Risk Management Disclosures for MIFIDPRU Investment Firms

March 2025

Table of Contents

1 Introduction

Aberdeen Group is an investment company with a client-led growth strategy. Aberdeen Group operates across three business areas to reflect how we interact with our clients:

- Investments – a global asset management business serving institutional, wholesale and insurance clients;
- Adviser – providing platform technology and tools to UK wealth managers and financial advisers; and
- ii – a personal wealth business offering tailored services to individuals in the UK.

Through these three businesses, Aberdeen Group has the full ecosystem of capabilities to enable our clients to be better investors.

This document fulfils the regulatory disclosure requirements of the Investment Firm Prudential Regime in relation to risk management as set out in MIFIDPRU 8.2 of the Financial Conduct Authority's Handbook.

These disclosures are not subject to audit and have been produced solely for the purpose of satisfying the regulatory disclosure requirements for the following wholly owned MIFIDPRU investment firms in the Aberdeen Group:

- **Investments**
  - abrdn Investments Limited (aIL)
  - abrdn Investment Management Limited (aIML)
  - abrdn Alternative Investments Limited (aAIL)
- **Adviser**
  - Elevate Portfolio Services Limited (EPSL)
  - Standard Life Savings Limited (SLSL)
  - abrdn Portfolio Solutions Limited (aPSL)
- **ii**
  - Interactive Investor Services Limited (IISL)

In this document, these firms are collectively referred to as the "MIFIDPRU investment firms".

The Aberdeen Group also holds a 60% stake in Tritax Securities LLP which produces its own MIFIDPRU disclosures.

Additional relevant information can be found in the Aberdeen Group group's annual report and accounts (ARA) for the year ended 31 December 2024 (ARA 2024), which is available on the Aberdeen Group corporate website at *Full year results | Investor Relations | Aberdeen Group plc*.

2 Risk Management Objectives and Policies

2.1 Our approach to risk management

The Group has established an Enterprise Risk Management Framework (ERMF) to support the effective management of risks across the Group. The Aberdeen Group plc Board has ultimate responsibility for risk management and oversees the effectiveness of our ERMF as detailed on page 82 of the ARA 2024.

The ERMF's effectiveness is subject to annual review as part of the assessment of the effectiveness of Aberdeen Group's systems of internal control. Further reviews, including internal audits, of elements of the ERMF are performed as required.

Aberdeen Group's MIFIDPRU investment firms each have a Board of Directors to organise and direct the affairs of the firm's activities in accordance with relevant laws, regulations, corporate governance and stewardship standards. These boards are responsible for overseeing the management of risks within each firm and use the ERMF to support them in this process. The board structures that are in place for each MIFIDPRU investment firm, and assist in discharging these responsibilities, are set out in the table below:

Investment Firm	Board & Sub Committees
aIL **aIML**	• Board There is a waiver in place so that the role of the following Committees is undertaken by the respective Aberdeen Group committee: o Nomination (via the Aberdeen Group Nomination & Governance Committee o Remuneration (via the Aberdeen Group Remuneration Committee) o Risk (via the Aberdeen Group Risk and Capital Committee)
aAIL	• Board
SLSL **EPSL**	• Board • Risk Committee • Nomination Committee • Remuneration Committee
aPSL	• Board
IISL	• Board * • Risk Committee * • Remuneration Committee * There is a waiver in place so that the role of the following Committees is undertaken by the respective Aberdeen Group committee: o Remuneration (via the Aberdeen Group Remuneration Committee)

* As operated by its parent, Interactive Investor Limited.

Risk management within Aberdeen Group's MIFIDPRU investment firms is further supported by:

- **Executive risk meetings**

  Risk and control meetings exist for each business attended by executives from the respective businesses.

- **Second line oversight**

  The Risk & Compliance function is structurally aligned to provide dedicated oversight of each business.

Under the Senior Manager and Certification Regime, there are also senior managers who have responsibilities in relation to the MIFIDPRU investment firms; these senior managers are published on the FCA's Financial Services Register for each of the MIFIDPRU investment firms.

