



Waverton Investment Management Ltd

Investment Firm Prudential Regime Disclosures
Year end 31 December 2024

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1. Introduction

As at 31st December 2024, Waverton Investment Management Limited (Waverton) held Own Funds of £36,048k giving it a buffer of £26,978k over its regulatory capital requirement. As at 31st December 2024 it held Liquid Assets of £17,585k giving it a buffer of £14,562k over its regulatory liquidity requirement. The Board believes that these figures represent a well-capitalised, highly liquid company.

The Internal Capital and Risk Assessment (ICARA) process is the centrepiece of Waverton's risk management process. It incorporates business model assessment, financial forecasting, stress testing, recovery & wind-down planning and is supported by the Risk Committee, the Executive Committee, the Audit, Risk and Compliance Committee, and the Board.

Under the Investment Firm Prudential Regime (IFPR), the Prudential categorisation for Waverton is as a non-SNI (Small and Non-Interconnected) Financial Conduct Authority (FCA) investment firm. The new Prudential categorisation replaces the previous categorisation as IFPRU FCA investment firm.

The FCA sets out an amount of £150,000 as the Permanent Minimum Requirement that will be applicable to Waverton. This amount is based on the investment services and activities the company conducts.

The disclosures in this report are provided pursuant to the MIFIDPRU 8.1 disclosure rules as laid out by the FCA.

The Board reviews the ICARA at least annually or following any material change in the firm's business model or operating model.

2. Application of the disclosure requirements

Level of application - The MIFIDPRU rules require disclosures to be made at individual entity level therefore the disclosures below apply solely to Waverton.

Frequency of disclosure - Disclosures will be issued on an annual basis or more frequently if there has been substantial change to the business and will be published alongside the audited Financial Statements.

Location - The disclosures, in the form of this report, will be published on W1M's website www.W1M.com.

3. MIFIDPRU 8.2 - Risk Management Objectives and Policies

Waverton has implemented ICARA as the risk management process to identify, assess, manage, monitor, and mitigate the risk of harm to clients, markets, counterparties and where required, to dictate the additional financial resources held to mitigate these risks – demonstrating Waverton's compliance with Own Funds Requirement (MIFIDPRU 4), Concentration Risk (MIFIDPRU 5) and Liquidity (MIFIDPRU 6).

The following section covers the descriptions of risks of harm that arise from day-to-day activities, Waverton's approach to risk management, and how Waverton sets its risk appetite and assesses the effectiveness of its risk management processes.

Risks of harm:**(a) Investment risk**

Waverton's investment management fees are linked to Assets under Management. Poor investment performance may lead to poor outcomes for clients. In addition, it will impact revenue and can also lead to client outflows, which will further impact revenue.

(b) Transaction operational risk

Transaction errors such as trade capture omission, poor trade execution and trade processing errors may lead to risk of harm to clients.

(c) Client and regulatory risks

As an FCA-regulated entity Waverton is governed by the FCA Handbook (including Handbook sections such as COLL, PRIN, COBS, Consumer Duty and CASS). Regulatory risk can manifest itself in a variety of ways and developing an appropriate and proportionate control framework, culture and governance model that includes a robust compliance monitoring programme are essential. Failure to implement controls and procedures which align with regulatory requirements may lead to risk of harm to clients. In the event of a significant, unrectified, or repeatable breach, the FCA can impose regulatory fines or sanctions. It is worth noting that Waverton has been re-classified as a Small CASS Firm as opposed to a Medium CASS firm as a result of reduced Cash and Asset balances following the migration to SEI in April 2023.

(d) Fraud risk

External / internal fraud is the risk of unexpected financial or reputational loss because of fraudulent action.

(e) Operational Resilience and third-party management risks

The disruption of critical providers' service, an IT system outage or critical employees being out for an extended period may lead to harm to business operations and client service delivery.

(f) Business change and execution risks

Poor execution of change initiatives or projects may lead to harm due to lack of business commitment, critical resources not being available, or resistance to change.

(g) Cyber security and data protection risks

Cyber security risk relates to the loss of confidential data or availability of information and may lead to harm to clients, business operations and reputational loss.

(h) People and Conduct risks

Causes of harm could come in different forms such as Portfolio Managers buying unsuitable funds / stocks, not treating customers fairly, non-compliance with best execution or they may have a conflict of interest.

