MIFIDPRU Disclosures

Embark Investment Services Limited

Year Ending 31 December 2022

1 Background and Scope

1.1 Scope

This document sets out the public disclosures required under the Investment Firm Prudential Regime (IFPR) for Embark Investment Services Limited (EISL) as at 31 December 2022 and as defined under the Financial Conduct Authority (FCA) prudential handbook, MIFIDPRU. EISL is supervised by the FCA on a solo entity basis and is a wholly owned subsidiary of Embark Group Limited which is part of Lloyds Banking Group.

EISL undertakes activities within the scope of the UK Markets in Financial Instruments Directive (MiFID) and is therefore subject to the prudential requirements of the IFPR contained in the FCA's MIFIDPRU handbook. EISL is required to publish disclosures in accordance with the provisions outlined in Chapter 8 of the handbook.

The financial information within these disclosures is calculated in accordance with the rules set out in the MIFIDPRU handbook.

1.2 Background

EISL is a platform operator and a manager for Individual Savings Accounts (ISAs), General Investment Accounts (GIAs) and Self Invested Personal Pensions (SIPPs) in the UK. The Company operates a retail platform, which was launched in 2016 to expand the Embark Group from bespoke SIPP into broader platform activities as part of the acquisition of customers from Avalon Platform. Since that point, EISL has successfully introduced a number of white label partners to the platform and migrated clients and assets from books of business previously operated by Alliance Trust Savings Limited and Sterling ISA Managers Limited.

The FNZ platform is aimed at Advisers seeking the latest technology at an affordable price as well as corporate partners seeking to white label their products and services. The Partnership proposition is an Execution Only trading solution powered by the JHC Figaro Platform (also owned by FNZ) trading under the Stocktrade brand, providing dealing solutions for corporate partners.

EISL is a wholly owned subsidiary company of Embark Group Limited, hereafter 'Embark Group'. Embark Platform is a trading name of Embark Investment Services Limited. EISL is a limited licence investment firm and is authorised and regulated by the Financial Conduct Authority (Reg. No. 737356). On 31 January 2022, Lloyds Banking Group, through its subsidiary, Scottish Widows Group Limited acquired the full share capital of Embark Group Limited and its subsidiaries, including EISL.

EISL has a non-regulated single subsidiary company, Embark Investment Services Nominees Limited, whose sole function is to hold legal title to assets on behalf of EISL's customers. The Financial Statements for EISL are completed on a standalone legal entity basis, with no requirement to produce consolidated accounts.

2 Risk Management Objectives and Policies

2.1 Risk Management Framework and Policies

The Embark Group has a comprehensive enterprise risk management framework to identify, measure, manage, report and mitigate risks. Following its acquisition in January 2022 the Embark Group has adopted and proportionately applied the risk management framework of its ultimate parent, Lloyds Banking Group. EISL is subject to this framework and has access to Embark Group systems and resources to assist with its application.

The Directors of EISL ensure that the specific risks EISL is subject to are documented, together with their appetite for these risks. The Directors' appetite for risk is expressed in terms of the type and amount of risk that they are willing for EISL to take. This Risk Appetite Statement and the associated monitoring and reporting framework are reviewed annually and approved by the Directors.

Risks are assessed in terms of their potential financial impact to EISL (risk of harm to the firm) and of any potential impact upon the delivery of good customer outcomes (risk of harm to customers). Consideration of the customer is central to EISL's culture. Procedures that ensure the delivery of good customer outcomes are embedded into EISL's processes. In addition, a senior manager is responsible for assessing, challenging and concluding on EISL's performance against agreed customer outcomes and appropriate management information is used to monitor ongoing compliance. This information is reported to the Executive Management Committee, the EISL Board and, where appropriate, escalated to other relevant Group Boards and Committees including the Embark Group Board Risk Committee.

2.2 Risk Management Structure and Organisation

The Group's risk management framework is overseen by the Embark Group Board and the Embark Group Board Risk Committee. The EISL Board is responsible for the oversight of risk management by:

- Providing oversight and guidance to EISL and its management in relation to risk management and assisting in identifying matters requiring management's attention;
- Acting as a focal point for discussion and communication of matters regarding risk management; and
- Giving sufficient attention to presented issues and information to determine which areas might require further review and additional attention.

EISL's system of governance and approach to risk management is intended to ensure that EISL promptly identifies, evaluates and reports to senior management and the directors all relevant risk profiles, emerging risks and current issues including formally documented risk opinions on significant strategic initiatives or plan developments. This approach means that the EISL Board routinely considers a wide range of risk issues and provides challenge to management over the response. The effectiveness of EISL's risk framework is demonstrated through the engagement of the EISL Board both with outputs of the risk framework on a regular basis as well as engagement on specific topics.

EISL makes appropriate use of the Embark Group's risk management resources and processes to assist with risk management.