2.2 Three lines of defence

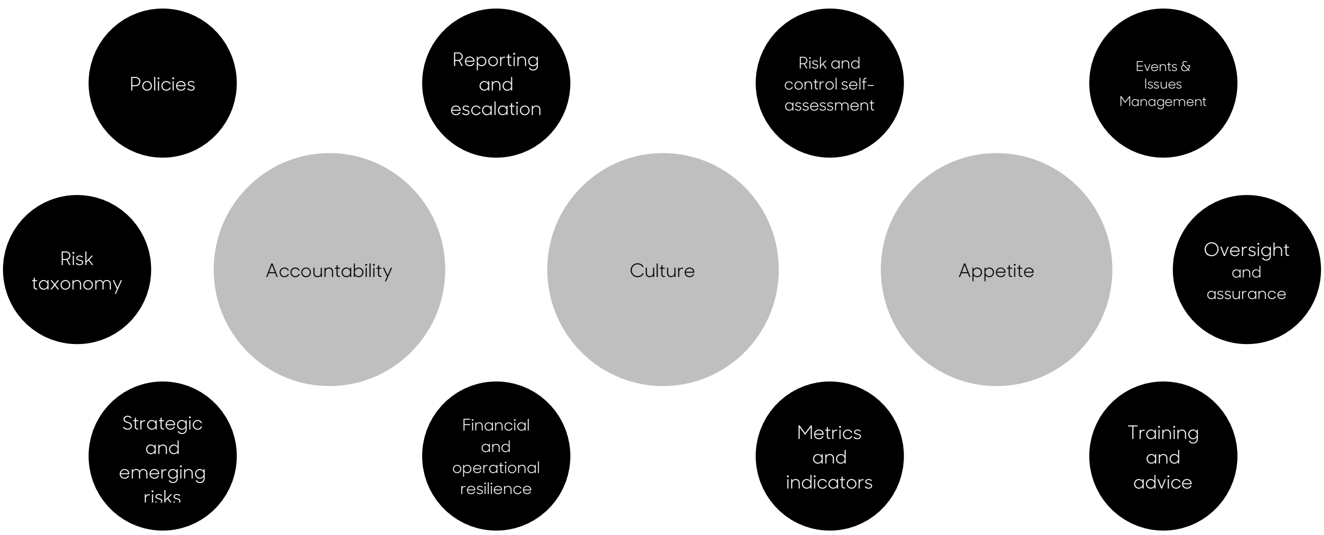
Aberdeen Group operates 'three lines of defence' in the management of risk so that there are clearly defined roles and responsibilities. This applies across Aberdeen Group's MIFIDPRU investment firms as follows:

- **First line**: Day-to-day risk management, including risk ownership, management and control.
- **Second line**: Oversight is provided by the Risk & Compliance function, responsible for designing and delivering frameworks, tools and standards to support the business in identifying and managing risks. The Group Chief Risk Officer reports to the Chief Executive Officer.
- **Third line**: The Internal Audit function, reporting to the Chief Internal Auditor, independently verifies our systems of control, through independent assurance, challenge and advice.

2.3 Overview of the ERMF

The ERMF underpins risk management throughout Aberdeen Group. The ERMF is continually evolving to meet the changing needs of the group and make sure it keeps pace with industry best practice and the risk profile of the business.

The ERMF is set out in the diagram below:



Each element of the ERMF is described below.

2.3.1 Culture

Risk culture is about mindset, behaviours and capabilities. Developing and maintaining a strong risk culture is at the core of the ERMF, and Aberdeen Group has established a set of culture commitments that steer how colleagues conduct their work and the decisions they make.

Premised upon *transparency*, *empowerment*, *ambition* and *putting the client first*, Aberdeen Group's culture supports its risk strategy and drives the delivery of its strategic objectives.

2.3.2 Accountability

Clarity of accountability and responsibilities is critical to sound risk management and Aberdeen Group operates to a 'three lines' model of risk management that clearly establishes roles, responsibilities and accountabilities.