(i) Intragroup dependencies / group reputational risk

Waverton is part of a 'non-SNI' FCA investment firm group, Waverton Investment Management Group Ltd (WIMGL). There are no complex interdependencies within the group as at the year ended 31st December 2024. However, as Waverton grows and develops its distribution strategy to expand its footprint across all business channels, the reputational risk profile of the business may increase.

WIMGL completed a merger transaction with London & Capital Group Limited (LCG) in June 2024. The integration of both businesses will take place over 2025. Collectively L&C Waverton provides a wide range of investment and wealth management services to private clients, pension funds, professional intermediaries & trustees; financial planning advice to high-net-worth individuals and families; and multi asset and specialist funds to the retail sector.

Waverton has considered the risk impact and has set aside Own Funds to reflect the integration risk on business-as-usual processes and potential programme delays. Until L&C Waverton completes the corporate reorganisation, the LCG and Waverton are governed with separate two ICARA process and IFPR disclosures.

From June 2025, the two brands will be consolidated under a new name, W1M. The 2025 disclosures for the financial year ending 31 December 2024, covers Waverton activities only, as the businesses were still operating as separate entities during this time.

Approach to Risk Management and Risk Appetite:

The above risks are mitigated with controls that reflect Waverton's risk appetite. The risk appetite is the overarching level of risk that the Board and the Executive Committee have set and are willing to accept in the day-to-day running of the business.

The risk appetite is embedded across Waverton in the following ways:

- Key strategic decisions and operating plans are aligned to risk appetite, and within the boundaries set by the Board.
- Risk metrics and thresholds are developed together with the business and operational teams.
- Risk appetite statements, risk metrics and thresholds are reviewed by the Risk Committee, and the Audit, Risk and Compliance Committee (ARCC) and are then approved by the Board.
- Risk appetite statements, risk metrics and thresholds are documented in the Risk Appetite, Operational Risk and ICARA Framework.
- Red, Amber, and Green (RAG) ratings are monitored by the Risk Committee and reported on a quarterly basis to the Audit, Risk and Compliance Committee and the Board.

The effectiveness of risk management and the controls framework can be demonstrated through the following:

- Risk considerations are an integral part of our day-to-day activities.
- The Executive Committee discusses investment performance and operational challenges to better understand how these activities can impact Waverton and its risk profile.
- Compliance, as an independent function, has a compliance monitoring programme in place to monitor for non-compliance with the company's policies and procedures and with all relevant rules and regulations.
- The members of the Risk Committee are representatives from across the business to encourage active operational engagement.
- Internal audit evaluates the control framework and operating effectiveness of Waverton's governance model (including conduct and culture) as part of the internal audit programme.

Compliance with MIFIDPRU 5 – Concentration Risk

Concentration Risk is the risk arising from the strength or extent of an exposure to any single connected counterparty or group of connected counterparties. This may include clients, banking counterparties or third-party providers. Whilst subject to MIFIDPRU 5.2, Waverton does not take proprietary positions and therefore is not required to calculate K-CON (trading book exposures).

Waverton has the following monitoring procedures and controls:

- **Banking counterparties which hold client money**

All client money has been transferred to SEI following the appointment of SEI as Outsourced Service Provider and Custodian since April 2023. Whilst Waverton retains CASS Permissions as authorised by the FCA, it continues to maintain appropriate governance arrangements, controls and processes for as long as Waverton holds in order to comply with CASS regulation. All client money receipts are received directly by SEI for all clients.

- **Banking counterparties which hold client assets**

All client assets (with the exception of a limited number of untransferable valueless stocks) have been transferred to SEI following the appointment of SEI as Outsourced Service Provider and Custodian since April 2023. Whilst Waverton retains CASS Permissions as authorised by the FCA, it continues to maintain appropriate governance arrangements, controls and processes for as long as Waverton holds in order to comply with CASS regulation. All client assets are received directly by SEI for all clients.

- **Banking counterparties which hold Waverton's corporate cash**

Waverton assesses the credit worthiness of banks regularly and performs monthly bank reconciliations. Waverton does not utilise Money Market Funds.