2.3 Risk Strategy and Potential for Harm

EISL's business model means that it takes a low level of risk with its capital and only knowingly takes or allows itself to be exposed to risks that are inherent to the nature of the business that it is running. These risks will only be taken in a conscious and well-informed manner, and where appropriate, capital will be held to mitigate the risk.

The firm's business model results in a number of risks that can lead to customer harm or impair the ability to compensate customers for harms done and related mitigants. EISL has identified a number of potential significant harms related to the activities the firm undertakes. These harms are mapped to the appropriate risk category within the Embark Group risk taxonomy to allow for clear ownership of the risks and appropriate oversight and challenge. An overview of the significant risks of harm is set out below.

Risk of Harm	Risk category
System outages	Operational Risk
Failed technology changes	Change/Execution Risk
Trading or dealing errors resulting in losses to clients	Operational Risk
Cyber attacks	Operational Risk
Failure to comply with applicable provisions of CASS resulting in potential losses to clients	Regulatory & Legal Risk
Failure to comply with applicable provisions of COBS resulting in potential losses to clients	Regulatory & Legal Risk

Failure or exit of a significant partner/white label upon which the firm relies for a significant portion of revenue	Strategic Risk
Failure of a significant counterparty which the firm relies on for provision of services (i.e. outsourcer)	Operational Risk
Significant operational events such as fraud or transaction execution and processing errors	Operational Risk
Significant claims on the firm arising from contractual dispute	Regulatory & Legal Risk
Significant fines/censure from a regulatory body	Regulatory & Legal Risk
Change in value of foreign currency positions	Market Risk
Lack of liquid resources to meet obligations	Funding & Liquidity Risk

2.4 Risk Categories

In the case of each of the categories of risk set out below, EISL applies the risk and control processes described in section 2.1 to manage the risks within its risk appetite. EISL holds risk capital against each category of risk for which capital is an appropriate mitigant, as calculated through the Internal Capital Adequacy and Risk Assessment (ICARA) described in section 4.2.

The most important risk category for EISL is currently operational risk. This is consistent with its business model and the risk exposures that would be expected from its activities including third party risk, cyber risk and exposure to associated legal and regulatory risks. EISL therefore holds a larger amount of risk capital to protect itself against operational risks than it does against the other risk categories.

2.4.1 Strategic Risk

Strategic risk is the risk which results from incorrect assumptions about internal or external operating environments; failure to respond or the inappropriate strategic response to material changes in the external or internal operating environments; or failure to understand the potential impact of strategic responses and business plans on existing risk types. This extends to the exposure to weak product and service propositions that are uncompetitive in the market or distribution channels, and sales concentration risk.

The Board is accountable for the setting and oversight of the strategy and associated risk appetite, with regular reporting and challenge on delivery of strategic initiatives and management within risk appetite. EISL cannot completely avoid strategic risk as this is a part of doing business, and therefore accepts a level of risk compatible with its strategic objectives of selling new business and retaining the existing book currently under administration. EISL therefore has processes in place to regularly monitor its performance against the business plan and to detect potential breaches of its risk appetite. Where an increased level of business risk is detected, EISL's Directors decide whether mitigating action is required or whether the increased level of risk is acceptable. Avoiding unexpected expenses and reducing cost base where possible is essential to the achievement of these strategic goals.

Concentration risk is considered as a component of strategic risk. EISL has determined that as at 31 December 2022 it did not have any concentrated exposures to any client or group of connected clients or any concentration of business for revenue on a particular product, in a particular market, or a geographic location exposes an organisation to loss due to any adverse changes. EISL's concentration risk is considered accordingly as part of the continuous management of its capital and liquidity.

EISL monitors and controls its concentration risk using sound administrative and accounting procedures and robust internal control mechanisms. This includes any concentration in assets not recorded in a trading book (for example, trade debts) or any off-balance sheet items. It also includes any concentration risk that may arise from:

- the location of client money
- the location of custody assets
- the firm's own cash deposits
- earnings

2.4.2 Regulatory & Legal Risk

EISL operates in a highly regulated and technical industry. EISL's operations are subject to authorisation from the FCA, and supervision from bodies such as HMRC and The Pensions Regulator. The risk is that the firm does not comply with the relevant requirements and standards of the regulatory framework or there is a change in accepted industry practice which could lead to past liabilities. Regulatory risk also includes the risk of having the 'licence to operate' withdrawn by the regulator, or having conditions applied that adversely impact the Embark Group and Lloyds Banking Group.
The Embark Group operates a 3 Lines of Defence model; the first line of defence (the business) is accountable for the identification and management of risks; the second line of defence is accountable for oversight and challenge and reports directly to the CEO and the Board; the third line of defence (internal audit) is responsible for independent assurance and this role was outsourced to Mazars, up until the point of sale completion when this activity was transferred to the LBG Group Internal Audit team.

