Openwork Wealth Services Limited

Annual Pillar 3 Disclosure Statement

Based on financial data as at 31st December 2022

Overview

Openwork Wealth Services Limited ('OWSL' or 'the firm') is authorised by the UK Financial Conduct Authority ('FCA'). OWSL is subject to the Investment Firms Prudential Regime ('IFPR') (the MIFIDPRU Rules) which came into effect on 1 January 2022 and is applicable specifically to MiFID Investment Firms (i.e., firms that are authorised under MiFID or have regulatory permissions to conduct MiFID business). Under the rules, OWSL is categorised as a 'Non-SNI firm'.

Linked to the IFPR, is the concept of 'Investment Firm Groups'. OWSL is part of the Openwork Holdings Investment Group; with Openwork Holdings Limited being at the head of this group.

Investment Firm Categorisation

Under IFPR, firms are categorised into two broad categories of Firm (with variations depending on size):

- SNI - 'Small and Non-interconnected' Investment Firm.
- Non-SNI

To qualify as a SNI, a firm:

- must not carry out activities that have the greatest potential to cause harm to its customers or to the markets in which it operates, and
- must not carry out any activities on such a scale that would cause significant harm to customers or to the markets in which it operates.

To assess the scale of activities, the FCA applies a number of quantitative thresholds. The these are:

Measure	IFPR Threshold	Relevant to OWSL?
Balance Sheet Total	≥£100m	No.
Total annual gross revenue from investment activities	≥ £30m	No.
Assets Under Management	≥ £1.2bn	Yes.
Daily client orders handled:	cash trades ≥ £100m derivative trades ≥ £1bn	No.
Assets safeguarded and administered	> 0	No.
Client money held	> 0	No
Deals on own account		No.

Based on these thresholds, OWSL is currently categorised as a Non-SNI firm under the IFPR:

Summary of Capital Requirements

There are three elements to the capital requirements. These are:

- Basic Own Funds - specifies the minimum capital requirement for firms to cover credit, market and operational risks;
- Overall Financial Adequacy - requires firms, and the FCA, to consider whether additional capital is required above the Own Funds requirements (as set out below); and
- Disclosure - requires firms to, where proportionate, disclose their policies for managing risk and their capital resources.

OWSL's basic own funds requirement will be calculated as the greatest of:

- The Permanent Minimum Requirement (PMR)
- The Fixed Overhead requirement (FOR); or
- The K-Factor Requirement (KFR)

Permanent Minimum Requirement

OWSL is subject to the permanent minimum requirement of £75,000.

Fixed Overhead Requirement

The fixed overhead requirement is a quarter of fixed expenditure after profit distribution from the audited financial statements of the previous year.

K- Factor Requirement

K-factor requirements (KFR) and specific K-factors seek to account for the potential harm that an investment firm may cause to its clients, to the market or to the firm itself.

Of these K-factors, only 'K-AUM'- Assets Under Management is relevant to OWSL.

The K-AUM capital requirement is based on the following:

• Assets under MiFID discretionary portfolio management and non-discretionary (AUM 12 month rolling average).
• Includes assets whose management is delegated to another firm.
• Excludes AUM under an AIFM or UCITS activity.

Basic Own Funds

Basic Own Funds must be made up solely of common equity Tier 1 capital (CET1), additional Tier 1 capital (AT1) and Tier 2 capital (T2).

OWSL currently holds only Tier 1 capital.

Basic Liquid Asset Requirement

Under the draft rules of the IFPR, OWSL will be required to meet the following liquidity risk requirements:

- Hold one third of the amount of its fixed overheads requirement in liquid assets.
- Includes liquidity adequacy assessment and contingency funding plan.
- Eligible assets – cash, short term deposits, UK gilts/treasury bonds, money market funds.
- Firm must still hold liquidity resources as calculated in liquidity risk assessment.
- Liquidity Stress testing is required.

OWSL's capital is currently held in cash and/or short-term deposits.