Compliance with MIFIDPRU 6 – Liquidity

The quality and availability of Liquid Resources depend on the ability to convert various types of Liquid Resources into available 'cash' to settle debts as they fall due. This is particularly important when considering stressed conditions.

Waverton has a Liquidity Risk Management Policy in place and monitors liquidity through:

- Active management of accounts payable and receivable.
- Daily reconciliation of bank accounts to identify any required cash management actions.
- Monthly conversion of excess foreign currency balances to sterling.
- A rolling 12-month cashflow forecast reviewed by the Executive Committee.

Waverton is required to hold an appropriate level of Liquid Assets to cover potential harm and to meet the Overall Financial Adequacy Rule (OFAR) in MIFIDPRU 7.4.7R.

Waverton monitors early warning indicators for Liquid Assets, and any material changes to projected expenditure and the ICARA is embedded into decision-making. In the event of a severe stress scenario, early warning indicators would alert the Executive Committee to consider potential recovery actions.

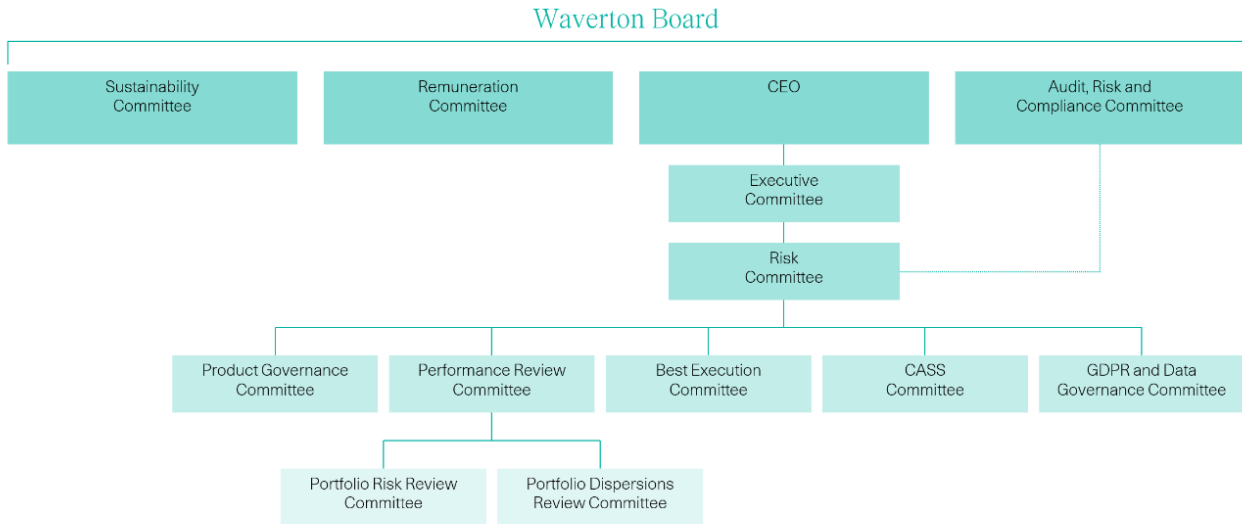
4. MIFIDPRU 8.3 – Governance Arrangements

(a) Risk management oversight:

The diagram below provides a summary of Waverton's governance structure.

- The Board has the ultimate responsibility for setting the long-term strategic and commercial agenda.
- The Executive Committee is responsible for implementing strategy and actively managing its portfolio of businesses and its risk profile with the objective of balancing risks and returns appropriately in the prevailing market conditions. The Committee meets monthly.
- The Audit, Risk and Compliance Committee is a sub-committee of the Board which meets quarterly and is the escalation point for Risk and Compliance functions. The Audit, Risk and Compliance Committee retains oversight of both the internal and external audit functions. The Committee comprises three Non-Executive Directors and one Executive Director.
- The Remuneration Committee is a sub-committee of the Board which provides oversight into Waverton's Remuneration Policy and incentive schemes to ensure these are aligned with Waverton's strategic and long-term objectives, values and interests. The Committee meets a minimum of three times a year and include the Non-Executive chairman and one Non-Executive Director alongside the Chief People Officer and Chief Executive Officer.
- The Sustainability Committee is a sub-committee of the Board which meets quarterly and provides overarching guidance in the best interests of clients, employees and shareholders. This encompasses both the company's investment approach and corporate impact through responsible investing and corporate responsibility on social and environmental change.
- The Risk Committee is responsible for reviewing and evaluating Waverton's risks of harm. The Committee meets quarterly.
- As indicated in the governance structure below, there are sub-committees, reporting into the Risk Committee, which provide governance and oversight on CASS, investment risk exposures, portfolio dispersions, best execution, and data protection governance.
- Compliance, as an independent function, has a compliance monitoring programme in place to monitor for non-compliance with Waverton's policies and procedures and with all relevant rules and regulations.