The Compliance function sits within the second line of defence and is responsible for ensuring all new rules and regulations, as well as changes in industry practice, are captured, interpreted and cascaded across business areas so appropriate action can be taken to ensure compliance with relevant rules and regulations. The Board is supported by the Risk Committee, which is chaired by a Non-Executive Director, where all existing and new risks are reported and scrutinised.

EISL aims to maintain an open and constructive relationship with the FCA, and strongly avoids regulatory risk whilst ensuring active interpretation of FCA rules and regulations, to ensure the best customer outcomes. EISL also actively monitors legislation and tax-related developments.

2.4.3 Change/ Execution Risk

The risk that, in delivering its change agenda, EISL fails to ensure compliance with laws & regulation, maintain effective customer service and availability, and/or operate within the Embark Group's risk appetite. Embark's change agenda, key to its growth strategy, is closely and centrally managed within the Embark Group with focus from the Embark Group Change Committee monitoring the change portfolio and overseeing prioritisation of the change agenda.

2.4.4 Operational Risk

Operational Risk is defined as the risk of loss from inadequate or failed internal processes, people and systems, or from external events. It extends to financial crime, cyber risk and counterparty risk. As a dimension of Operational risk, Operational Resilience risk is defined as the risk of failing to design resilience into business operations, underlying infrastructure and controls (people, process, technology) to withstand external or internal events which could impact the continuation of operations, and/or failing to respond in a way which meets customers and stakeholder expectations and needs when the continuity of operations is compromised.

EISL and the wider Embark Group actively identify, assesses and manages such risks in an effective manner and ensure the risk management approach is embedded into all business activities. The approach is supported by the establishment of risk registers that enable management to identify areas and trends of risks so that they can implement appropriate preventative and corrective measures and controls.

EISL's policy is that operational risks are reduced to an acceptable level through controls and other risk management actions. Operational risks are monitored to ensure that they are well understood and that mitigating actions can be put in place where appropriate if changes in the risk environment occur. EISL is committed to placing the best interests of customers at the heart of its operations. Where poor customer outcomes are identified they are addressed promptly and efficiently.

EISL's operational resilience strategy encompasses both the ability to prevent disruptions from occurring and the ability to respond quickly and recover in instances where disruption has been experienced in key business processes. Emphasis is placed on the maintenance of robust relationships with key outsourced service providers, to facilitate timely service improvement/ recovery should a material issue arise.

2.4.5 Data Risk

The risk of failing to effectively govern, manage, and control its data (including data processed by Third Party Suppliers) leading to unethical decisions, poor customer outcomes, loss of value and mistrust.

The Embark Group's Data Protection policy and procedures support compliance with legal and regulatory requirements relating to data privacy, records and data management and set the standards applied across the Embark Group

2.4.6 People Risk

EISL is reliant on both direct employees and employees from the wider group to perform key roles. The Embark Group's future success is dependent on its ability to attract and retain highly skilled and qualified colleagues to deliver a high level of customer service in a highly regulated sector. To minimise this risk the Group seeks to recruit and retain high quality experienced individuals that align to the values of the Group. To support this, the Group offers market competitive packages, structured development and works with colleagues to ensure there is a favourable work environment.

2.4.7 Conduct Risk

Conduct Risk is defined as the risk of customer detriment across the customer lifecycle including failures in product management, distribution and servicing activities; from other risks materialising, or other activities which could undermine the integrity of the market or distort competition, leading to unfair customer outcomes, regulatory censure, reputational damage or financial loss. The Embark Group has a dedicated Proposition team that is responsible for regularly reviewing and maintaining the various products and services offered throughout the Group with a view to ensuring they remain viable, compliant and represent fair value for money.

2.4.8 Climate Risk

Climate risk is defined as the risk that risk of losses and/or reputational damage, either from the impacts of climate change and the transition to net zero ('inbound') or as a result of Embark's response to tackling climate change ('outbound').This encompasses Embark's direct carbon footprint (office and travel policies), the carbon footprint of commercial properties within our client SIPP portfolios, climate-related investment exclusions within the Group's Horizon investment funds (e.g. thermal coal and tar sands) and the risk of inadvertently greenwashing within our marketing materials and across our investment proposition. Embark has a robust marketing approvals process. The Group's Horizon funds (for which Embark Investments Limited is the manufacturer) are not labelled as ESG funds, and funds onboarded to the Embark Platform (where EISL are distributor) are subject to screening.

2.4.9 Market Risk

Market risk is the risk that the firm's capital or earnings profile is affected by adverse market rates such as interest rates, foreign exchange rate and equity prices.

EISL's financial instruments primarily comprise cash and cash equivalents, trade payables, loans, and trade receivables. All of these arise because of the firm's day to day operations. EISL does not enter into transactions for speculative purposes and there are no instruments held for trading.

As such the main focus of market risk to which EISL is directly exposed is interest rates in relation to interest earned on cash deposits. External rates are outside EISL's control, so mitigation is via having sufficient financial reserves to cover reduced earnings that may arise.

