

LGPS Central Limited
MIFIDPRU Disclosures
March 2025

1. Background

- 1.1. LGPS Central Limited (the Company) was established by eight Midlands-based local government pension funds to manage their pooled investment assets. The Partner Funds are Cheshire, Derbyshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, West Midlands and Worcestershire. The Company is jointly owned on an equal-shares basis by the eight Partner Funds, who have combined assets of approximately £63 billion, managed on behalf of around 1 million LGPS members and over 3,000 participating employers.
- 1.2. The Company was launched in April 2018, since which time it has become responsible for the management of around £44.8 billion of its Partner Funds' assets, including £18.6 billion in its Authorised Contractual Scheme (ACS), £6.2 billion in private markets partnerships, and approximately £20.0 billion in a range of discretionary and advisory mandates. The volume of assets under management is expected to grow rapidly over the next year, in line with the Government's intention to press ahead with its Fit for the Future plans for the LGPS. All Partner Funds' assets must be transitioned to the Company's management by March 2026.
- 1.3. The Company operates as an Alternative Investment Fund Manager (AIFM), and as the manager and operator of a collective investment vehicle (the LGPS Central ACS). The Company is authorised and regulated by the Financial Conduct Authority (the FCA).

2. Risk Management Objectives and Policies

2.1. The Company has in place robust policies and procedures for the identification, monitoring and management of risk, as set out in its Risk Management Framework. The objectives of the Risk Management Framework are to:

- Set out a framework of tools and techniques which enable consistent and proactive understanding of risks and an approach to manage them;
- Define the risk management standards that the Company seeks to implement across both investment and non-investment risks, including corresponding roles and responsibilities;
- Establish and maintain a consistent and independent framework for risk appetite-setting and to identify, measure, monitor, manage and report significant risks across the Company;
- Formalise the governance structure for risk oversight by describing the role of committees and functions across the Company in respect to risk management.

2.2. When establishing its procedures and structures, the Company takes into account the principle of proportionality which allows procedures, mechanisms and the organisational structure to be calibrated to the nature, scale and complexity of the Company's business, of the investments it manages and the nature and range of activities carried out in the course of its business.

