Sumitomo Mitsui DS Asset Management

MiFIDPRU 8 disclosures for the year ended 31 December 2024

1. Background

Sumitomo Mitsui DS Asset Management (UK) Limited ("SMDAM UK" or the "Firm") is a UK private limited firm authorised and regulated by the UK Financial Conduct Authority (the "FCA"). The Firm is a subsidiary of Sumitomo Mitsui DS Asset Management Company Limited in Japan ("SMDAM Tokyo" or the "parent company"), a company which is owned by Sumitomo Mitsui Financial Group, Inc. (50.1%), Daiwa Securities Group Inc, (23.5%), Mitsui Sumitomo Insurance (15%), Sumitomo Life Insurance (10.4%) and Sumitomo Mitsui Trust Bank (1.0%).

SMDAM UK is authorised and regulated by the FCA to provide certain services within the scope of the UK Markets in Financial Instruments Directive ("MiFID"). SMDAM UK is subject to the prudential requirements of the Investment Firms Prudential Regime ("IFPR") contained in the FCA's MiFIDPRU sourcebook. SMDAM UK is classified as a non-small non-interconnected ("Non-SNI") firm under the IFPR.

The disclosures in this document have been prepared in accordance with the requirements of MiFIDPRU 8.

2. Basis of Disclosure

The disclosures within this document relate to SMDAM UK on a solo firm basis, in accordance with the requirements of MIFIDPRU 8. The financial information in this document is based on SMDAM UK's financial position at 31 December 2024, SMDAM UK's accounting reference date. These disclosures will be made at least annually.

SMDAM UK is exempt from the requirement to provide investment policy disclosures as it meets the conditions under MIFIDPRU 7.1.4R, i.e. its average assets over the preceding four-year period are less than £300 million and it has no trading book business or derivative exposures.

These disclosures do not constitute financial statements and have not been (and are not required to be) audited by SMDAM UK's external auditors.

3. Risk Management Objectives and Policies

As a MiFID firm SMDAM (UK) is required to establish, implement and maintain adequate risk management policies and procedures which identify the risks relating to the Firm's activities, processes and systems, and to adopt effective arrangements, processes and mechanisms to manage the risks relating to the Firm's activities.

SMDAM UK is committed to having a strong control environment with high standards of regulatory compliance across all of its activities.

4. Risk Governance Framework

Board of Directors (the "Board")

The Board has ultimate responsibility for risk management within SMDAM UK. The Board is the governing body of SMDAM UK and has overall responsibility and accountability for the Firm, including:

- approving and overseeing the implementation of strategic objectives and the Firm's risk strategy;
- implementing governance arrangements that ensure effective and prudent management of the Firm, including the segregation of duties in the Firm's organisation and the prevention of conflicts of interest, and in a manner that promotes the integrity of the market and the interests of clients;
- providing effective oversight of senior management;
- overseeing the Firm's financial reporting systems, operational controls, and compliance with legal and regulatory obligations;
- approving budgets, forecasts, and monitoring performance;
- overseeing disclosure and communications processes to ensure transparency and accountability;
- determining the Firm's appetite for risk and ensuring that the Firm has implemented an effective, ongoing process to identify risks, to measure their potential impact and to ensure that the risks are effectively managed; and
- determining appropriate remuneration arrangements for the Firm and ensuring that these are consistent with the promotion of effective risk management and do not encourage risk taking which exceeds the Firm's risk appetite.

The Board may delegate detailed oversight to the Risk Committee (see below) but remains ultimately accountable for the Firm's risk appetite, material risk decisions, and overall risk governance and management in the Firm.

Risk Committee

Subject to its overall supervision and oversight, the Board has delegated authority to the SMDAM UK Risk Committee[1] to provide oversight of the risk management process for SMDAM UK and ensure that risks arising in relation to SMDAM UK's business and operations are identified, assessed, monitored and mitigated appropriately and in accordance with SMDAM UK's risk appetite.

The Risk Committee shall:

- have oversight of investment risk, liquidity risk, operational risk, credit and counterparty risk and other risks in line with SMDAM UK's risk appetite;
- ensure that that there is a suitable structure in place to identify the changing nature of risks and to react to new risks arising on a forward-looking basis;
- ensure that SMDAM UK's Risk function has adequate resources and all necessary access to information to enable it to perform its function effectively and in accordance with appropriate standards; and
- ensure that SMDAM UK's Risk function has adequate independence and is free from undue influence or other constraints.