EISL accepts a small amount of interest rate risk associated with holding relatively high cash at bank for liquidity purposes, but its policy is to avoid market risk associated with equity, property, corporate credit, illiquid debt, commodities, government bonds, currency, inflation and derivatives.

EISL does not have a trading book. However, it accepts an element of market risk in relation to cash holdings denominated in foreign currency which are held to facilitate client non-GBP dealing on the Stocktrade book. For operational efficiency it operates a relatively small float position in a number of major foreign currencies for this purpose.

Market risk also affects the values of customer accounts which consequently impacts EISL through the potential to reduce future fees for assets under administration. From EISL's perspective this risk is considered as a business risk rather than a market risk.

2.4.10 Credit Risk

Credit risk is the risk that parties with whom we have contracted, fail to meet their financial obligations. EISL is subject to credit risk through a variety of counterparties through cash held in bank accounts, HMRC receivables and fees receivable from customers.

Credit exposures are appropriately monitored by the firm's Finance function and action is taken where necessary. Credit risk should be relatively predictable and EISL's appetite for credit risk is to not allow it to increase significantly beyond the expected exposure.

EISL's policy is to manage the direct credit risks that it faces through the individual agreements that are in place with each of its debtors. Processes are in place to ensure that these agreements are applied appropriately, and further mitigates its direct credit risks through its debt recovery processes which are applied in appropriate circumstances.

2.4.11 Funding & Liquidity Risk

Funding and liquidity risk is the risk that the firm has insufficiently stable and diverse sources of funding, or insufficient financial resources to meet commitments when they fall due or can only secure them at excessive cost.

Liquidity risk is managed by the firm's Finance function and is mitigated by applying a comprehensive liquidity risk management framework, which includes controls to maintain liquidity at necessary levels.

Liquidity risk is inherent to the nature of the business that EISL operates. While small amounts of liquidity risk are unavoidable, EISL's appetite for this is to ensure sufficient liquidity to meet realistic outflows so that available liquid resources do not fall below forecast cash outflows in the short and medium term.

EISL has a policy of minimising liquidity risk by maintaining appropriate levels of very liquid assets such as cash. Daily liquidity monitoring processes monitor the current liquidity position and ensure that any emerging liquidity trends or future liquidity needs are captured. If necessary, mitigating action can be taken to protect the EISL's liquidity position. EISL does not rely on lines of credit to meet its liquidity requirements.

Given the nature of EISL's business model, liquidity risk is relatively low and primarily arises around pre-funding requirements. EISL maintains adequate liquidity to cover its needs on a daily basis and is self-sufficient in terms of its liquidity requirements. All client assets are held in a separate nominee company. Client money is held in segregated client money accounts which therefore do not present any liquidity risk arising from corporate events. In the event that the firm came to be in the position where it had insufficient liquid resources to meet its financial obligations as they fall due (or could secure them only at an excessive cost) there would be no direct risk of harm to customers.

EISL operates a robust liquidity risk management framework with the management of day-to-day liquidity risk within the delegated authority of the Embark Group CFO. The liquidity risk management framework includes the following components: daily cash monitoring; early warning indicators; stress testing, and; contingency funding plan.

In addition, the business is required to maintain liquid assets above the FCA's minimum requirement per MIFIDPRU. As at 31 December 2022, liquid assets were above this threshold.

2.4.12 Capital Risk

Capital risk is the risk that EISL has a sub-optimal quantity or quality of capital or that capital is inefficiently deployed in the entity. Capital, which includes regulatory capital, comprises all components of equity.

Capital risk is managed by the firm's Finance function, which maintains appropriate tools and governance to monitor capital requirements and assign capital accordingly.

EISL, as a MIFIDPRU investment firm, must at all times maintain own funds that are at least equal to its own funds requirement, being the highest of:

- its permanent minimum capital requirement ("PMR"), which for EISL is £150,000; or
- its fixed overheads requirement ("FOR"), which amounts to 25% of its most recently audited annual expenditure less permittable deductions; or
- its K-factor requirement

The K-Factor requirement drove EISL's own funds requirement as at 31 December 2022. See section 4.2 for a breakdown of the relevant K-factors. EISL's current capital resources comprise solely of Core Equity Tier 1 capital (see section 4.1 for further detail).

3 Governance Arrangements

The Board of Directors of EISL is responsible for ensuring an appropriate corporate governance regime exists within EISL and that there is a clearly defined structure and management framework designed to address its risks and take decisions. This includes, but is not limited to, the approval and endorsement of an appropriate risk policy, ensuring clear accountability for risk management, approving overall risk limits and ensuring compliance with the Embark Group Risk Management Framework.

3.1 Principal Governance Bodies

EISL's governance structure principally comprises the following bodies:

3.1.1 Embark Group Board and Committees

As a wholly owned subsidiary of Embark Group, EISL is aligned to Embark Group's internal organisational structure.