Executive Governance Structure – Waverton Risk



Waverton’s risk management and controls framework is supported by the firm’s governance structure, leadership team, and purpose statement:

- Waverton’s purpose statement and its values, which are published on its website, are factored into employee performance objectives.
- There are key metrics to demonstrate the attitude, behaviour, and competence of Waverton’s leadership team. For instance, there are Key Performance Indicators for investment performance, net new assets, revenue growth and profitability, in addition to the client satisfaction survey and the annual employee engagement survey.
- Waverton links Senior Managers and Certification Regime (SMCR) requirements to Key Risk Indicators and Management Information to monitor, review and escalate Conduct Risk. There is an annual (and ongoing) objective setting and performance management review process with all employees.
- Assessing environmental and climate related risks is part of Waverton’s integrated ESG approach. A key part of the Portfolio Risk Review Committee’s remit is to identify potential areas of market-wide risk and systemic risks and review the exposure of client assets to them. The market-wide risks are built into stress tests and the tests in turn are incorporated into our risk monitoring systems and form part of our six-pillar risk management framework.

Waverton's risk management principles are consistent with the three lines of defence model:

Business management, as the first line of defence, owns the risk exposures and is required to maintain effective processes and systems to manage these risks. These include robust and comprehensive internal controls and documented procedures.

The Chief Executive Officer is responsible for the execution and implementation of strategy approved by the Board. Senior executives are accountable for the risks associated with their business areas and departments.

Compliance and Risk, the second line of defence, provides independent oversight of primary and consequential risks. This includes the Performance and Risk team setting risk limits and Compliance, through the compliance monitoring programme, protecting against non-compliance with applicable laws and regulations.

Internal Audit forms the third line of defence. It evaluates the overall effectiveness of governance, risk management and the control environment. This includes consideration of how the first and second lines of defence meet their objectives.

In addition, Waverton engages a professional firm to perform an independent review of the control environment. The results are presented in the AAF 01/20 (Report on Internal Controls). The AAF 01/20 report outlines the systems and controls in place which form the basis upon which Waverton can deliver consistent, high-quality operational performance and risk management and also provides assurance to clients and their auditors about Waverton's control environment.

Finally, External Auditors perform an annual audit on Waverton's financial statements and for CASS Compliance.

(b) Board directorships

The table below lists the number of directorships held by each member of the Board as at 31 December 2024. Specifically excluded are any directorships held in organisations which do not pursue predominantly commercial objectives and executive and non-executive directorships held within the same group or within an undertaking in which the firm holds a qualifying holding, as per MIFIDPRU 8.3.2 R.

As at 31 December 2024:

Board member 1	5
Board member 2	0
Board member 3	0
Board member 4	9
Board member 5	4
Board member 6	0
Board member 7	0
Board member 8	3
Board member 9	5
Total	26

(c) Approach to diversity

Ensuring we continue to improve Equality, Diversity and Inclusion (ED&I) is one of Waverton's priorities and we pride ourselves on creating and sustaining a positive and inclusive working environment. Our approach to ED&I is outlined in Waverton's ED&I policy, which is posted on the company's website for public view. This policy outlines Waverton's purpose, values, its commitments to ED&I and explains the responsibilities of Waverton and its employees.

Significant focus continues to be on improving gender diversity across the business, with improved levels of female representation across the firm, including at Board level and on the Executive Committee.

As part of a Board approved succession plan, two new female directors have joined the Waverton Funds Board from the 1st January 2024, as Chair and Chair of the Financial Reporting Committee, respectively.

62% (18/29) of new hires in 2024 were female. Continued focus on increasing the number of female hires will assist us in meeting our Women in Finance Charter commitments, where Waverton has pledged to have 33% of senior management made up of women by 2025.