2.3. The Company's approach to risk management is centred on the 'Three Lines of Defence' model, as summarised below:

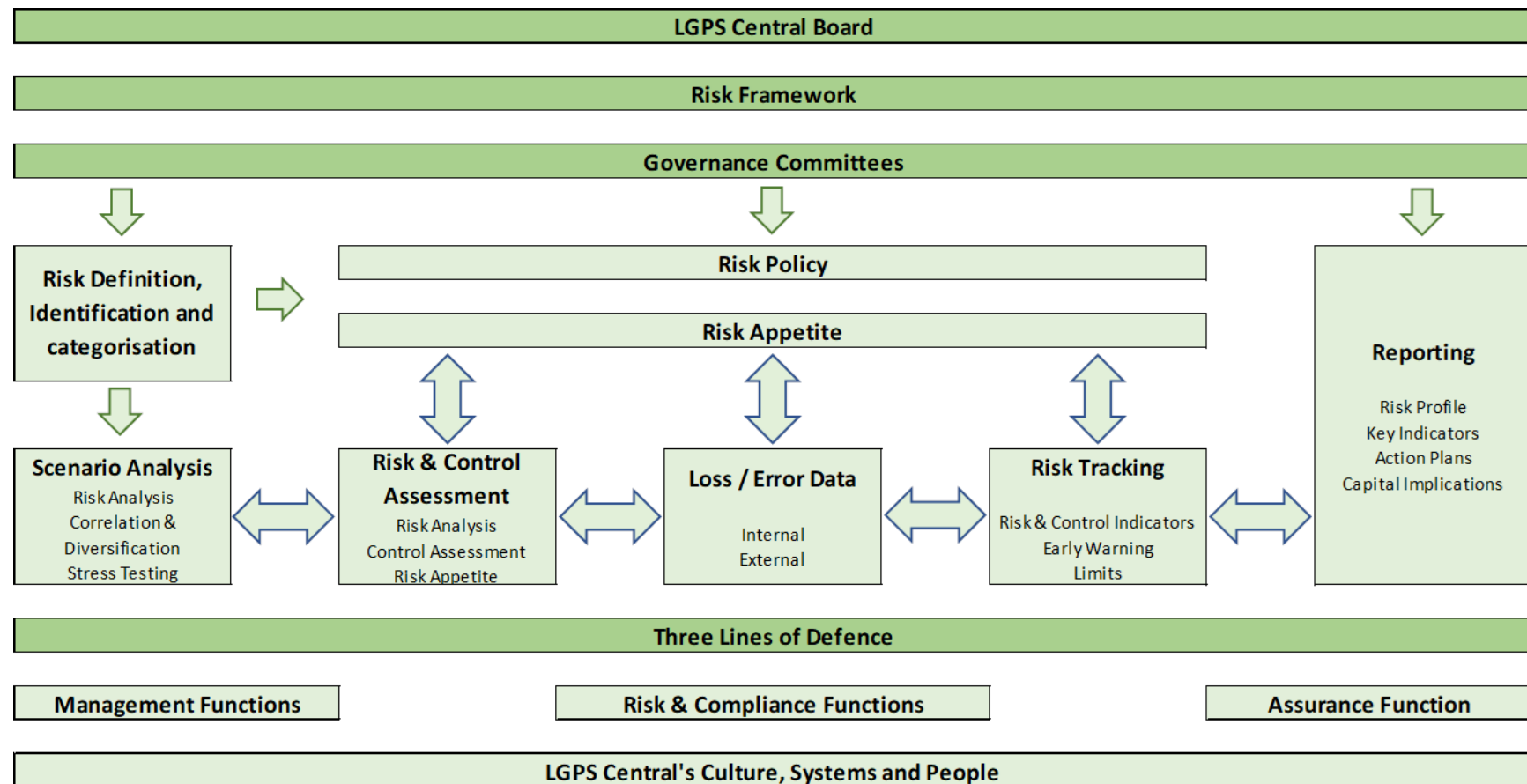
- **First Line of Defence: Business Management.** Management of each business area is responsible for continually identifying, assessing and managing the risks within their area of responsibility on a day-to-day basis. They are also responsible for the successful design, implementation and operational effectiveness of controls to mitigate and manage the risks within their area.
- **Second Line of Defence: Risk and Compliance Management.** The second line provides policy direction and oversees and monitors the risk framework to determine whether all key risks are being identified, assessed and controlled by management in a manner commensurate with the Company's risk appetites and in compliance with policies and regulations.
- **Third Line of Defence: Assurance Function.** The third line of defence, provided by Internal Audit (this function has been outsourced to KPMG), objectively assesses the adequacy and effectiveness of the processes within the first two lines and provides periodic assurance on the control environment across the

Company. An internal audit plan is reviewed and approved by the ARCC on an annual basis.



- 2.4. The Company also operates a '1.5 line' Investment Risk Function which is embedded within the Front Office as an independent unit, reporting to the CIO but with a dotted line to the CLCRO.
- 2.5. The Board of Directors, whilst maintaining the overall responsibility for monitoring risk management collectively, has established an Audit Risk and Compliance Committee (ARCC), which reports to the Board in respect of risk.
- 2.6. The Company has designated the Chief Legal, Compliance and Risk Officer (CLCRO) as the responsible person for reporting various risk management matters. The CLCRO is responsible for establishing policies and procedures to identify, measure, manage and monitor all risks relating to the Company and to the Alternative Investment Funds (AIFs). The CLCRO is independent of the portfolio management function and also has a reporting line directly to the Board/ARCC. The Company has ensured that the CLCRO and the individuals within the Risk function are of sufficient seniority and have a comparable degree of authority with other business units, including the portfolio management functions.
- 2.7. The Company has implemented risk management systems to identify, measure, manage and monitor all risks relevant to the underlying funds' investment strategies and to which those funds are or may be exposed. The Company has an investment strategy process which evaluates each investment strategy and takes into account the nature of the position and its size within the context of the overall strategy of the funds to ensure that the funds' risk profile corresponds to its size, portfolio structure, investment strategies and objectives and is not compromised by any particular position or strategy which may not fit within the defined parameters.