Embark Group operates a Tier 1 Board comprising of the five core legal entities of Embark Group Limited, Embark Investment Services Limited, Sterling ISA Managers Limited, EBS Pensions Limited and Embark Services Limited. There is common directorship across the 5 entities to enable concurrent boards to take place, where appropriate to do so. When concurrent boards do take place, the agenda and papers identify which entities are impacted, and where appropriate, discreet sections for each Company.

The Tier 1 Board is responsible for the governance of the Embark Group businesses and operates with a Risk Committee, Remuneration Committee and Nomination Committee.

The Chair of the Risk Committee (or other individual nominated by the Committee) will report formally to the Embark Tier 1 Board and will escalate any matters it deems appropriate on any area within its remit where action or improvement is needed.

3.1.2 EISL Board and Committees

The EISL Board derives its collective authority by direct delegation from its shareholder. Its key purpose is to ensure EISL's prosperity by collectively directing company affairs whilst meeting the appropriate interests of its key stakeholders, including its customers, employees and the shareholder.

The EISL Board has two overarching responsibilities:

- To ensure EISL remains compliant with local law and meets the expectations of its regulators, paying due regard to jurisdictional best practice; and
- To maintain EISL's business as a going concern in line with its strategic aims and targets or, if it was ever to be required, manage its orderly closure. In either respect, the directors should ensure full regard is paid to the interests and expectations of all of EISL's customers and other stakeholders.

The responsibilities of the EISL Board extend to services that are provided by Embark Group functions or third parties. Where reliance has been placed on these services, the EISL Board retains responsibility for ensuring that the service being provided to EISL is adequate and effective.

EISL's Board is composed of executive directors and independent non-executive directors.

EISL has established a Risk Committee, an Audit Committee, a Nomination Committee and a Remuneration Committee, which assist the Board in carrying out its responsibilities as follows:

- **Risk Committee**: responsibilities in relation to the oversight of risk management;
- **Audit Committee**: responsibilities in relation to financial reporting, internal control and governance;
- **Nomination Committee**: responsibilities in relation to providing oversight and guidance relating to the structure and composition of the Company's Board and assisting in identifying issues requiring Management's attention; and
- **Remuneration Committee:** responsibilities in relation to the oversight of the Company's Remuneration Policy.

3.2 Directorships Held by Members of the Management Body

The table below shows the number of directorships held by members of EISL's management body as at 31 December 2022. For the purposes of MIFIDPRU, the total number of directorships excludes directorships held in organisations which do not pursue predominantly commercial objectives. Multiple directorships held within the same group are counted as one directorship.

Name	Position within EISL	No. of Executive Directorships held	No. of Non-Executive Directorships held
Priscilla Davies	Chair of the Governing Body, Chair of the Remuneration Committee and Chair of the Nominations Committee, Independent Non-Executive Director	0	4
Paul McMahon	Chair of the Risk Committee, Independent Non-Executive Director	0	2
Jonathan Anderson	Chair of the Audit Committee, Independent Non-Executive Director	0	2
Jackie Leiper	Chief Executive Officer, Executive Director	1	0
Scott Guild	Chief Financial Officer, Executive Director	1	0

3.3 Flow of Risk Information to the Management Body

Risk information flows through to the EISL Board primarily via reporting from Board Risk Committee meetings, where the Chief Risk Officer, is a standing ex officio attendee. Significant or material issues may also be reported to the EISL Board directly by the Chief Executive, Chief Finance Officer or Chief Operating Officer.

3.4 Board Diversity Policy

The Board places great emphasis on ensuring that its membership reflects diversity in its broadest sense. Consideration is given to the combination of demographics, skills, experience, race, age, gender, educational and professional background, and other relevant personal attributes on the Board to provide the range of perspectives, insights and challenge needed for good decision making. Board membership is approved in accordance with the strategy, business plan, policies and governance framework set by Embark Group.

New appointments are made on merit, taking account of the specific skills and experience, independence and knowledge needed to ensure a rounded Board and the diversity benefits each candidate can bring to the overall Board composition. EISL is working towards the ambition set in the Lloyds Board Diversity Policy with further details available at:
www.lloydsbankinggroup.com/who-we-are/responsible-business/inclusion-and-diversity/board-diversity-policy

4 Own Funds and Own Funds Requirements

4.1 Own Funds

EISL's own funds comprise exclusively of Common Equity Tier 1 (CET 1) capital, which is the most robust category of financial resources. It is comprised of fully paid issued ordinary shares and retained earnings.