Risk Appetite

Risk appetite is defined as the Firm's willingness to accept risks in pursuit of its business objectives. The Board is responsible for determining SMDAM UK's risk appetite. SMDAM UK's risk appetite is

[1] SMDAM UK does not exceed the threshold requirements under MIFIDPRU 7.1.4R that would require it to have a risk committee but has determined to establish a risk committee as a matter

low. Identified risks, must therefore be appropriately mitigated with effective controls, mitigants and other risk management arrangements to meet the Firm's risk appetite.

Risk Management Framework

SMDAM UK has established an internal control and risk management framework to govern its risk management process to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business.

Three Lines of Defence

The overall control and risk management framework is based on a three lines of defence model.

- First Line of Defence – all employees are responsible for managing risk, through the effective operation of appropriately designed processes and controls and ensuring that relevant risks are identified, reported and managed;
- Second Line of Defence – the Compliance, Risk and other control functions assist in the design and communication of formal compliance and risk policies and processes. These functions work with the business to establish the risk and control framework; and
- Third Line of Defence – the Firm is subject to external audit and also internal audit by its parent company which provides independent assurance of the adequacy of the design and operational effectiveness of the risk management framework and control and governance processes.

Risk Identification and Mitigation and the ICARA Process

As a MIFIDPRU investment firm, SMDAM UK is required to conduct an Internal Capital Adequacy and Risk Assessment ("ICARA"). The ICARA process is designed to ensure that SMDAM UK appropriately identifies and manages the risks that arise in relation to its business and that the Firm holds own funds and liquid assets that are adequate for the business the Firm undertakes. In particular the ICARA considers:

- what inherent risks does the Firm face?
- what mitigating effects and actions are in place to offset these risks?
- what material harms do these risks pose to clients, the Firm itself and the markets in which the Firm operates?
- post mitigation, what is the assessment of capital and liquidity required to manage these risks on an ongoing basis?

The ICARA review includes an assessment of capital requirements and liquid assets to meet the overall financial adequacy rule, the business plans for the next three years, preparation of a statement of financial resources at year end, and the stress testing of the business over a three-year period. In addition, the ICARA explains the material harms facing the business to which regulatory capital may be allocated, and summarises how they are managed.

In order to identify material risks to its business SMDAM UK considers risks under the following categories:

- Concentration Risk
- Counterparty and Credit Risk
- Liquidity Risk

- Market Risk
- Operational Risk
- Business Risk and Reputation Risk

Concentration Risk

The nature of SMDAM UK's business structure means that it has concentration risk in respect of the Firm's receipt of fees from its Tokyo parent entity. No separate capital requirement or other arrangement is considered necessary in respect of this risk.

Counterparty and Credit Risk

The Firm is primarily exposed to credit risk in respect of non-collection of investment management fees billed and in respect of cash reserves held on deposit.

Credit exposures relating to the Firm's investment management clients are limited. Management fees are earned quarterly and any outstanding amounts are closely monitored. The Firm has a relatively small number of clients and is conscious of the concentration risk that presents. There has been no history of bad debts. The Firm holds all cash and performance fee balances with a group entity bank assigned high credit ratings and this is monitored on an ongoing basis. Consequently, the risk of past due or impaired exposures is considered limited and no additional risk capital allowance has been made for counterparty and credit risk.

Liquidity Risk

Liquidity risk arises in the event that adequate liquid funds are not available to settle liabilities as they fall due or when the Firm experiences sudden unexpected cash outflows. SMDAM UK has low appetite for liquidity risk and therefore maintains high levels of liquid assets and organisational structures for liquidity management, liquidity monitoring, management, early warning indicators and strategies, and scenario analysis.

SMDAM seeks to maintain high levels of liquidity, holding cash reserves with a group entity bank. No additional risk capital allowance is currently made for liquidity risk.

Market Risk

Market risk is defined as the potential adverse change in position values arising from movements in interest rates, credit spreads, stock prices, exchange rates or other market risk factors. Since the Firm holds no trading book positions on its balance sheet, the main market risks it potentially faces relates to fluctuations in the value of its revenues due to movements in currency rates, since certain of the amounts payable to the Firm are denominated in currencies other than sterling.

The change in the value of fees due to foreign exchange fluctuations has not previously been material to the Firm. Since the settlement of debtor balances takes place without undue delay, the timing of the amount becoming payable and subsequently being paid is such that it is not considered to present a material risk to the Firm. No additional capital allowance is currently made for market risk.

Operational Risk

Operational risk considers the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. The Firm has no history of significant operational failures which have resulted in unintended significant costs being incurred. Financial loss due to operational failure is mitigated by the Firm's group professional indemnity insurance. No additional capital allowance is currently made for operational risk.