The following diagram illustrates the Company's risk management framework.



Risk Appetite

- 2.8. The Company has put in place a Risk Appetite Statement, the primary objective of which is to ensure that the level of risk taken by the Company is aligned with its strategic goals and is consistent with the expectations of its stakeholders.
- 2.9. The Risk Appetite Statement outlines the Company's risk appetites and provides guidance on the level of risk that it is willing to accept in pursuit of its strategic objectives.
- 2.10. The limits are not intended to be applied as hard limits. Instead, they are used as a guide to drive consideration and discussion of potential actions in cases where the Risk Profile deviates from that expected/intended.

Risk Appetite Statement: Objective and Guidance

- 2.11. Risk appetite statements are high-level preferences of the businesses willingness to take risks. Taking risk is an essential element of setting strategy, so it is important to adopt a different mindset when considering this. Quite distinct from assessing the risks themselves a 'high' appetite for risk can be a business enabler and a 'low' appetite a constraint (if the strategy requires more risk taking) and visa versa.
- 2.12. It is important we adopt a realistic time and delivery horizon when assessing risk appetite. We may desire to have a low tolerance to risk in an area, but if we are not prepared or able to act or dedicate resource in support of that we should ensure we recognise our true appetite with that in mind.
- 2.13. A change in risk appetite can be an important tool in signalling a shift in strategic approach, provided it is reinforced with action (irrespective of the outcome).

3. Governance Arrangements

3.1. The Company acknowledges that good governance is key to its effective operation and to legal and regulatory compliance, and accordingly it has put in place a robust governance structure.

3.2. The Company's Board comprises a non-executive Chair and four further non-executive directors. The Chief Executive Officer (CEO) and the Chief People and Transformation Officer (CPTO) are executive Board members. The Board is collectively responsible for promoting the success of the Company (having regard to the shareholders, customers and other stakeholders), setting the strategic aims and ensuring the necessary financial and human resources, whilst having regard to the reputation, financial and other risks of the Company.

3.3. To support its work, the Board has established four sub-committees:

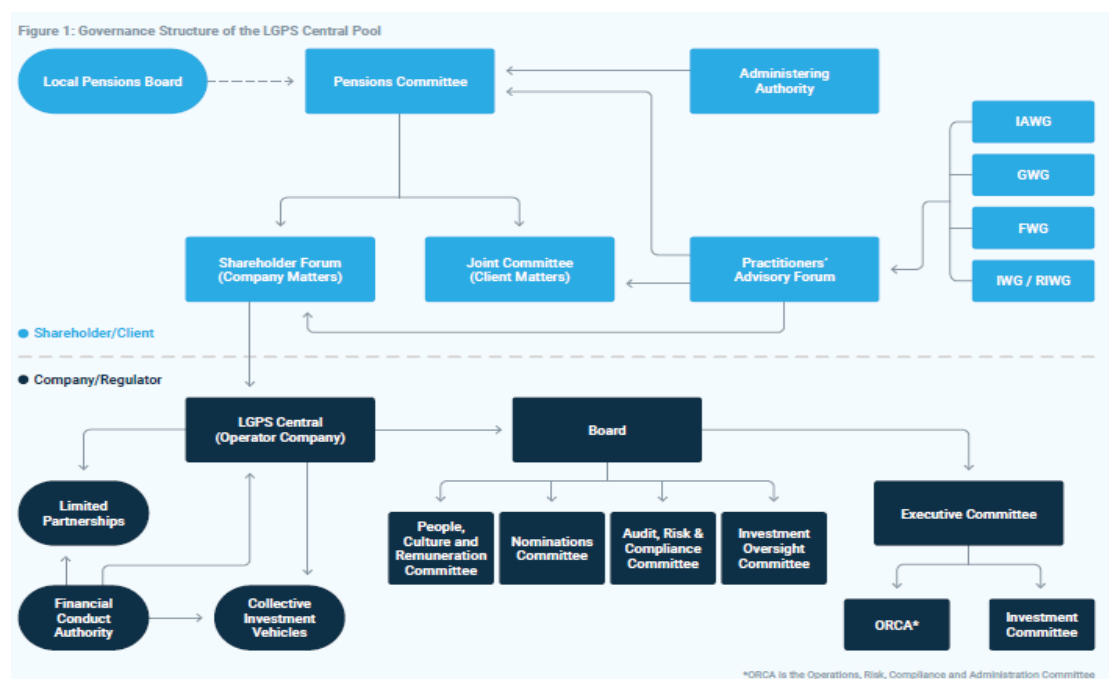
- **Audit, Risk and Compliance Committee.** The core purpose of this sub-committee is to review and provide assurance to the Board on matters including:
 - The effectiveness of the Company's internal controls;
 - The internal risk management framework and mitigation strategies, including internal audit;
 - The arrangements being made to ensure compliance with regulatory requirements;
 - The oversight of the external audit process; and
 - The integrity of the financial statements and the statements that relate to internal risk and financial controls.
- **Investment Oversight Committee.** The purpose of this committee is to provide strategic planning, oversight and guidance on the Company's investment activities.
- **Nominations Committee.** The core purpose of this sub-committee is to ensure that there is an appropriate balance of skills on the Board of the Company and within its senior colleagues so that it can continue to conduct its business effectively.
- **People, Culture and Remuneration Committee.** The core purpose of this sub-committee is to oversee and establish a formal and transparent procedure for developing and implementing policy on executive and non-executive remuneration; set the remuneration packages for individual executive and non-executive directors, senior colleagues, Code Staff and all other colleagues;