Table OF1 - 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**	10,047	**Total Equity**
2	**TIER 1 CAPITAL**	10,047	
3	**COMMON EQUITY TIER 1 CAPITAL**	10,047	
4	Fully paid-up capital instruments	31,355	Share Capital, note 14
5	Share premium		
6	Retained earnings	(19,468)	Retained Earnings, Statement of Financial Position
7	Accumulated other comprehensive income		
8	Other reserves		
9	Adjustments to CET1 due to prudential filters	(1,840)	
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		

Table OF2 - Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements				
		a	B	c
		Balance sheet as in published/audited financial statements	**Under regulatory scope of consolidation**	**Cross-reference to template OF1**
		As at period end	**As at period end**	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Intangible assets	0	0	
2	Property, plant and equipment	0	0	
3	Investments	0	0	
4	Deferred tax asset	1,840	1,840	Item 9 OF1
5	Trade and other receivables	3,170	3,170	
6	Current tax assets	457	457	
7	Cash and cash equivalents	12,203	12,203	
	Total Assets	17,670	17,670	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Trade and other payables	(5,783)	(5,783)	
2	Provisions	0	0	
3	Current tax liabilities	0	0	
4	Lease liabilities	0	0	
5	Deferred tax liability	0	0	
6	Lease liabilities	0	0	
7	Loans	0	0	

	Total Liabilities	(5,783)	(5,783)	
Shareholders' Equity				
1	Share capital	31,355	31,355	Item 4 OF1
2	Share premium	0	0	
3	Retained earnings	(19,468)	(19,468)	Item 6 OF1
4	Revaluation reserve	0	0	
5	Capital contribution reserve	0	0	
	Total Shareholder's equity	**11,887**	**11,887**	
Own funds: main features of own instruments issued by the firm				
EISL's own funds are made up of Common Equity Tier 1, CET1, capital comprising of fully paid-up Share Capital and Retained Earnings.				

EISL had total own funds of £10,047,000 at 31 December 2022.

4.2 Own Funds Requirements

EISL is required to disclose the K-factor requirement (KFR) and the fixed overhead requirement (FOR) amounts in relation to compliance with the own funds requirements as set out in MIFIDPRU4.3 as at 31 December 2022.

Item		Total amount in GBP (thousands)
KFR	K-AUM (assets under management), K-CMH (client money held) and K-ASA (assets safeguarded)	1,905 3,004
	K-DTF (daily trading flow) and K-COH (customer orders handled)	58
	K-NPR (net position risk), K-CMG (clearing margin given), K-TCD (trading counterparty default) and K-CON (concentration risk)	
	Total KFR	**4,967**
FOR		**3,547**

Under the MIFIDPRU rules, EISL is required to operate an ICARA process and produce an ICARA document at least annually, or more frequently if there is a material change in the business or the environment in which it operates. The ICARA document is reviewed and approved by EISL's Board. It is the responsibility of EISL's senior management and the Board to ensure the process meets the FCA's expectations. The overall purpose of the document is to capture the conclusions of the ICARA process which considers the potential harm that EISL can cause to clients, market and others, by the type and scale of activities it undertakes. EISL assesses adequate financial resources commensurate to this risk of harm and the complexity of its business.

As part of its ICARA process, per MIFIDPRU 7.6, EISL must assess whether it should hold additional own funds in excess of its own funds requirement to comply with the overall financial adequacy rule. Under this rule, EISL is obliged to hold own funds and liquid assets which are adequate, both as to their amount and quality, to ensure that:

(a) it 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

(b) its business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

Risk capital held is assessed by considering the impact and material harms that could arise from adverse events during EISL's ongoing activities. Scenario testing is also performed, and capital plans put in place to respond to possible future events. The Company is required to hold sufficient capital resources to meet the overall assessment of risk capital on this basis.

Within the ICARA, the capital assessment process is complemented by:

- Identification of material harms for EISL;
- Selection of risk scenarios to derive an estimate of potential harm, and;
- Agreement of stress test components and assumptions used in stress testing and financial modelling.

EISL's Own Funds Threshold Requirement, which is its own assessment of the minimum amount of capital that it believes is adequate against the risks identified, has been assessed as higher than its own funds requirement. As at 31 December 2022 EISL had a surplus of own funds above the own funds threshold requirement deemed necessary to cover the risks identified.

5 Remuneration Policy and Practices

5.1 Remuneration

EISL is a FCA solo regulated entity that is subject to the MIFIDPRU Remuneration Code. However, as a non-SNI MIFIDPRU investment firm not meeting the conditions in SYSC 19G.1.1R(2), EISL is not subject to the regulatory provisions relating to shares, instruments and alternative arrangements, retention policy, shares and discretionary pension benefits.

EISL is part of the wider Lloyds Banking Group ("the Group"). As a Capital Requirements Directive ("CRD") firm, the Group is required to adopt and apply a remuneration policy that is firm-wide, which includes EISL. Consequently, the Remuneration policy complies with CRD requirements as well as all other regulations that are applicable to its regulated subsidiaries, including the MIFIDPRU Remuneration Code (SYSC 19.G of the FCA Handbook).

The Group's Remuneration Policy is set by the Group Remuneration Committee comprising of solely independent directors (and is adopted Group-wide through the legal entity committees).