OWSL is required to hold additional liquidity if dictated by the assessment under the Overall Financial Adequacy Rule and specifically in relation to additional cost indicated by its wind down analysis.

Other Regulatory Requirements

In addition to the requirements mentioned above, the firm will be expected to comply with the following additional IFPR requirements:

Internal Capital Adequacy and Risk Assessment (ICARA)

The processes seeks to;

- Assess the material risks not captured under the basic Own Funds requirement.
- Assess compliance with the Overall Financial Adequacy Rule.
- Determine capital and liquidity during expected and stressed conditions.
- Include recovery/wind-down planning and reverse stress testing.
- Follows a customer/market/firm harm led approach.

Openwork Holdings Investment Group

The members of the Group are:

Group Entity	Type of Group Entity	Sub-type of Group Entity
Openwork Holdings Limited	UK parent entity	Other financial institution
2 Plan Group Limited	Subsidiary (non-parent undertaking)	Other financial institution
Openwork Independent Solutions Limited	Subsidiary (non-parent undertaking)	Other financial institution
Openwork Limited	Subsidiary (non-parent undertaking)	Other financial institution
Openwork Services Limited	Subsidiary (non-parent undertaking)	Ancillary services undertaking
2 Plan Wealth Management Limited	Subsidiary (non-parent undertaking)	Other financial institution
Omnis Investments Limited	Subsidiary (non-parent undertaking)	Other financial institution
OWSL	Subsidiary (non-parent undertaking)	MIFIDPRU Investment Firm

Company Background

OWSL is incorporated in England and Wales and is a subsidiary of Openwork Holdings Limited ('OHL'). The overall ownership structure is presented below.

OWSL is part of the Openwork Partnership Group; - one of the UK's largest financial advice networks providing the firm with access to a large number of wealth advisers and firms. The OWSL service is offered through two Distribution Firms.

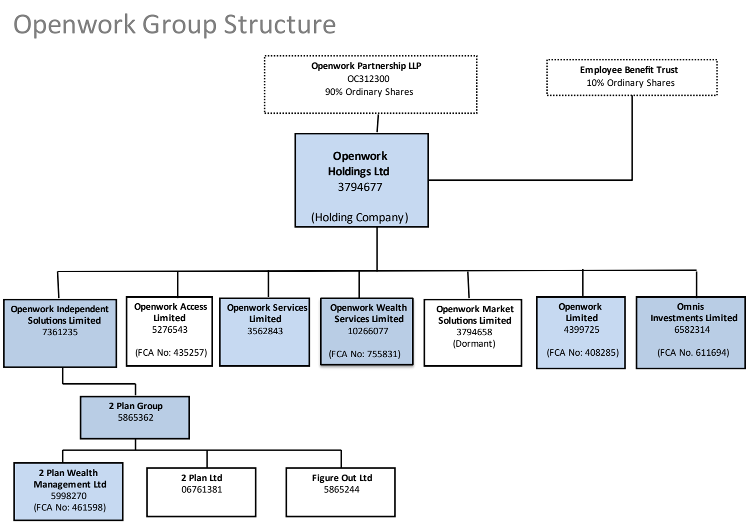
OWSL's sister company, Omnis Investments Limited ('Omnis'), offers a range of investment funds (OEICs) exclusively through the financial advisers of the Openwork Group. OWSL invests entirely in the funds of Omnis.

Authorised in April 2017, OWSL offers discretionary fund management ('DFM') services (under the name Omnis Managed Portfolio Service) to the clients of the Group. OWSL provides five risk-rated model portfolios (Defensive, Cautious, Moderately Cautious, Balanced and Adventurous), based on the attitude to risk of Openwork Limited clients. It also provides four similar portfolios to 2 Plan Wealth Management Limited.

OWSL provides its discretionary services (through the model portfolios) to the Distribution Firms as 'agents' for their clients. OWSL does not provide services directly to clients.

OWSL does not execute client transactions and does not hold Client Money. OWSL necessarily 'controls' client assets by virtue of the provision of discretionary instructions that do not need to be approved by the clients. It has the regulatory permission to do this.