Business and Reputation Risk

The Firm's primary business risk is its reliance upon revenues from the performance of the existing funds under management. As such, the risk posed to the Firm relates to underperformance resulting in a decline in revenue and the possible loss of clients. This risk is mitigated by the fact that the Firm generally has longstanding relationships with its clients and these are expected to continue.

Reputation risk could be direct (i.e. something that SMDAM UK has done to damage its reputation) and indirect (i.e. something done by its parent company SMDAM (Tokyo)) or another Group entity. The conservative manner in which SMDAM UK and other Group entities seek to manage their business mean that reputational risk is considered a low probability risk but high impact should it occur.

The loss of business and revenue streams as a result of business and reputational risk are mitigated by the additional excess liquid assets held by SMDAM UK and SMDAM UK's on-going policy of limiting dividend payments to its parent company. Any extended revenue losses would be addressed by additional shareholder funds as agreed by SMDAM UK and its parent company. No additional capital allowance is currently made for business and reputation risk.

5. Governance Arrangements

Governance Framework

As set out above, SMDAM UK has adopted a governance framework under which the Board has overall responsibility and accountability for the Firm, including:

- determining the Firm's appetite for risk and ensuring that the Firm has implemented an effective, ongoing process to identify risks, to measure their potential impact and to ensure that the risks are effectively managed; and
- implementing governance arrangements that ensure effective and prudent management of the Firm, including the segregation of duties in the Firm's organisation and the prevention of conflicts of interest, and in a manner that promotes the integrity of the market and the interests of clients

The Firm maintains a Conflicts of Interest Policy which outlines circumstances which constitute or may give rise to a conflict of interest and the procedures to be followed and the measures to be adopted in order to manage such conflicts. The Board is required to comply with the Conflicts of Interest Policy to prevent and manage any potential and actual conflicts should they arise.

Directorships

In accordance with the requirements of MIFIDPRU 8.3.1(2), the Firm has detailed below the number of directorships (split by Executive and Non-Executive) of its Board members. Internal directorship(s) are counted as one directorship in aggregate.

DIRECTOR	NON-EXECUTIVE DIRECTORSHIPS	EXECUTIVE DIRECTORSHIPS
Hiroaki Kato		2
Takenari Suzuki	1	

Diversity

In accordance with the policies adopted by SMDAM and SMFG, the Board is committed to fostering a diverse and inclusive environment both within the Firm and in relationship to the membership of the Board. The Board values and respects individual differences in gender, age, background and experience. SMDAM UK aims to be an innovative organisation where employees respect one another, strengthen their skills, express their individuality and experience growth and fulfilment through their work.

6. ***Own Funds***

This disclosure has been made using the template in MIFIDPRU 8 Annex 1R. All balances are as at 31 December 2024.

Table 1: Composition of regulatory own funds			
	Item	**Amount (£'000)**	**Source based on reference numbers/letters of the balance sheet in the audited financial statements**
1	**OWN FUNDS**	9,823	15
2	**TIER 1 CAPITAL**	9,823	15
3	**COMMON EQUITY TIER 1 CAPITAL**	9,823	15
4	Fully paid up capital instruments	3,000	13
5	Share premium	-	
6	Retained earnings	6,823	14
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	-	

Table 2: Own funds - reconciliation of regulatory own funds to balance sheet in the audited financial statements		
		a
		Balance sheet as in published/audited financial statements
		As at 31 December 2024 (£'000)*
Assets - ***Breakdown by asset classes according to the balance sheet in the audited financial statements***		
1	Tangible fixed assets	79
2	Debtors	2,774
3	Cash and cash equivalents	2,108
4	Term deposits	9,000
	Total Current Assets	13,882
Liabilities - ***Breakdown by liability classes according to the balance sheet in the audited financial statements***		
1	Creditors	4,137
2		
3		
	Total Liabilities	4,137
Shareholders' Equity		
1	Called up share capital	3,000
2	Profit and loss account	6,823
	Total Shareholders' equity	9,823

- Figures subject to rounding and so may not exactly sum to the totals shown

Table 3: Own funds - main features of own instruments issued by the firm	**Common Equity Tier 1**
Share capital: Allotted, called up and fully paid 3,000,000 ordinary shares of £1 each	
Public or private placement	Private
Instrument type	Ordinary shares
Amount recognised in regulatory capital (GBP thousands, as of most recent reporting date)	3,000,000
Nominal amount of instrument	GBP 1
Accounting classification	Ordinary share capital

7. Own Funds Requirements

As a non-SNI (non-small and non-interconnected) firm, SMDAM UK must at all times maintain own funds that are at least equal to its own funds requirement calculated in accordance with MIFIDPRU 4.3, being the higher of:

- its Permanent Minimum Capital Requirement
- its Fixed Overhead Requirement or
- its K-Factor Requirement.