We also continue to work with partners, including Girls Are INvestors (GAIN), upReach and Investment 20:20 to continue to improve the diversity of our candidate pools and talent pipeline.

5. MIFIDPRU 8.4 – Own Funds

Waverton is required to hold an appropriate level of Own Funds to cover potential harm.

As at 31st December 2024, Waverton held Own Funds of £36,048k. The following table provides a breakdown of the Own Funds:

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	36,048	Note 16
2	TIER 1 CAPITAL	36,048	Note 16
3	COMMON EQUITY TIER 1 CAPITAL	36,048	Note 16
4	Fully paid up capital instruments	23	Note 16
5	Share premium	313	Note 16
6	Retained earnings	36,202	Note 16
7	Accumulated other comprehensive income		
8	Other reserves		
9	Adjustments to CET 1 due to prudential filters		
10	Other funds		
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(490)	Note 10
19	CET 1: 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		
Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements			
Flexible template - rows to be reported in line with the balance sheet included in the audited financial statements of the investment firm.			
Columns should be kept fixed, unless the investment firm has the same accounting and regulatory scope of consolidation, in which case the volumes should be entered in column (a) only.			
Figures should be given in GBP thousands unless noted otherwise.			
		a	b
		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation
			c
			Cross- reference to template OFI
		As at period end	As at period end
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements			
1	Property, plant and equipment	381	
2	Rent Deposit	1,259	
3	Deferred tax asset	490	Item 11
4	Cash and cash equivalents	16,581	
5	Trade and other receivables	21,934	
6	Other assets	3,727	
7	Intercompany Receivable	14,326	
xxx	Total Assets	58,699	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements			
1	Trade and other payables	19,010	
2	Other liabilities	1,979	
3	Current lease liabilities	6	
4	Tax liability	480	
5	Lease liabilities	6	
6	Provision for restoration costs	513	
7	Intercompany Payable	161	
8	Long term incentive plan	6	
xxx	Total Liabilities	22,161	
Shareholders' Equity			
1	Issued share capital	23	Item 4
2	Share premium account	313	Item 5
3	Retained earnings	36,202	Item 6
xxx	Total Shareholders' equity	36,538	Item 1, 11

6. MIFIDPRU 8.5 – Own Funds Requirements

The assessment of adequate Own Funds resources is based on the level of Own Funds required when compared to the amount available.

Own Funds Requirement is calculated as the higher of:

- (a) Permanent Minimum Capital Requirement - £150k
- (b) Fixed Overhead Requirement (FOR) - £9,070k (note 1).
- (c) K-Factor Requirement (KFR) (note 2) and harms assessments - £6,399k.

Note 1: FOR is the amount equal to at least one quarter of Waverton's fixed overhead for the preceding year, calculated in line with MIFIDPRU 4.5.

Note 2: The KFR is calculated as the sum of each of the K-Factors that apply to the business:

	Calculations as at 31 st December 2024	£000
K-Factors	\sum K-AUM, K-CMH and K-ASA	1,851
	\sum K-DTF (n/a) and K-COH (24)	26
	\sum K-NPR, K-CMG, K-TCD and K-CON	n/a
K-Factors Requirement (KFR)		1,877

The Approach to assessing the adequacy of Own Funds resources:

To assess the amount of Own Funds necessary requires a wider assessment of the risks to which Waverton is exposed. Risk scenarios have been selected that represent the key risks of harm to the client, Waverton and wider market participants, as agreed with the Board, Executive Committee, Audit, Risk and Compliance Committee and Risk Committee.

At the same time, the assessment of Own Funds adequacy is underpinned by accounting principles and captures any changes to the value of assets or liabilities which affect the accounting value of capital. Resulting losses are deducted from the retained earnings which are part of Waverton's common equity.

The ICARA process is key to performing the assessments and the process is owned by the Board.

In addition to the above, Waverton monitors early warning indicators for Own Funds, and any material changes to projected expenditure and the ICARA is embedded into decision-making. In the event of a severe stress scenario, early warning indicators would alert the Executive Committee to consider potential recovery actions.

7. MIFIDPRU 8.6 – Remuneration Policy and Practices

Please note Remuneration Policy and Practices are separately disclosed on the website. Please refer to the Waverton Remuneration Disclosure report.