The Senior Managers and Certification Regime (SMCR) further strengthens this across three main components; i) Senior Managers Regime, ii) Certification Regime and iii) the Conduct rules. Together, these components provide regulatory accountability for Senior Managers, enhanced vetting for certified persons who perform certain functions in the firm, and rules of conduct that apply to all non-ancillary staff members.

2.3.3 Appetite

The risk appetite framework defines a common method to enable the Aberdeen Group plc Board, the Chief Executive Officer, and the Executive to communicate, understand and control the types and levels of risk that Aberdeen Group is willing to accept in pursuit of its strategy and business objectives. It provides a framework to ensure that risk decisions are taken at the appropriate level in the Aberdeen Group.

Risk appetites are set by the Aberdeen Group plc Board for each of the Aberdeen Group's principal risks and are monitored at an executive and board level. These risk appetites are defined through a combination of:

- Qualitative risk appetite statements; and
- Quantitative risk appetite indicators (metrics) measured against tolerances.

The MIFIDPRU investment firms are required to operate within these risk appetites. This may include the boards of the MIFIDPRU investment firms setting tolerances that are more stringent than those set by the Aberdeen Group plc Board. The MIFIDPRU investment firms may additionally utilise additional quantitative risk appetite indicators and related tolerances where these are considered more relevant to the characteristics of the firm.

Risk appetites are reviewed at least annually.

2.3.4 Policies

Aberdeen Group's suite of policies direct the business on the types of activities that are acceptable in pursuit of meeting its strategic objectives and in line with the agreed risk appetite. These policies apply to all Aberdeen Group's wholly owned subsidiaries including its MIFIDPRU investment firms.

Policies are reviewed at least annually and are subject to regular attestations to gain assurance over business area compliance with the requirements within.

The risk management policies are detailed in the following table:

Risk management policies	
Anti Financial Crime	Model Risk
Client & Customer	Non-Audit Services from External Audit
Competition & Antitrust	Operational Risk Management
Conflicts of Interest	People
Corporate Governance Framework	Personal Account Dealing
Corporate Transactions	Privacy & Data Protection
Guarantees & Indemnities	Procurement, Outsourcing & Third Party Management
Health & Safety	Information & Cyber Security
Technology	Speak Up
Legal & Litigation	Strategic Investment
Listed Securities Inside Information & Securities Dealing	Tax Risk
Media (including social media)	Treasury & Capital Management

2.3.5 Reporting and escalation

Regular risk reporting is produced to ensure that appropriate, timely and quality information is provided to risk fora across the business, allowing management and boards to make informed risk decisions and discharge their responsibilities effectively.

Specifically, the Chief Risk Officer(s) will present qualitative and quantitative risk MI to boards and Executive risk fora, providing an independent second line view on the risk and control profile across Aberdeen Group's businesses and regulated entities, as well as on any strategic or emerging risks as appropriate. This is further supported by an independent third line view from the Chief Internal Audit Officer.

2.3.6 Risk and Control Self-Assessment (RCSA), Events and Issues

The RCSA process is a key component of the ERMF and informs the ICARA process by supporting Aberdeen Group's businesses with identifying, assessing and reporting upon the risk and control profiles across the group.

Key Business Outcomes (KBOs) are identified which comprise of outcomes for i) customers and clients, ii) the market and iii) our shareholders. End to end processes that help achieve positive business outcomes are then identified, along with the key risks to achieving those objectives and the key controls required to mitigate the risks. Assurance is provided through regular review and assessments by business managers, and at least annual attestation by an accountable executive, all of which is overseen and challenged by Risk and Compliance.

Recognising that events and issues occur and have the potential to cause harm to customers, harm to firm or harm to market, Aberdeen Group also operates a clearly defined process that:

- Enables timely action to minimise an event or issue's impact, preventing further significant problems arising

- Provides clarity on the level of risk the business is exposed to, both at an individual (each risk event) and aggregate (across all risk events) level and whether this is within or outside of Aberdeen Group's risk appetite.
- Supports decision making on where to direct resources to remediate and mitigate control deficiencies.