A summary of these requirements as at 31 December 2024 (£,000) is shown below:

Permanent minimum capital requirement (PMCR)	£75
Fixed overheads requirement (FOR)	£1,916
K-AUM	£938
Total K-factor requirement (KFR)	£938
Own funds requirement (higher of PMCR, FOR and KFR)	£1,916

Overall Financial Adequacy Rule

The Firm uses the ICARA process to ensure that it complies with the overall financial adequacy rule on an individual basis. The overall financial adequacy rule requires a firm to hold adequate own funds to manage the risks associated with its ongoing business operations that may result in material harms.

In conducting its ICARA, the Firm has:

- identified risks that may result in material harms to the Firm's clients and counterparties, the markets in which the Firm operates and the Firm itself;

- ensured it has appropriate systems and controls in place to identify, monitor and, where proportionate, reduce all potential material harms that may result from the ongoing operation of its business or winding down its business;
- considered on a forward-looking basis the own funds and liquid assets that will be required to meet the overall financial adequacy rule, taking into account any planned future growth; and
- considered relevant severe but plausible stresses that could affect the Firm's business and considered whether the Firm would still have sufficient own funds and liquid assets to meet the overall financial adequacy rule.

The ICARA will be a continuous process through which the Firm will assess and ensure the adequacy of its own funds on an ongoing basis.

8. Remuneration Policy and Practices

Decision-making process used for determining the remuneration policy

In light of the scale and nature of its structure and activities and the size of its employee base, the Firm is not required to establish a remuneration committee. Therefore, the Board is responsible for independent oversight and determining remuneration arrangements for employees, with consultation and approval from the parent company of the Firm, SMDAM Tokyo. The Board is responsible for ensuring that remuneration arrangements within the Firm are consistent with the promotion of effective risk management and do not encourage risk taking which exceeds the Firm's risk appetite.

In considering remuneration awards, the Board considers the Firm's performance in line with the overall business strategy as well as the performance of teams. The Board will consider remuneration arrangements and bonus awards for staff each year as part of the annual employee performance appraisal process. The Firm's annual assessment of all staff considers financial and non-financial indicators and has regard to goals and objectives set by line managers, integrity, and compliance with regulatory requirements and policy frameworks.

Objectives of the remuneration arrangements

The objectives of the Firm's remuneration arrangements are to:

- provide competitive remuneration structures so as to attract, retain and motivate an appropriate workforce for the Firm;
- ensure that the Firm's reward practices encourage high standards of personal and professional conduct, support sound risk management and do not encourage risk taking that exceeds the level of tolerated risk of the Firm;
- ensure remuneration is aligned to financial and non-financial performance objectives and promotes the business strategy, objectives, values, culture and long-term interests, stability and sustainability of the Firm;
- ensure remuneration is aligned with all applicable regulatory requirements and avoids any arrangements that would seek to avoid application of such requirements, including application of the FCA's Remuneration Code; and
- reward all employees fairly, regardless of race, religion, gender or gender reassignment, sexual orientation, marital status, pregnancy or maternity, disability or age.

Key characteristics of remuneration policy and practices

Base salary

Base salary is paid to all employees for their role and is intended to provide a reasonable standard of living on its own (or including local allowances where relevant), without reliance on discretionary bonus awards. Fixed remuneration should primarily reflect a staff member's professional experience and organisational responsibility as set out in the staff member's job description and terms of employment; and should be permanent, pre-determined, non-discretionary and non-revocable.

Pensions and benefits

Benefits are provided in line with local market practice, and typically include pension contributions, private medical and life insurance benefits.

Variable remuneration

This part of pay is generally performance-based and covers bonus awards. This category of pay also includes carried interest arrangements to the extent such arrangements are implemented by the Firm.

All employees are eligible to be considered for a discretionary bonus award. Bonuses are performance based and allow the Firm to recognise the contributions that employees have made to deliver shared financial and non-financial goals. Consideration is given to long term achievements and performance that goes beyond an individual's job description.

The range of criteria with which bonuses are determined varies between business units. Based on information provided to them by the members of senior management, the Board can use its discretion to reduce current year awards, partially or wholly, in light of certain risk events occurring during the year, which include, but are not limited to:

- failure to comply with the Firm's policies;
- breach of regulatory requirements; and
- any disciplinary action taken against the individual during the financial year.