Openwork Partnership Group Structure



OWSL Entity Governance Structure

The Board

At 31st December 2022, the OWSL Board comprised one executive director (Richard Houghton) and three independent directors (Jon Bailie, Peter Davis and Douglas Naismith). Richard Houghton resigned from the Board on 9th May 2023. Robert Jeffree and Grant Hotson joined the Board on 2nd May 2023 and 25th April 2023 respectively.

Director	Other Directorships (at 31st December 2022)
Jon Bailie	2
Peter Davis	3
Richard Houghton	-
Douglas Naismith	-

The Board is advised by Risk & Compliance, Finance and Legal colleagues.

The Board

The OWSL Board is responsible for running the OWSL business. The Board sets the strategic agenda and holds Management to account for delivering it. The Board ensures that the company operates effectively and independently from Omnis or any other Openwork Group entity. The Board benefits from a mix of executive and non-executive representation and it will broadly operate using a committee structure that will enable it to identify, report on and manage the key risks that the business faces.

The Board also sets the risk appetite and the tolerance within which all risks are to be managed.

Given the relative simplicity of the OWSL business model, no Risk Committee has been established by OWSL.

The OWSL Management Committee

The OWSL Management Committee is owned by the OWSL CEO and is broadly responsible for oversight of the day to day running of the Company.

Risk Management

The broad categories of risk and OWSL's approach to these is set out below.

Key Risk

OWSL's key risk relates to a failure in the provision of tactical asset allocation decisions to the Platforms used by the customers of the Openwork Group who use the Omnis Managed Portfolio Service.

OWSL develops risk-rated model portfolios for customers. The composition of these portfolios will reflect tactical asset allocation decisions made by OWSL in response to its view of the markets and the relative merits of different asset classes.

Customers authorise their Platform firms to accept instructions from OWSL to alter the composition of the risk-rated portfolios. Once notified and under the relevant terms and conditions agreed with the customer, it is the responsibility of the relevant Platform to implement the proposed allocation changes. Risk to OWSL arises where it fails to properly notify the Platforms of its tactical decisions or where these are erroneously notified (and then implemented).

Since the launch of the service, there have been no incidents of this risk event occurring.

Risk Management Framework

The Company has adopted the Openwork Group's overarching risk management framework and risk policy, including risk appetites and reporting thresholds, which are set by the holding company Board and cascaded to subsidiary companies and to executive management. The process of risk identification and assessment operates 'top down', beginning with the identification of strategic risks as part of the annual business and capital planning processes, and 'bottom up', by management through implementation of a day to day 'risk aware' culture. Risks outside appetite are subject to mitigating actions overseen by senior management and the relevant statutory boards including, where appropriate, the Group Risk & Compliance Committee ('RCC'). All major projects are subject to detailed risk assessment with mitigations overseen by senior management and the RCC.

The key function of risk management at OWSL is to promptly identify, measure, manage, report and monitor risks that affect the achievement of strategic, operational and financial objectives and in so doing protect the Company's capital, to support good corporate decision-making, and to safeguard OWSL's customers, its reputation and brand.

At the heart of the risk management framework is a governance process with clear responsibilities for taking, managing, monitoring and reporting risks. OWSL has a clear description of the roles and responsibilities for risk management throughout Openwork, from the Board to the business and functional areas and through into their teams, thus embedding risk management in the business.

To support the governance process, the Company has in place documented policies and guidelines. The Openwork Group Risk Policy is the main risk governance document for the business; it specifies risk appetites, risk limits, reporting requirements, and procedures for referring risk issues to Management and the Board.

Various governance and control functions are established to help facilitate all aspects of the risk management process; to ensure that risks are identified, are appropriately managed and that internal controls are implemented and operating effectively. Risk management is also aligned with the strategic and operational planning process.

Through this approach, OWSL operates a culture of informed risk taking within its business and will continue to take risks for which it expects an adequate return, or which will assist in the delivery of the strategic aims, provided these do not conflict with the best interests of customers. This approach requires sound judgement and an acceptance that certain risks can and will materialise in the future, but that if these are recognised and confronted, they can be managed effectively.