and in the case of Executive and Non-Executive Directors make recommendations for approval to the Shareholders.

- 3.4. The Company has created an Executive Committee (ExCo) which is chaired by the CEO. In addition to the CEO, the ExCo comprises the CPTO, the Chief Investment Officer (CIO), the CLCRO, the Chief Commercial Officer (CCO) and the Chief Finance Officer (CFO). The ExCo has primary authority and responsibility for the day-to-day management of the Company's asset management business, all operational, financial, risk, compliance and legal functions, and for the formulation and implementation of its strategy and budget, subject to the strategy, budget, policies and delegations approved by the Board from time to time. It is also responsible for monitoring the operating and financial performance of the Company, prioritising and allocating investment and resources and developing and managing the risk profile of the Company.
- 3.5. The Company has also created an Investment Committee (IC), which is subordinate to the ExCo and is chaired by the CIO. In addition to the CIO, the IC comprises the Head of Private Markets, the Head of Public Markets, the Investment Directors and the Director of Responsible Investment and Engagement. The CLCRO attends meetings of the IC as a non-voting member. The IC has primary authority for the day-to-day management of the Company's investment management function, and for the formulation and implementation of the Company's investment strategy, product development and manufacture.
- 3.6. The Private Markets Investment Committee (PMIC) reports to the Investment Committee and has responsibility for approving the private markets investments as set out in the Delegations Process and making recommendations to the Investment Committee on investments outside that process.
- 3.7. There is also an Operations, Risk, Compliance and Administration Committee (ORCA). ORCA has primary authority for the day-to-day management of the Company's support functions, and for the formulation and implementation of its operations and support strategy, under the direction and oversight of the ExCo. ORCA's terms of reference are part of the governance, legal oversight, risk and compliance framework within which the Board, assisted by its committees and the ExCo, directs the affairs of the Company.
- 3.8. The Counterparty, Dealing and Best Execution Committee reports to ORCA and is responsible for reviewing the Company's dealing activity. This includes oversight of the Order Execution Policy, best execution monitoring, broker commission arrangements, broker execution quality and regulatory reporting associated with execution arrangements, along with reviewing requests to engage the services of new counterparties and addressing any escalations raised regarding the performance or service of an established counterparty.

- 3.9. The Valuations and Pricing Committee reports to the ORCA and is responsible for providing oversight in respect of the valuation methodology specified in the Company's Valuation and Pricing Policy such that the valuation and pricing of all assets is accurate, fair and transparent, thereby complying with the principle that all partner funds are treated fairly.
- 3.10. The following diagram illustrates the Company's governance structure, as well as the wider governance structure including the partner funds.