2.3.7 Risk taxonomy

Aberdeen Group's risk taxonomy is the foundation to the effective operation of the ERMF and provides a clear set of risk categories that drive a consistent and methodical approach to identifying and reporting on risks across the business.

All risks are grouped under nine principal risks:

Principal risk
Process Execution
People
Technology, Security & Resilience
Third Party
Conduct
Regulatory & Legal
Sustainability
Financial
Strategic

Further detail on our principal risks can be found in the Risk Management section of the ARA 2024.

2.3.8 Oversight and assurance

The Risk and Compliance Monitoring and Oversight team provides independent assurance over regulatory compliance to senior management and Boards, applying a risk-based approach. The outcomes of the reviews are reported to the relevant entity Boards and other governance for approval. Where relevant, this includes the Risk and Capital Committee, Audit Committee and Executive Leadership Team meetings.

Assurance activities include both thematic reviews of risk or regulatory topics and focused reviews on specific regulatory or customer outcomes. The Monitoring and Oversight team works closely with key stakeholders in the businesses, CROs, Compliance Officers and other functions, including Internal Audit.

2.3.9 Strategic and emerging risks

Strategic risk management forms an integral part of the strategic planning process and is directly linked to the vision of the business. Aberdeen Group has an appetite for strategic risk that arises as a consequence of pursuing its chosen business objectives. Aberdeen Group will proactively identify and understand the strategic risks that the Aberdeen Group is exposed to and the options available to manage them to inform strategy formation and business planning.

Considering the potential impacts of emerging risks is a key part of the ERMF, and the ability to detect and adapt to changes in Aberdeen Group's environment may not only prevent problems arising but may also help Aberdeen Group identify new opportunities.

The ERMF has tools and processes to allow the business to identify and recognise new and emerging issues and risks that may impact the risk profile of the business.

2.3.10 Financial and operational resilience

Financial resilience is managed through the Aberdeen Group Internal Capital Adequacy and Risk Assessment (ICARA) process. The ICARA is documented and approved by the Board at least annually and a set of ICARA triggers are in operation to identify whether elements of the ICARA need to be refreshed between formal annual reviews if there are material changes to Aberdeen Group's risk profile or the risk profile of the MIFIDPRU investment firms.

Operational resilience is the ability of firms to respond to and recover from operational disruptions, protecting both clients/customers and market integrity. Without operational resilience, there is a risk that firms are unable to service their clients and customers for prolonged periods, potentially threatening the firm's viability.

Aberdeen Group has contingency plans that cover key aspects of our operations. These plans support our recovery following various events ranging from computer system failure to total disruption to our offices/working environment. Additionally, Aberdeen Group's business continuity management helps to ensure that key services continue at pre-determined, acceptable levels should a disruptive event occur.

2.3.11 Training and advice

Delivery of the ERMF and a strong risk culture across the business is reinforced through a programme of face-to-face training, e-learning modules, and the provision of other support and guidance accessible to all colleagues through a dedicated Risk and Compliance intranet site.

Mandatory training on risk policy is provided at regular intervals during the year and completion rates are monitored closely.

3 Risk categories and risk management

The business strategies of Aberdeen Group's MIFIDPRU investment firms have the potential to result in material harm through causing:

- Harms to consumers;
- Harms to market; and
- Harms to firm

Harms arise as a consequence of risk events and may relate to the categories of risk addressed by MIFIDPRU 4 Own funds requirements, MIFIDPRU 5 Concentration risk, and MIFIDPRU 6 Liquidity risk. The MIFIDPRU investment firms assess these risk categories through the ICARA process and have identified the risks set out in Appendix A as being relevant to their respective business strategies.