MIFIDPRU requires OWSL to have in place appropriate systems and controls to identify, monitor and, if proportionate, reduce all material potential harms that the ongoing operation of the business may cause to the clients (and counterparties), the markets in which it operates and to itself – or that may result from OWSL's winding down.

OWSL must ensure that its business can be wound down in an orderly manner. Capital (and sufficient liquid assets) need to be maintained to ensure that wind-down plans can be deployed as expected.

OWSL operates a standard three lines of defence model in terms of risk management and reporting. Senior management will be responsible for the management of risks relevant to their area of responsibility; and they will be expected to provide risk commentary to line management, the relevant Committees and to the OWSL Board as required by the Corporate Governance Framework.

The Risk & Compliance Function will conduct the requisite levels of monitoring to ensure that the first line of defence has implemented an effective and comprehensive set of systems and controls to manage risks within the risk appetite.

Risk Appetite

The risk appetite statement defines the level and nature of risks which the OWSL Board considers acceptable to expose the firm to. Overall, it is not within OWSL's appetite to take positions that might risk its own capital. To ensure continuous operations and profitability, the firm has a conservative approach to risk control and management.

The Board considers an overall risk appetite, taking into consideration risk appetite statements set at the OHL level. OWSL's risk appetite will continue to develop over time. OWSL's risk appetite is looked at using the following criteria, which provide early indication of expected risk profile and attitude towards risk:

- High Risk Appetite – OWSL accepts the risk as part of its normal course of business and executing its business strategy. The firm has implemented minimal controls in relation to this activity as the risks associated with the activity are within firm's tolerance.

- Medium Risk Appetite - OWSL accepts that certain risks may crystallise and occur during conducting its business. OWSL has implemented some controls to manage the risks associated with the specified activity. OWSL would consider insuring against risk.

- Low Risk Appetite – OWSL has no willingness to accept the risks in most circumstances when conducting its business and executing its business strategy. This would be associated with a strong control environment and investment in controls. OWSL would expect to insure against risk.

- No Risk Appetite – OWSL has no willingness to accept the risk under any circumstances. This is associated with a strong indication that the firm will not operate in these circumstances or environments.

Risk Identification and Assessment Methodology

Risks are identified and reviewed by the relevant staff and senior management. The list of risks is reviewed regularly to ensure that it remains comprehensive. The process would include consideration of the following:

- Processes and activities undertaken by the firm and what could go wrong considering internal and external events data;
- Aims and objectives of the firm and factors that could prevent it from achieving its objectives;
- Consideration of known issues that are of concern to the senior management;
- Consideration of all risks outlined in the MIFIDPRU rules and assessment of whether they are relevant and/or material to the firm.

Through the risk identification and assessment process, OWSL determined that its key material risks are those related to the operational risk and business risk. They have been used to quantify potential additional capital charge through stress testing and considered in financial impacts through scenario testing, as appropriate. The distinctions between the types of classifications are as follows:

- **Capital Charges** - scenario testing where the objective is to quantify the impact and potential harm caused by of trigger events on the identified risk type with a view to understanding the potential capital impact at a specific point in time. Capital would be held to cover these risks in not adequately provided for in the basic own funds requirement.

- **Financial Impacts** – stress testing where the objective is to assess the impact of potentially severe, but plausible, events on the firm's profit and loss, balance sheet and capital adequacy over the firm's financial forecast period. Whilst these events may impact a firm's revenue, no capital is required to be held for these risk types. The risk events considered in this document are not considered to be corelated, although they could in theory occur simultaneously.

  OWSL does not charge for the services that it provides to the customers of the Openwork Group. Whilst this results in OWSL being reliant on continuous capital support of its parent company, Openwork Holdings Limited, it largely immunises OWSL from the market and other financial events. OWSL's parent is committed to providing the required support and is appropriately capitalised to do so for the foreseeable future.

OWSL will continue to review its risk management framework as its business develops.