Company and Shareholder/Client Governance Structure



- 3.11. In addition to the high-level structure set out above, the Company has in place a comprehensive operational governance structure, including a series of colleague groups with clearly-defined responsibilities and terms of reference for specific functions within the Company.

Directorships

- 3.12. The following table sets out the directorships held by the Company's directors.

Name	LGPS Central Role	Total No. of Directorships*
Joanne Segars	Chair	3
Belinda Moore	Non-Executive Director	3
Ciarán Barr	Non-Executive Director	3
Ian Armfield	Non-Executive Director	1
Susan Martin	Non-Executive Director	1
Richard Law-Deeks	Chief Executive Officer Executive Director	1
Anouska Ramsay	Chief People & Transformation Officer Executive Director	1
Nemone Wynn-Evans	Non-Executive Director Chair Elect	3

* Excluding entities within the LGPS Central group and organisations which do not pursue predominantly commercial objectives. Information as at March 2025.

Diversity

- 3.13. The Company is committed to promoting equal opportunities in employment and discharging its obligations under the Equality Act 2010. All job applicants will receive equal treatment regardless of age, disability, gender reassignment, marital or civil partner status, pregnancy or maternity, race, colour, nationality, ethnic or national origin, religion or belief, sex or sexual orientation (Protected Characteristics). The Company will be undertaking equality monitoring so that we are aware of our colleagues' demographics and we can ensure our processes and systems are fair, consistent and free from bias.
- 3.14. As at March 2025, the Company workforce is made up of 62% men and 38% women. 43% of colleagues identify themselves as belonging to a Minority Ethnic Background. At a leadership level, 57% of the Board of Directors are women. The Company continues to strive towards better representation from both a gender and ethnicity perspective in the leadership tiers.
- 3.15. The Company has been monitoring the gender pay gap and distribution over the last few years. As it has fewer than 250 employees, it is not obliged to meet any statutory reporting requirements. The Board is keen to ensure that the Company remain committed to a culture of diversity and inclusion within the business.
- 3.16. It is reassuring that the Company's overall gender pay gap has been reducing over the last few years. The Company will continue to review its people policies and practices across the Company to support inclusivity. It has not set any specific

‘targets’ as it believes that it is important to recruit and promote on capability, but has been focusing on development and succession planning to ensure that it can provide opportunities to promote into senior roles.

- 3.17. The Company’s median gender pay gap as of March 2025 was 21.9% (March 2024: 24.4%). The mean gender pay gap was 18.4% (March 2024: 22.6%). The business has been subject to some turnover over the last 12 months and, as a small Company, minor changes in overall staffing numbers can have a big impact on the headline figures.

4. Own Funds

- 4.1. The regulatory capital of the Company was provided by its shareholders, the Partner Funds. In January 2018, the Partner Funds provided £16 million of capital in a combination of equity and debt.
- 4.2. At the end of March 2025, the Company had cumulative retained surpluses of £1.2 million, made up of pre-trading costs incurred during Company set-up (£4.4 million) net of retained profits (£5.6 million). These losses have the effect of reducing Tier 1 capital, as shown in the following table which sets out the amount of capital resources available to the firm following the audit of its 2024/25 financial statements.

Composition of Regulatory Own Funds

	Item	Amount (£000)	Cross-Reference to Following Table
1	Own Funds	17,780	
2	Tier 1 Capital	12,300	
3	Common Equity Tier 1 Capital	12,300	
4	Fully Paid-Up Capital Instruments	10,520	11
5	Share Premium	-	
6	Retained Surplus	1,200	13
7	Accumulated Other Comprehensive Income	-	
8	Other Reserves (Pension Reimbursement Reserve)	580	
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	5,480	

	Item	Amount (£000)	Cross-Reference to Following Table
26	Fully Paid-Up, Directly Issued Capital Instruments	5,480	8a + 9a
27	Share Premium	-	
28	(-) Total Deductions from Tier 2	-	
29	Tier 2: Other Capital Elements, Deductions and Adjustments	-	