The Chief Executive Officer EISL is accountable for establishing, implementing and maintaining remuneration policies, procedures and practices within Embark which adhere to the Group's remuneration policy, and are consistent with and promote principles of effective risk management. Support is provided by the Insurance People Committee which is responsible for ensuring that remuneration related activity is effectively monitored. EISL and the Embark Group are owned by Scottish Widows and are part of the Insurance, Pensions & Investments division.

Lloyds Banking Group operates a separate identification process for the identification of its CRD Material Risk Takers ("MRTs") and its MIFIDPRU Identified Staff.

The Identification of MIFIDPRU Identified Staff is undertaken on a solo basis for each legal entity (including EISL).

The MIFIDPRU Identified Staff methodology is based on 11 criteria, which satisfy the requirements in SYSC 19.G.5.3 - 5.5 of the FCA Handbook.

The roles identified include Senior Management, Business and Function leaders, regulated roles, control functions and other roles considered to be materially risk-taking.

5.2 Principles of the Remuneration Policy

The Group's Remuneration Policy is based on four core aims that are designed to specifically promote certain desired behaviours and outcomes, which are supported by the structure of the remuneration package offered to colleagues:

- Purpose – Remuneration should be linked to the Group's purpose of Helping Britain Prosper.
- Behaviours – Remuneration should reward and drive the right behaviours and outcomes and reflect both strategic (non-financial) and financial achievements.
- Simplicity – Remuneration should be designed in a manner that is clear for all stakeholders and reflects their experience.
- Clarity – Remuneration should be easy to explain and viewed as fair.

These principles are interpreted and explained in detailed reward policies and procedures which govern specific areas of reward and support the practical operation of the Remuneration Policy. These policies and procedures reinforce the alignment between business strategy, risk profile and remuneration and provide a framework for understanding and implementing the Group’s remuneration structure. The objective of the policy is to align individual reward with the Group’s performance, the interests of its shareholders and a prudent approach to risk management.

The remuneration policy is based on principles which are applicable to all employees within the Group and, in particular, the principle that the reward package should support the delivery of the Group’s purpose and strategic aim whilst delivering long-term superior and sustainable returns to shareholders. It fosters performance in line with the Group’s values and behaviours, encourages effective risk disciplines and is in line with relevant regulations and codes of best practice. To support remuneration decision-making, a robust and effective performance management framework is operated. Performance is assessed across the Group using a balanced scorecard approach comprising of financial and non-financial metrics.

Risk is an embedded consideration in all categories of the balanced scorecard and emphasis is placed on reviewing how objectives are achieved, as well as what has been delivered. Various types of risk are considered, including (but not limited to) credit risk, conduct risk, market risk, operational risk and insurance risk.

In addition to receiving a salary, benefits are available to UK based colleagues including, pensions, concessionary financial products, private medical cover and a voluntary discount scheme. There are a small number of senior employees who are also in receipt of a Fixed Share Award ('FSA') or a role based allowance. The purpose of the fixed share award / role based allowance is to ensure that for eligible colleagues, their total fixed remuneration is commensurate with the role and provides a competitive reward package with an appropriate balance of fixed and variable remuneration, in line with regulatory requirements.

The fixed share award is delivered in Lloyds Banking Group shares on a quarterly basis over a period of three years, and the role based allowance is delivered monthly in cash.

5.3 Fixed vs Variable Reward Elements

Reflecting the role of the Insurance Group as part of the wider UK-focused consumer and commercial bank, the majority of Insurance Group employees participate in the annual Group Performance Share Plan.

Some employees participate in specialist or enhanced bonus arrangements, where variable remuneration may be a higher proportion of total remuneration, with salary levels being guided by a combination of external market data, peer comparisons and internal pay ranges where applicable, while ensuring compliance with external regulatory requirements in relation to the 2:1 variable to fixed ratio cap. The balance of fixed and variable remuneration is regarded as appropriate for such employees and allows variable remuneration to be adequately flexed to reflect the performance of the Group, the business unit and the individual.

As a consequence of the 2:1 variable to fixed ratio cap requirements introduced as part of the Capital Requirements Directive (‘CRD’) legislation, the Group sought and obtained shareholder approval at its 2014 Annual General Meeting to apply a cap of 2:1 where appropriate in relation to the ratio of variable to fixed remuneration for its Material Risk Takers.

A small number of key individuals across the organisation receive a role-based allowance. This includes members of the Insurance Board and its Executive Committees. The role-based allowance forms part of an individual's fixed remuneration, and results in a reduction of the bonus opportunity for impacted staff but has a neutral impact on a total compensation basis. Through this approach, the Group has introduced an appropriate balance of fixed to variable remuneration.

For some members of the Insurance Board and its Executive Committees, dependent upon level of seniority, variable remuneration includes an additional long term incentive plan (the Long Term Share Plan), and this is described below together with further detail on variable remuneration elements relating to bonus and share schemes.

