

MIFIDPRU 8 Disclosures

Investment Firm Prudential Regime - Internal Capital Adequacy and Risk Assessment

1. Introduction

This document provides an overview of the process and associated results for Brown Brothers Harriman Investor Services Limited (“BBH ISL” or the “Company”) under the Internal Capital Adequacy and Risk Assessment (“ICARA”) programme. This document establishes a record by which BBH ISL has assessed its capital requirements relative to the risks to which it is or is likely to be exposed, pursuant to its ICARA process.

Per the UK Investment Firm Prudential Regime “IFPR”, BBH ISL is subject to the FCA’s ICARA process, requiring institutions to perform internal capital and liquidity assessments on an annual basis or upon a material change.

BBH ISL is classified as a Non-Small and Non-Interconnected Firm (“non-SNI”) due to Foreign Exchange activity and BBH ISL’s monthly MiFID Client Orders Handled calculation.

This document sets out BBH ISL’s IFPR disclosures in accordance with Chapter 8 of the FCA Prudential Sourcebook for MiFID Investment Firms (“MIFIDPRU”). MIFIDPRU 8 has been applied to BBH ISL on an individual basis.

Unless otherwise stated, the disclosures and figures in this document are as at 31 December 2024.

2. Summary Conclusions

BBH ISL’s ICARA assessment resulted in the following summary conclusions:

- BBH ISL is adequately capitalized with capital significantly exceeding minimum Own Funds Threshold Requirements as well as both regulatory and internal buffers.
- BBH ISL’s risk management processes and controls reflect the overall conservative risk profile and low risk appetite of the Board and BBH ISL’s parent company, Brown Brothers Harriman & Co. (“BBH&Co.”).
- BBH ISL’s risk management programme is effective in the timely identification, quantification, management and monitoring of risks associated with business operations.
- As of 31 December 2024, BBH ISL’s Overall Financial Adequacy Capital requirements amounts to GBP 5.393 mio with an FCA Early Warning indicator of GBP 5.932 mio. Total capital at BBH ISL amounted to GBP 7.4 mio at 31 December 2024, well exceeding the FCA Early Warning indicator.
- BBH ISL acts in an agency capacity when transacting foreign exchange services and does not extend credit to any client, make loans, conduct proprietary trading activities, or take in deposits; as such, credit, market and liquidity risks are de minimis.

- BBH ISL's governance, risk and control program is effective in the timely identification, quantification, management, monitoring and control of risks associated with its business operations. The three control functions of Enterprise Risk Management ("ERM"), Internal Audit and Compliance work collectively to mitigate the risks associated with business operations.
- BBH ISL has conducted enhanced stress testing and scenario analysis as part of the ICARA process. Stress tests conducted relate to: (i) foreign exchange product wind down; (ii) operational loss event; (iii) office growth; and (iv) significant foreign exchange volume increase. Results of stress testing also indicate that for each scenario analysed, BBH ISL has appropriate and sufficient recovery options to recover from stress situations.
- BBH ISL has assessed the risk associated with its Remuneration Policy in accordance with regulations promulgated by the FCA. The results of the assessment indicated that BBH ISL's Remuneration Policy is in compliance with regulations and promotes a sound business environment which strongly discourages inappropriate risk taking.

3. Business Profile, Structure and Strategy

BBH ISL is a wholly-owned subsidiary of BBH&Co., a New York state private bank organised as a limited partnership. The current permissions assigned to BBH ISL by the FCA are listed below:

BBH ISL, inter alia:

- is authorised to arrange deals in investments
- is authorised to deal in investments as agent
- is authorised to make arrangements with a view to transactions in investments
- is able to provide investment advice (except on Pension Transfers and Opt Outs)

BBHISL arranges and/or conducts business as agent in the following areas:

- Foreign Exchange ("FX")
- Securities Lending ("SL")¹
- Funds Distribution – the sub-distribution arrangement with BBH Luxembourg Funds was terminated effective 31 July 2023.

Activities are not conducted on a principal basis and clients are generally fund managers, private wealth managers and institutional clients.

Additionally, BBH ISL provides support functions which includes providing servicing and Relationship Management services to clients and prospects of other BBH&Co. group entities. The Relationship Management function is charged with the management of existing clients and to secure incremental revenues by cross selling new products and services to clients, both new and existing, for BBH ISL and other group offices.