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

	Item	Balance as at 31 March 2025 (£000)	Cross-Reference to Previous Table
	Assets		
1	Right-of-Use Assets	875	
2	Property, Plant and Equipment	179	
3	Pension Reimbursement Asset	497	
4	Deferred Tax Asset	4	
5	Trade and Other Receivables	7,038	
6	Cash and Cash Equivalents	39,942	
	Total Assets	48,535	
	Liabilities		
7	Trade and Other Payables	(28,283)	
8a	Borrowing (Principal)	(4,795)	26
8b	Borrowing (Other)	(773)	
9a	Other Financial Liabilities (Principal)	(685)	26
9b	Other Financial Liabilities (Other)	(1,270)	
10	Post-Employment Benefits	(429)	
	Total Liabilities	(36,235)	
	Net Assets	12,300	
	Capital and Reserves		
11	Called-Up Share Capital	10,520	4
12	Pension Reimbursement Reserve	580	
13	Retained Surplus	1,200	6
	Total Capital and Reserves	12,300	

4.3. All shares have been authorised, issued and are fully paid.

- 4.4. 'A' shares carry voting rights and dividend entitlements and are held in equal share by the eight Partner Funds. There are eight 'A' shares, each with a par value of £1.
- 4.5. 'B' shares are held in equal share by the eight Partner Funds. There are 10,520,000 'B' shares, each with a par value of £1.
- 4.6. 'C' shares are preference shares and are held by West Midlands Pension Fund only, paying a dividend of 4.5% above the Bank of England base rate. The preference shares are classified in the Statement of Financial Position as other financial liabilities (and not share capital). There are 685,000 'C' shares, each with a par value of £1.

5. Own Funds Requirements

- 5.1. The following table provides a summary of the Company's position with regard to its own funds requirement as at 31 March 2025. The Company calculates its own funds requirement under both MIFIDPRU and IPRU-INV 11, and uses the higher of these as for the purpose of regulatory capital monitoring.

MIFIDPRU	Capital Requirement March 2025 £000
Own Funds Requirement (OFR)	
K-Factor requirement (1)	5,969
Fixed Overhead Requirement ("FOR") (2)	4,239
Permanent Minimum Regulatory Capital (3)	75
Total Own Funds Requirement (the higher of (1), (2) and (3))	5,969
Additional risk of harm: Assessment (A) from ongoing operation of the Company's business	
K-Factor requirement (as above)	5,969
Additional own funds for potential harms to client and markets mapped to K-AUM	-
Additional own funds for potential harms to client and markets mapped to K-Other	-
Additional own funds for potential harms to firm mapped to K-Other	240
Total for Assessment (A)	6,209
Additional risk of harm: Assessment (B) from wind-down of the Company's business	
	5,487
Total Own Funds Threshold Requirement (the higher of PMR and Assessment (A) or (B))	6,209

IPRU	Capital Requirement March 2025 £000
Base own funds requirement*	110
Other own funds requirement*	5,925
Own funds requirement (1)	6,035
Fixed Overhead Requirement (2)	4,239
Higher of (1) and (2) = (3)	6,035
PII Capital requirement	250
Total Own Funds Requirement (the sum of (3) and (4))	6,285

* An exchange rate of €1.14 to the £ has been used.

5.2. The following table provides an analysis of the Company's K-Factor Requirement.

	Capital Requirement March 2025 £000
The sum of K-AUM, K-CMH, K-ASA Requirements	5,969
The sum of K-COH, K-DTF Requirements	-
The sum of K-NPR, K-CMG, K-TCD, K-CON Requirements	-
Overall K-Factor Requirement	5,969

5.3. The Company's Fixed Overhead Requirement is equal to one quarter of its operating expenditure from its most recent audited financial statements.

5.4. The Company has a robust process in place for the preparation, review and approval of its Internal Capital Adequacy and Risk Assessment document (ICARA).

5.5. The Company believes that it has sufficiently robust internal controls to identify and manage risks, and that these are accurately reflected in the ICARA. The analysis of potential harms, as set out in the ICARA, is clearly linked to the risk register generated through the Company's embedded risk management procedures.