Bonuses are determined at the discretion of the Board and will be used to reward and encourage good financial performance, as well as non-financial performance. Bonuses may be reduced or withheld completely if there has been any breach of regulatory requirements. Bonuses may also be reduced to zero where there is poor performance, or where the employee is subject to a disciplinary warning, or as otherwise determined by the Board. The range of criteria chosen to determine discretionary bonuses may vary from year to year and from one team function to another. The amount of bonus available to be paid will be influenced by a number of factors, including the Firm's profitability and strategic objectives, which may change from time to time.

The Firm will ensure that the fixed and variable components of total remuneration are appropriately balanced. The fixed component must represent a sufficiently high proportion of the total remuneration to enable the operation of a fully flexible policy on variable remuneration, including the possibility of paying no variable remuneration component.

Deferral and payment in Eligible Instruments

The Firm is classified as a non-SNI MIFIDPRU investment firm under the FCA Rules and meets the provisions in SYSC 19G.1.1. As such, the Firm is not required to apply certain provisions in the FCA

Remuneration Code, including provisions under SYSC 19G.6.19R to SYC 19G.6.21G (Shares, instruments and alternative arrangements) and SYSC 19G.6.24R to SYSC 19G.6.29R (Deferral).

Guaranteed variable remuneration

The Firm will not award guaranteed variable remuneration to an individual classified as a Material Risk Taker unless it occurs in the context of a new hiring; is limited to the first year of service; and the Firm has a strong capital base.

Any guaranteed variable remuneration, retention awards, severance pay and buy-out awards are subject to malus and clawback rules set out in SYSC 19G.

Severance pay

Payments related to the termination of a contract shall be designed in a way that does not reward failure.

Material Risk Takers

Material Risk Takers are those persons whose professional activities have a material impact on the risk profile of the Firm or the assets it manages. The Board is responsible for reviewing and identifying its Material Risk Takers on at least an annual basis, or as otherwise required.

The FCA considers that an employee's professional activities are deemed to have a material impact on the Firm or the assets it manages if (amongst other things) the employee:

- is a member of the management body including its supervisory functions;
- is a senior management member;
- has managerial responsibility for managing, dealing in, advising on (and certain other regulated activities in relation to) investments (and includes head of investment research);
- has managerial responsibilities for the activities of a control function, including for the prevention of money laundering and terrorist financing;
- is responsible for managing a material risk within the firm;
- is responsible for managing information technology, information security or outsourcing arrangements of critical or important functions as referred to in article 30(1) of the MiFID Org Regulation;
- has authority to take decisions approving or vetoing the introduction of new products;
- is otherwise a member of staff whose professional activities have a material impact on the risk profile of the firm.

Risk Adjustment

The Firm operates a budget-based system calculated by reference to previous/past years' actual earning/profits. In respect of remuneration awards, the budget is subject to review by the Board to determine whether any degree of risk adjustment for present or future risks is necessary, and whether the methods used to calculate the budget have been correctly applied. Any budget for variable remuneration takes into account current and future risks and the cost of the capital and liquidity required in accordance with MIFIDPRU. Any variable remuneration may only be paid if it is sustainable according to the financial situation of the Firm as a whole, and justified on the basis of the performance of the Firm, the business unit and the individual concerned.

An annual review of proposed variable remuneration aggregate totals will be undertaken in order to ensure that the Firm is not prevented from strengthening its capital base should it wish to.

Pursuant to SYSC 19G.6.33, as a non-SNI MIFIDPRU investment firm that is not required to apply deferral, the Firm is not required to apply malus, but must enable the use of in-year adjustments and clawback arrangements. In this respect, it is a condition of employment with the Firm that employees who have participated in, or have been responsible for, conduct which has caused material error, or failed to meet appropriate standards of fitness or propriety including, without limitation, standards set by a regulator, may receive a reduced bonus or no bonus, or may be required to repay all or part of a bonus award paid.

Sumitomo Mitsui DS Asset Management (UK) Limited
100 Liverpool Street
London
EC4N 7JA
United Kingdom

8 August 2025

Appendix 1 – Quantitative Disclosures for 2023/24

Appendix 1

in '000

Total Fixed Remuneration:	4,195	Total Variable Remuneration:	752
No. of Material Risk takers:	4		
	Senior management	Other material risk takers	Other staff
Total remuneration	390	320	4,248
Fixed Remuneration	355	305	3,535
Variable Remuneration	35	15	713
Guaranteed Variable Remuneration	0	0	150
New Sign-on and Severance Payments	0	0	153
Number of new sign-on and severance payment recipients	0	0	2
No. of material risk takers paid guaranteed variable remuneration	0	0	N/A
The highest severance payment awarded to a material risk taker	0	0	N/A