Risk Categories

- *Group Risk*

  OWSL accepts that Group risk is an inevitable consequence of being a subsidiary within a larger group and therefore the firm has high risk appetite for this risk category.

- *Business Risk*

  In normal circumstances, OWSL has a high risk appetite for volatility in income, and hence seeks to retain sufficient capital to manage through the expected dips in income. Currently, OWSL does not charge for its services and accepts and understands that it is reliant on the continued support of its parent to remain in operation.

- *Operational Risk*

  OWSL has a medium risk appetite towards operational risk.

  The firm maintains systems, processes and controls to reduce the likely occurrence of an operational risk event occurring and to limit the potential loss if such an event does occur. The firm has put in place controls, monitoring and reporting processes to minimise any exposure to loss or damage resulting from operational risk events.

  As stated above, OWSL's key risk relates to the failure to communicate intended changes to the composition of the risk-rated model portfolios to the Platforms utilised by the customers of the Openwork Group.

- *Credit Risk*

  OWSL has a low risk tolerance for exposure to unnecessary credit risk in the normal course of its business.

- *Market Risk*

  Except for interest rate risk on working capital and cash held on deposit, OWSL has no appetite to accept any market risk on its balance sheet.

- *Liquidity Risk*

  OWSL has a low-risk appetite for liquidity risk on its balance sheet. OWSL maintains its investments in short-term vehicles that allow same day access to funds, to ensure it has sufficient available funds for operations.

Transfer of Risk

OWSL has PII cover in place in relation to operational risk events. OWSL has no concern regarding the solvency of the insurer or regarding its ability to meet any policy claims by OWSL (up to the policy limit).

To date, OWSL has not made a claim on its insurance.

Capital Position - as at 31st December 2022
Capital Analysis (£'000s)

Total capital after deductions	490
Total tier one capital after deductions	490
Core tier one capital	**490**
Permanent share capital	4,950
Profit and loss account and other reserves	(3,910)
Interim net losses	(550)
Eligible partnership, LLP or sole trader capital	
Share premium account	
Externally verified interim net profits	
Total tier one capital plus tier two capital after deductions	**490**
Total capital before deductions	**490**
Capital Requirement	
Fixed Overhead Requirement	170
Permanent Minimum Requirement	75
Total K- factor Requirement (K-AUM)	357
Own Funds Threshold requirements	**357**
Own Funds wind-down trigger	170

OWSL Remuneration Policy

OWSL has a remuneration policy in place which aims to identify, and to govern the remuneration of, the personnel whose professional activities have a material impact on the risk profile of the firm. OWSL's policy is structured to take account of its size, its internal organisation and the nature, scope and complexity of its activities.

The Material Risk Takers identified under this policy are called 'Code Staff'. Code Staff include executive directors, senior managers and Control Function personnel. Code Staff may also work for other Openwork Group companies and the disclosures below relate only to the proportion of their remuneration deemed to relate to OWSL

The Remuneration Policy seeks to ensure that Omnis' remuneration policies and practices for Code Staff are consistent with, and promote, sound and effective risk management and do not impair OWSL in its duty to act in the best interests of its customers. Furthermore, the policy aims to ensure that risk taking is consistent with the risk profiles or the portfolios offered by OWSL.

Code Staff are remunerated through a mix of base salary and discretionary variable remuneration (including long-term incentive awards). Any payment of variable remuneration is based on the regular and structured assessment of the individual's performance against their objectives, their adherence to the Openwork Group's values and on the overall performance of the Openwork Group.

In the year to 31 December 2022, the aggregate amount attributed to Code Staff (Material Risk Takers) specifically in respect of professional activities relating to OWSL was £261,116 of which £147,280 was fixed remuneration and £113,836 was variable remuneration. Of the variable remuneration allocated to Code Staff, 36% was deferred.

Ongoing Review

The OWSL Remuneration Policy is reviewed at least annually by the Board.

Openwork Remuneration Committee

The Group has a Remuneration Committee in place which considers and sets the remuneration strategy at a group level and approves individual awards for senior management.