- 5.6. The level of the Company's funds with reference to its Own Funds Requirement is monitored by the Finance team and forms part of regular financial management reporting to the ExCo.
- 5.7. The Board is responsible for approving the ICARA, on the recommendation of the Audit, Risk and Compliance Committee.
- 5.8. The following table shows how the Company's own funds threshold requirement relates to its own funds, the resulting headroom and cover.

	March 2025 £000
Own Funds Threshold Requirement	6,285
Own Funds	17,780
Own Funds Headroom	11,495
Own Funds as a % of OFTR	282.9%

- 5.9. In conclusion, having considered and evaluated the risks to which the Company is exposed, it believes that it has sufficient available assets to fulfil its regulatory capital requirement, and furthermore expects this to be the case for the medium term.

6. Remuneration Policy and Practices

6.1. The Board has established a People, Culture and Remuneration Committee (PCRC), the core purpose of which is to oversee and establish a formal and transparent procedure for developing and implementing policy on executive and non-executive remuneration, including:

- setting the remuneration packages for individual executive and non-executive directors, senior colleagues and others, and
- in the case of executive and non-executive directors, to make recommendations for approval to the Shareholders.

6.2. The PCRC is made up of:

- Susan Martin (Chair of the Committee and Non-Executive Director)
- Belinda Moore (Non-Executive Director)
- Ciarán Barr (Non-Executive Director)

6.3. The Company's culture and purpose is as follows:

- The Company's culture is based on an ethos of openness, accountability, professionalism, honesty, integrity, fairness and trust.
- The Company's purpose is to align its activities with the interests of its clients and shareholders (stakeholders) and, ultimately, to create sufficient value for the Partner Funds to meet their pension obligations in full.

The Company has adopted a Remuneration Policy, which is developed by the Remuneration Committee and subject to majority shareholder approval. The Remuneration Policy supports the Company's culture and purpose.

6.4. The Remuneration Policy is intended to deliver fair rewards to all colleagues who contribute positively to the Company's culture and purpose, and will recognise in particular those colleagues whose contribution has consistently been exceptional, so as to create alignment with the interests of its Stakeholders.

6.5. The Company does not pay bonuses. It does not have the commercial objectives of private sector asset managers and so has no need to incentivise behaviour which drives profitability above that required for the Company to be sustainable and which may otherwise create incentives which are not aligned with those of its stakeholders.

6.6. The reward elements of the Company's Remuneration Policy are restricted to salary, pension and life insurance. The salary band, pension and life insurance provision are set by reference to its grades. These are all classed as fixed.

6.7. The extension of the Senior Managers and Certification Regime (SM&CR) to all authorised firms applied to the Company from 9 December 2019. The aim of SM&CR is to reduce harm to consumers and to strengthen market integrity by making

individuals more accountable for their conduct and competence, by actively promoting a culture in which colleagues of all levels take personal responsibility for their actions, and to make sure that firms and colleagues clearly understand and can demonstrate where responsibility lies. The Company has responsibility for colleagues being fit and proper and for ensuring that there are high standards of conduct.

6.8. As part of its implementation of SM&CR, the Company has categorised colleagues into three categories:

- **Senior Managers** - a handful of the most senior individuals at the Company with designated Senior Manager and prescribed responsibilities.
- **Certified Persons** – our certified colleagues fall under the following categories:
 - major risk takers,
 - client-dealing roles,
 - colleagues overseeing the work of certified colleagues.
- **Conduct Regime Staff** – everyone else who works in or for the organisation, other than a small number of colleagues who perform purely administrative tasks.

6.9. The following table provides a summary of remuneration payable to senior management, other material risk takers and other colleagues in 2024/25 (all this remuneration is classed as fixed). The Company has aggregated the information for senior management and other material risk takers in accordance with MIFIDPRU 8.6.8 (7).

	Salaries £000	Social Security Contributions £000	Employer's Pension Contributions £000	Total £000
Senior Managers and Other Colleagues Classified as Material Risk Takers	2,871	361	447	3,679
Conduct Regime Staff	4,244	503	599	5,346
Total	7,115	864	1,046	9,025