2024, we updated our board retirement policy so that the mandatory retirement age of 73 only applies after a member has served a 10-year term[14]
- The Firm recognises that the current composition of the management body does not reflect the broader objectives of the DEI policy. At present, the Board consists solely of executive directors who are all white males, with no non-executive representation. While this structure ensures direct accountability and

[12] MIFIDPRU 8.3.1R (2)
[13] MIFIDPRU 8.3.1R (4)
[14] Morningstar. (2024) Corporate Sustainability Report 2024 [Online], Available at: https://www.morningstar.com/company/corporate-sustainability (Accessed 28 August 2025).

operational focus, it does not yet meet the wider diversity aims articulated at group level.

<u>Assessment of shortfalls, proposed actions and timeline</u>
The principal shortfall is the lack of diversity (gender, ethnicity, and background) in the composition of the management body. To address this, the Firm intends to:

- Recruitment: Review succession planning and director recruitment processes with a view to broadening candidate pools and improving representation.
- EDI data: Enhance collection and monitoring of diversity data at the management body level to provide a baseline and measure progress.
- Governance: Consider the appointment of independent non-executive directors to strengthen diversity, independence, and oversight.

The Firm will report annually on progress and work with the Morningstar group to ensure that recruitment and appointment processes for the Board align with both group DEI objectives and local regulatory expectations.

3.5 Risk Committee

<u>Risk & Corporate Governance Committee</u>
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 & Corporate Governance Committee meets quarterly or more frequently as needed. As well as the Board, the Firm also has in place a designated Risk & Corporate Governance 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

The Board are provided with an assessment of emerging regulatory changes through the quarterly board reporting, presented by Compliance.

The risk committee was established as a key governance mechanism for the Wealth business.

4 Own Funds

4.1 Composition of Regulatory Own Funds

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.

As at 31 December 2024, to meet its regulatory obligations, WAL held Own funds of £4,288k (£3,261 in 2023). All Own funds are held within the common equity tier 1 capital and the composition is shown below. [15]

Table 2: Composition of own funds

	Item	Amount (GBP thousands) 31 December 2024	Amount (GBP thousands) 31 December 2023	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	4,288	3,261	Statement of Changes in Equity (Page 16)
2	TIER 1 CAPITAL	5,481	5,142	Statement of Changes in Equity (Page 16)
3	COMMON EQUITY TIER 1 CAPITAL	5,481	5,142	
4	Fully paid up capital instruments	2,150	2,150	Statement of Changes in Equity (Page 16)
5	Share premium	-	-	
6	Retained earnings	3,331	2,992	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	(1,193)	(1,881)	Note 9, previously note 10 (Page 33)
19	CET1: Other capital elements, deductions and adjustments	-	-	

[15] MIFIDPRU 8.4.1R (1)(a)

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 A.

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 2024, 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.[16]

Table 3: Own funds: reconciliation of regulatory Own funds to 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 2024 (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 2023 (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	1,193	1,881	11
2	Tangible Assets	826	473	
3	Current Assets	8,477	4,242	
	Total Assets	**10,496**	**6,596**	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Current Liabilities	4,709	1,088	
2	Non-current liability	306	365	
	Total Liabilities	**5,015**	**1,454**	
Shareholders' Equity				
1	Capital	2,150	2,150	4
2	Retained Earnings	3,331	2,992	6
	Total Shareholders' equity	**5,481**	**5,142**	

[16] MIFIDPRU 8.4.1R (1)(b)

4.3 Main Features of Own funds Instruments Issued by the Firm

The main features of Own funds instruments issued by the Company are[17]:

- Share capital consists of fully paid ordinary shares of £1 each, with 2,150,000 shares in issuance as at 31 December 2024
- 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

[17] MIFIDPRU 8.4.1R(1)(c)

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 Firm's Own funds threshold requirement is the higher of:

a) Permanent Minimum Requirement (MIFIDPRU 4.4R)
b) Fixed Overhead Requirement (MIFIDPRU 4.5R)
c) K-Factor Requirement (MIFIDPRU 4.6R)