The business strategy set by the BBH ISL's Board of Directors ("Board") is the backdrop to a conservative risk profile which supports conscious and profitable risk-taking, operating within a strong risk framework which identifies when risk levels become elevated and reporting and

¹ In Q1 2025 BBH&Co announced its intention to transition its securities lending business and clients to a third-party provider by the end of Q3 2025

escalation to management for further assessment.

To achieve its strategic objectives, the Company must take an amount of risk where it has sufficient resources, skillsets, expertise and experience to achieve strategic goals while managing the risks associated with the activities. These risks are identified and quantified in a structured way that relates them to the Company's business objectives and strategy and are closely monitored to ensure that levels are neither above nor below the appropriate levels set by the Board to achieve the strategic goals.

BBH ISL competes successfully on its ability to provide superior client service to a small number of proven global asset managers and its ability to leverage global client relationships as well as the global operational and technology infrastructure supported by its parent, BBH&Co. The Company's conservative business model and robust Risk Management, Compliance and Audit frameworks ensure that the Company is taking on risk that it believes it has the appropriate tools and resources to manage and drive profitability. BBH ISL is considered to not have significant residual risk exposure in any risk category.

In addition to the various policies and procedures that are in place across the business, BBH ISL has a Risk Management Policy which summarizes all risk management components.

4. Governance

BBH ISL's ownership and the Firm's organisational structure, with an ultimate parent that is organised as a partnership (whose partners are personally liable for the Firm's obligations) is a significant driver of BBH ISL's governance structure, risk management strategy, culture and mindset.

BBH ISL's governance structure is led by the Board of Directors (listed at 4.1) and supported by oversight and specialised committees (listed at 4.2) which are comprised of executives with the requisite business acumen to address the business issues of the respective committee. BBH ISL governance arrangements incorporate sufficient oversight of BBH ISL to facilitate effective and prudent management of the firm; to determine that the systems and controls established to mitigate BBH ISL's regulatory risk remain proportionate, relevant, and robust at all times; and to ensure that the business is run in a manner that promotes the integrity of the market and the interests of clients. A critical mechanism for facilitating sufficient oversight of BBH ISL activity is effective exercise of the duties delegated by the Board to the Senior Management Committee ("the SMC").

The Board and SMC believe it is a priority objective to establish and maintain a workplace with the following key attributes: an employee culture that emphasizes accountability, integrity, and inclusion; safe and effective working conditions; and a framework of development to ensure BBH ISL employees can prosper in their career with BBH. To foster an inclusive culture, BBH has a Diversity and Inclusion Policy which sets out the firms' commitments and strategy to: (i) Build a diverse, high performing workforce from the broadest pool of applicants, ii) Foster an inclusive culture which enables everyone to deliver their best and iii) Create pathways to inclusion in our industry and communities. This strategy is overseen by the Head of Diversity, Inclusion and Employee Engagement and supported by the Diversity and Inclusion Office.

4.1. BBH ISL Board of Directors

The BBH ISL Board consists of two Executive Directors and five non-Executive Directors; each of the non-Executive Directors are a Partner of BBH&Co. and hold other directorships within the BBH group.

Christopher Gothard, Chair
Orla E. Foley
Lorrie L. Gordon
Robert Lees^{II}
Sarah O'Donnell^{III}
Seán Páircéir
Kevin W. Stone

The Board meets quarterly or more frequently as deemed necessary. Board meetings cover financial results as well as financial strength. Capital adequacy is addressed in these meetings, and the audit report (as required) is presented by the External Auditor to the Board annually (including a review of the audited financial statements, any findings and other matters). The Board is responsible for the review and approval of the ICARA, specifically the approach and methodology applied, risk assessment results and overall risk profile of BBH ISL, as well as the adequacy of capital resources.

BBH ISL Audit Committee: A committee of the Board, it provides oversight by reviewing the Company's systems of internal control, the audit process, the accounting and financial reporting functions and compliance matters. The primary responsibility for the preparation and accuracy of the firm's financial statements and disclosures rests with management. The Company's external auditors are primarily responsible for auditing of the financial statements. In accordance with its Charter, the BBH ISL Audit Committee shall meet at least semi-annually, or more frequently as circumstances may require.