5.4 Variable Reward Plans

Group Performance Share Plan
The Group Performance Share (GPS) plan is an annual discretionary bonus plan. The plan is designed to reflect specific goals linked to the performance of the Group. The majority of colleagues and all Material Risk Takers (MRTs) participate in the GPS plan.

Individual GPS awards are based upon individual contribution, overall Group financial results and an assessment of the individual's contribution, performance, behaviours and development over the past calendar year. The Group's total risk-adjusted GPS outcome is determined by the Remuneration Committee annually, modified for:

- Group balanced scorecard performance
- Collective and discretionary adjustments to reflect risk matters and / or other factors.

The Group assessment of risk performance review for the 2022 performance year includes risk and control issues at the Insurance, Pensions and Investments (IP&I) sub-group level. An assessment is made whether there are standalone IP&I risks which are considered sufficiently material to warrant inclusion at the Group level. In addition, a review of the most material risk matters at the IP&I sub-group level is also conducted with a year-end risk outcome determined.

Measures and targets are set annually by the Committee in line with the Group's strategic business plan and consist of both financial and non-financial measures, and the weighting of these measures are determined annually by the Committee.

The assessment of individual performance considers objectives and development goals, including both 'what' the colleague delivered, and 'how' they delivered it, as well as how colleagues took action to grow their skills and capabilities and to support their broader team, divisional or Group objectives.

Remuneration under the Group Performance Share Plan is a mixture of cash and shares. The Group applies deferral arrangements to GPS and variable pay awards made to colleagues. GPS awards for MRTs are subject to deferral and a holding period in line with regulatory requirements and market practice.

Executives, Material Risk Takers and identified staff are subject to the Risk Performance Review process incorporating a risk assessment and commentary by their line manager and 2nd line risk partner is embedded within 'Your Best'. The risk performance review outcome will be taken into account when the line manager determines the colleagues annual GPS outcome.

The Group Long Term Share plan
The long-term variable reward opportunity aligns executive management incentives and behaviours to the objective of delivering long-term superior and sustainable returns. Long term variable rewards incentivise stewardship over a long time horizon and promote good governance through a simple alignment with the interest of shareholders.

Awards made under the rules of the Long Term Share Plan are in the form of conditional shares and award levels are set at the time of grant, in compliance with regulatory requirements, and may be subject to a discount in determining total variable remuneration under the rules set by the European Banking Authority. The number of shares to be awarded may be calculated using a fair value or based on a discount to market value, as appropriate.

Vesting will be subject to an assessment of underpin thresholds being maintained measured over a period of three years, or such longer period, as determined by the Group Remuneration Committee.

The Remuneration Committee retains full discretion to amend the pay-out levels should the award not reflect business and/or individual performance. The Committee may reduce (including to zero) the level of the award, apply additional conditions to the vesting, or delay the vesting of awards to a specified date or until conditions set by the Committee are satisfied, where it considers it appropriate.

Awards may be subject to malus and clawback for a period of up to seven years after the date of award which may be extended to 10 years where there is an ongoing internal or regulatory investigation.

Other types of awards
Guarantees, Buy-outs and Retention Awards are only permitted in line with the PRA/FCA remuneration requirements, and are subject to the approval processes set out in the Group's Reward Governance Framework, including the Buy Out policy and Deferral and Performance Adjustment policy.

Guarantees for variable remuneration may only be offered in exceptional circumstances to new hires for the first year of service.

Redundancy Pay
All colleagues with two or more years' service are entitled to statutory redundancy pay. Enhanced redundancy pay may be offered dependent on other opportunities for the colleague in the Group.

Further details can be found in the Directors' remuneration section of the 2022 LBG plc Annual Report using the link below:
Annual report 2022 - Lloyds Banking Group plc

5.5 Quantitative Remuneration Disclosures

The total number of Material Risk Takers was 27. The amount of the highest severance payment awarded to an individual Material Risk Taker was £195,393.

The split of fixed and variable remuneration awarded by type of staff is set out below.

Split of fixed and variable remuneration awarded			
	Senior Management	Other Material Risk Takers	Other Staff
Fixed remuneration awarded	£3,233,557	£1,259,545	£5,962,164
Variable remuneration awarded	£1,731,500	£683,700	£378,755
Total amount of remuneration awarded	£4,965,057	£1,943,245	£6,340,918

In financial year 2022 there was one MRT who received a guaranteed variable remuneration award or a severance payment in light of termination.

Details of guaranteed variable remuneration and severance payments awarded to Material Risk Takers		
	Senior Management	Other Material Risk Takers
Total amount of guaranteed variable remuneration awards during the financial year	£0	£0
Number of material risk takers receiving those awards	0	0
Total amount of severance payments awarded during the financial year	£195,393	£0
Number of material risk takers receiving those payments	1	0

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