Table 4: Own funds requirement as at 31/12/2024[18]

Own Funds Requirement		31 December 2024 (GBP Thousands)	31 December 2023 (GBP Thousands)
Permanent Minimum Requirement		150	150
Fixed Overheads Requirements		1390	1,485
K-Factor Requirement	∑ K-AUM, K-CMH and K-ASA	1733	1,573
	∑ K-DTF and K-COH	17	16
	∑ 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 funds of £2.5m (2023: £1.7m) over the regulatory Own funds requirement as at 31 December 2024. 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.[19]

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

[18] MIFIDPRU 8.5.1R (1)
[19] MIFIDPRU 7.4.7R

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 2024 is broken down in the table above. A more detailed description of the various K-Factors can be found in Appendix B.

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 2024.

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.[20] 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. A summary of this approach is as follows:

Internal Capital Adequacy and Risk Assessment (ICARA) Process and Material Harm Identification
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.

Risk Management and Control Framework
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.

Capital Coverage Risk Appetite
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

[20] MIFIDPRU 8.5.2R

requirement, together with an additional margin for prudence.

Monitoring and Compliance with Financial Adequacy

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.

Review and Governance of the ICARA Process

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. [21]

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.

The Remuneration Policy is reviewed at least annually, or as necessary. Policy review is prepared by Compliance and submitted to the Board for review and approval.

It is WAL's intention that its Remuneration Policy sets out the arrangements, to ensure remuneration is awarded in accordance with regulatory and internal standards. The high- level objectives of the policy are:[22]

- to establish arrangements promoting sound and effective risk management practices, for the long-term interest of the Firm;
- to align the level of accepted firm risk to the awarding of individual rewards, thereby enabling and managing the effective promotion and delivery of performance-based rewards;
- to support good behaviour and healthy firm culture; and discourage behaviours leading to misconduct and poor customer outcome.

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

[21] MIFIDPRU 8.6.3
[22] MIFIDPRU 8.6.5

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. [23]

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 2024, 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. [24] 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: [25]

- 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

[23] MIFIDPRU 8.6.4R
[24] MIFIDPRU 8.6.7G
[25] MIFIDPRU 8.6.6R

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 People 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 . 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

Table 5: Total amount of remuneration awarded to senior management, other material risk takers and other staff[26]

	2024 Fixed	2024 Variable	2023 Fixed	2023 Variable

[26] MIFIDPRU 8.6.8R

	remuneration (GBP Thousands)	remuneration (GBP Thousands)	remuneration (GBP Thousands)	remuneration (GBP Thousands)
Senior Management	570	257	460	252
Other Material Risk Takers	779	346	632	163
Other staff	1,249	236	1,350	365
Total	2,598	839	2,442	780

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 A – Statement of Financial Position

MORNINGSTAR WEALTH ADMINISTRATION LIMITED

STATEMENT OF FINANCIAL POSITION **Registered number: 06016828**

AS AT 31 DECEMBER 2024

	Note	2024 £	*As restated 2023 £
Fixed assets			
Investments in subsidiaries	9	**1,192,511**	1,281,092
Tangible assets	10	**826,265**	473,161
		2,018,776	1,754,253
Current assets			
Debtors: amounts falling due within one year	11	**3,394,307**	1,707,665
Cash at bank and in hand	12	**5,082,382**	2,534,307
		8,476,689	4,241,972
Creditors: amounts falling due within one year	13	**(4,708,927)**	(1,088,429)
Total assets less current liabilities		**5,786,538**	4,907,796
Creditors: amounts falling due after more than one year	14	**(280,267)**	(362,843)
Deferred tax liability	15	**(25,332)**	(2,385)
Net assets		**5,480,939**	4,542,568
Capital and reserves			
Called up share capital	16	**2,150,000**	2,150,000
Retained earnings	17	**3,330,939**	2,392,568
Shareholders' funds		**5,480,939**	4,542,568

The financial statements were approved by the Board of directors and authorised for issue on 29 May 2025.

Signed by:

Mark Sanderson

213EFA4D621D489...

M Sanderson

Director

Appendix B – 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.