4.2. Oversight and Specialised Non-Board Committees

Senior Management Committee: The SMC manages and oversee all day-to-day activities of BBH ISL with a delegation from the Board of Directors. The SMC meets monthly to discuss: Audit (internal and external), conflicts of interest, contracted services, culture, data protection, financial crime, financial performance, infrastructure, legal, new and existing business, outsourcing/delegation, policies and procedures, regulatory compliance, relationship management and excellence, risk management, systems and cyber related matters, and talent retention and development which includes diversity and inclusion as well as employee engagement. The SMC considers remuneration matters as they arise. The SMC is chaired by the Chief Executive of BBH ISL and is comprised of a number of the BBH ISL Board Directors and senior manager(s) appointed under the Senior Managers and Certification Regime and responsible for lines of business. ERM and Compliance are invited guests. The meetings follow a set agenda. Minutes are taken, maintained and approved.

BBH ISL Conduct Rules Committee: Appointed by the BBH ISL Senior Management Committee to oversee the conduct rules as set out by the FCA Senior Managers and Certification Regime. The Conduct Rules Committee is responsible for assessing whether any disciplinary action issued against

^{II}Executive Director

^{III} Executive Director

an individual subject to the conduct rules constitutes a breach of the conduct rules and therefore requires reporting to the FCA. The committee meets at least quarterly.

Delegated Activities Oversight Committee (“DAOC”): The SMC created the DAOC to provide governance and oversight of all delegated arrangements of the Company. The committee meets on a regular basis.

In addition to the BBH ISL governance structure and committees detailed above, BBH ISL leverages the support, analysis and management information provided by a number of BBH functions and committees not listed, for certain initiatives or processes, as appropriate.

5. Material Risks and Risk Mitigation

As a wholly owned subsidiary of BBH&Co., BBH ISL is subject to the risk management and control framework employed by BBH&Co. on a firm-wide basis. BBH&Co. and BBH ISL have an integrated and well-developed governance, risk and internal control infrastructure. Dedicated resources in the business, Compliance, ERM, the Office of General Counsel and Internal Audit work with BBH&Co. counterparts to provide an effective, independent, and comprehensive governance structure. Formalised policies and procedures associated with risk identification and assessment are designed to ensure that capital is more than adequate to address regulatory requirements and business objectives. Such policies and procedures include the Firm-Wide Risk Event Management Policy. The Risk Event Management Program provides a comprehensive, formalized approach for the ongoing identification, escalation, assessment, mitigation and reporting of operational risks and risk events.

Key risks and controls are continuously monitored by line management, who are supported by risk manager(s) with oversight provided by business line senior management committees comprised of partners and senior executives. Members of management must establish, implement, and maintain an effective risk management programme for their business to ensure the ongoing effectiveness of controls. This includes continuous monitoring and evaluation of the business unit’s primary activities and major processes in order to identify, document, and implement appropriate control mechanisms for all material risks. It also includes promoting an environment that encourages employees to promptly identify and escalate any risk issues so that they can be addressed in a timely fashion. Managing risk is a continuous process whereby both BBH ISL and BBH&Co. managers are identifying and evaluating risks, establishing limits for those risks and implementing controls to remain within those limits.

Currently, the Company views the following as its top risks on a residual basis (listed alphabetically).

- Business Interruption Risk
- Counterparty & Credit Risk
- Cyber Risk
- Fraud Risk
- KYC, AML, Sanctions & Financial Crimes Risk
- Legal, Regulatory and Fiduciary Risk
- Operational Risk
- Strategic & Competitive Risk
- Technology & Data Management Risk
- Workforce Risk

The risks inherent in BBH ISL activities are primarily Operational Risk. Credit risk is low and mainly associated with funds placed with BBH&Co. and with receivables from Prime Brokers associated with the Foreign Exchange business. Market risks mainly consist of Foreign Exchange risk and Interest Rate Risks. Foreign Exchange Risk is associated with assets and liabilities denominated in currencies other than GBP. The main non-GBP exposure results from the USD receivables from prime brokers associated with Foreign Exchange business. Interest Rate Risk, given the balance sheet structure as well as existing rates and terms of interest-bearing assets, is low. Liquidity risk is low as BBH ISL is self-funded and liabilities consist of staff and vendor expenses. BBH ISL does not accept deposits, does not underwrite loans and has no external financing or borrowing requirements.