The strategies and processes used to manage these risks are encapsulated within the ERMF and are described in section 2. These strategies and processes are used in managing both operational and non-operational risks. Processes used to manage key financial risks for Aberdeen Group's MIFIDPRU investment firms include:

- Managing the risk of credit losses associated with cash counterparties through ensuring the MIFIDPRU investment firms are only exposed to counterparties with acceptable credit ratings and that exposures are managed against defined counterparty limits
- Managing the risk that a MIFIDPRU investment firm has insufficient liquid assets to meet its requirements through cashflow forecasting, with risk appetites used to help ensure the MIFIDPRU investment firms maintain headroom over their requirements

Aberdeen Group's MIFIDPRU investment firms do not deal on their own accounts. However, concentration risks can still exist and need to be managed. Potential sources of concentration risk include:

- Earnings – managed through the operation of business planning and strategy processes
- Cash counterparties – managed through the processes described above
- Third parties – managed through the operation of the Third Party Risk Management Framework established as part of the ERMF

For aIL, SLSL and EPSL who have client money permissions, concentration risk relating to client money is managed through diversification of counterparties that the money is held with, in line with Aberdeen Group's stated strategy on client money diversification.

Appendix A: Potential harms arising from business strategy

Aberdeen Group's MIFIDPRU investment firms have the potential to cause harms as a result of activities undertaken in connection with the delivery of their business strategy. These have been assessed as part of the ICARA process with the potential for material harms to arise identified in connection with the following risks:

Principal risk	Risk sub-category	Risk of harm	aIL	aIML	SLSL	EPSL	aPSL	IISL
Process execution	Portfolio & Investment Management	Risk of not managing portfolios within guidelines and/or mandates	✓	✓			✓	
	Trade Execution	Risk of failing to execute trade instructions accurately, timely, or meet in line with regulatory obligations	✓	✓				
	Portfolio & Asset Administration	Risk of failing to maintain accurate client accounts	✓	✓				
	Client & Customer Processing	Risk of errors in the client take-on process and ongoing maintentance of client information	✓	✓				✓
	Financial Processing	Risk of losses and accounting errors including late and/or inaccurate payments, disbursements, and billing	✓	✓				✓
People	People	Risk that resources and employment practices misalign with strategic objectives	✓	✓	✓	✓	✓	✓
Technology, Security & Resilience	Technology, Security & Resilience	Risk of failures in technology systems, vulnerabilities in security, or inability to maintain important business services	✓	✓	✓	✓	✓	✓
	Information Security Governance & Risk	Risk of failing to protect data confidentiality, integrity, and availability and/or comply with Data Protection principles	✓	✓	✓	✓		✓
Third Party	Third Party	Risk that a third party fails to deliver products or services in accordance with their contractual	✓	✓	✓	✓		✓
Conduct Risk	Proposition	Risk that products and services are not fit for purpose or do not align with the interests of					✓	✓
	Client & Customer Understanding	Risk of failing to operate effective sales, distribution and client management processes or issuing misleading communications			✓	✓		
Regulatory & Legal	Regulatory Compliance	Risk of failing to adequately identify, comply with, or keep up with regulatory requirements and changes	✓	✓	✓	✓	✓	✓
	Legal	Risk of failing to comply with applicable laws and legislation, or entering into disputes re contractual obligations	✓	✓	✓	✓	✓	
	Fraud	Risk of losses due to fraud being commited against abrdn including the assets managed on behalf of customers and clients	✓	✓	✓	✓		✓
	Tax	Risk of failing to comply with tax regulations or failures in operational tax processing	✓	✓				
Financial	Capital	Risk of having insufficient capital in terms of amount and/or quality to meet contractual, business and regulatory obligations	✓	✓	✓	✓	✓	✓
	Liquidity	Risk of having insufficient liquidity to meet contractual, business and regulatory obligations	✓	✓	✓	✓	✓	✓
	Market	Risk of loss due to adverse market movements impacting the value of assets, liabilities or cashflows relating to these	✓	✓				
	Credit	Risk of loss if a counterparty, issuer, or debtor fails to perform its financial obligations	✓	✓	✓	✓	✓	✓

aAIL is excluded from the above table as it ceased operations in 2024 and has applied to be de-authorised.