In an effort to leverage operational efficiencies as well as the risk and control infrastructure in place at BBH&Co., operations processing is largely delegated to BBH&Co. BBH ISL's ICARA includes a detailed analysis of Operational Risk, including outsourcing risk.

6. Own Funds

This disclosure is made in accordance with the MIFIDPRU 8.4 requirements, using the MIFIDPRU 8 Annex 1R template. The information contained within this section is as at 31 December 2024.

Composition of regulatory own funds			
	Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	7,368	<i>Financial Statements Year ended 31 December 2024:</i> - p.13 Balance Sheet - Capital & Reserves - p.24 Notes to the accounts - 11 Called up share capital
2	TIER 1 CAPITAL	7,368	
3	COMMON EQUITY TIER 1 CAPITAL	7,368	
4	Fully paid up capital instruments	7,368	
5	Share premium	-	
6	Retained earnings	-	
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	-	
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	-	

Flexible template - rows to be reported in line with the balance sheet included in the audited financial statements of the investment firm.

Columns should be kept fixed, unless the investment firm has the same accounting and regulatory scope of consolidation, in which case the volumes should be entered in column (a) only.

Figures should be given in GBP thousands unless noted otherwise.

	a	b	c
	Balance sheet as in published/audited financial statements As at period end	Under regulatory scope of consolidation As at period end	Cross-reference to template OF1
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements			
1 Fixed assets	386		
2 Tangible fixed assets	386		
3 Investment	-		
4 Current Assets	20,114		
5 Debtors	7,372		
6 Cash at bank and in hand	12,742		
Total Assets	20,500		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements			
1 Creditors: amounts falling due within one year	10,355		
Total Liabilities	10,355		
Shareholders' Equity			
1 Called up share capital	7,368		Composition of Reg. OF - line 1,2,3,4
2 Retained earnings	7,777		
2 Interim dividend distribution	(5,000)		
Total Shareholders' equity	10,145		

Own funds: main features of own instruments issued by the firm

Free text. A non-exhaustive list of example features is included below.

Allotted and fully paid share capital - 7,368,254 ordinary shares of £1 each

Throughout the year, the Directors have recommended to distribute GBP 4,900,637 out of 2023 earnings and a total amount of interim dividends out of 2024 earnings for GBP 5,000,000.

The K-factor requirements:

- K-COH (Client Orders Handled) as of 31 December 2024 amount to GBP 972m.

The fixed overhead requirement:

- The base fixed overhead requirement of 31 December 2024 amounts to GBP 5,392,878.

7. Implementation and Documentation of ICARA

The ICARA process has provided the Board with a comprehensive assessment of its internal risk quantification and risk management processes. This analysis includes an assessment of BBH ISL's overall risk profile, whether risks are being identified in a comprehensive manner and managed appropriately, and what opportunities exist for improvement of the risk management process.

ICARA Governance

The ICARA was produced by a BBH ISL team comprised of BBH ISL's Enterprise Risk Management, Controllers, and Line of Business management. BBH ISL Compliance also provided guidance in respect to regulatory requirements and processes. Senior management of BBH ISL are continuously involved in the ICARA process; participating in workshops, providing input into stress testing and scenario analysis, and providing ongoing updates to the SMC and quarterly updates to the Board, as appropriate. The ICARA process is reviewed as part of BBH ISL's Compliance Monitoring Programme as well as BBH's Internal Audit Department programme. It is noted that adherence to FCA guidance and recommendations related to enhancing the ICARA were included in both SMC and Board updates. In addition to the above, specific sections of the ICARA (including Stress Tests and Wind Down Plan) include updates and input from the relevant BBH ISL functions such as Controllers, Human Resources, FX and FX Risk.

As noted, the BBH ISL ICARA is also subject to internal audit and compliance reviews. Internal Audit and Compliance reviews both took place in 2022 and 2023, and there were no findings to report.

8. Remuneration Disclosures

The following disclosures related to BBH ISL's Remuneration Policy and procedures are made in accordance with the MIFIDPRU Remuneration Code, detailed in MIFIDPRU 8.6 of the FCA Handbook. As required, a MIFIDPRU investment firm such as BBH ISL must disclose the following.

Information concerning the decision-making procedures and governance surrounding the development of the BBH ISL Remuneration Policy and practices

BBH ISL's Remuneration Policy seeks to reward long-term value creation while discouraging excessive risk taking. The Firm's Remuneration Policy is determined and set by a centralized Finance Committee at the BBH&Co. level and is reviewed and ratified by the Board. The BBH ISL Remuneration Policy was reviewed and approved by the Board.

In addition, independent review and oversight of the Remuneration Policy is performed by risk, governance, and control group stakeholders, including Office of the General Counsel, Compliance, Enterprise Risk Management and Human Resources. The stakeholders meet on a periodic basis and formally report to the Board as required.

External consultant services used for the determination of the Remuneration Policy

While no external consultants were utilized for development of BBH ISL's Remuneration Policy, regulatory and best practice guidelines were complied with where applicable.

Risk profile of BBH ISL

BBH ISL is wholly owned by BBH&Co., a private partnership. The partnership is a significant motivator to BBH&Co.'s and BBH ISL's risk management culture as the general partners are jointly and severally liable for all business activities. Partners sit on the Board and the BBH&Co. Finance Committee and are responsible for the development, implementation and monitoring of the Remuneration Policy and risk appetite firmwide.

BBH ISL has implemented a comprehensive risk and control framework that includes but is not limited to: (i) a governance structure that includes oversight committees comprised of partners and senior executives; and (ii) dedicated control resources in Enterprise Risk Management, Compliance and Office of the General Counsel groups. The aim of this framework is to ensure that all risks associated with business activities have been identified and are managed appropriately. BBH ISL's business activities are relatively low risk in nature as they are carried out on an agency basis and BBH ISL does not engage in any proprietary trading activities.

Approach to remuneration for all staff

Remuneration practices at BBH ISL are aligned with BBH&Co. and BBH ISL's risk appetite and long-term goals and objectives. They seek to reward long-term value creation while discouraging excessive risk taking. Compensation is directly tied to BBH&Co.'s earnings and performance as well as an individual's performance.

Non-Financial Performance Criteria

Performance bonus awards for BBH ISL employees are based on individual performance ratings which are determined through the Employee Development and Performance (EDP) process. Objectives are set at the beginning of the year and individual performance is rated at the end of the year against those objectives. Non-financial performance criteria are not set on a firm-wide or business unit basis.

Financial Performance Criteria

Annual earnings targets are established at the beginning of the year on a firm-wide and business unit basis. These ratings and targets are utilized to determine the impact to an individual's variable

remuneration. The financial performance criteria are measured wholistically and are not set or measured on an individual basis.

Components of remuneration and their categorisation as fixed or variable

The remuneration for BBHISL employees consists of fixed and variable pay. Fixed pay includes base salary, medical and dental benefits as well as employer pension contributions. Variable pay includes an annual performance bonus and other variable remuneration elements including a discretionary pension benefit which may be paid annually subject to Firm performance.

The base salary is based primarily on local market salary information taking into consideration the role covered and scope of responsibilities and taking into consideration non-financial and financial criteria as applicable.

The performance bonus / variable remuneration elements, paid out wholly in cash, are based on the nonfinancial and financial criteria as applicable.

Remuneration for BBH ISL employees is evaluated on at least an annual basis. Partners are owners of BBH & Co. and receive most of their compensation from their return on capital with the firm and as distributions of the firm's earnings, and so are not included within this disclosure.

Material Risk Takers

BBH ISL has identified the following types of staff as MRTs for purposes of the MIFPRU Remuneration Code:

Members of the Board and Senior Management;

Senior Managers and Certification Regime (SMCR) Senior Managers (SMFs) and MRTs under SMCR;

Heads of Control Functions; and

Chair of the DAOC.

These staff were identified based on the criteria specified in the regulatory requirements as incorporated into BBH ISL's policies and assessed in relation to the risks associated with each role. BBH ISL had 15 total material risk takers during the year ending 31 December 2024.

Aggregate quantitative information on remuneration

The following table represents aggregate base remuneration data for BBH ISL employees for the year ending 31 December 2024:

	MRTs (Senior Managers)	Other MRTs	Other Staff	Total
Number of Staff	3	12	84	99
Fixed Remuneration	603,198	1,712,135	10,386,797	12,702,130
Variable Remuneration	646,407	858,462	3,875,503	5,380,372
Total Remuneration GBP	1,249,605	2,570,597	14,262,300	18,082,502

There were no variable guaranteed payments or severance payments made to material risk takers during the year ending 31 December 2024.