Public Disclosures: Non-SNI Firms

VSA Capital Limited

31 March 2023

1. INTRODUCTION

1.1. Background

VSA Capital Limited (the "Firm") is a MIFIDPRU Non-SNI Investment Firm with permanent minimum capital requirement of £750K. The principal activity of VSA Capital is to provide corporate finance, advisory and capital markets services to private and public growth companies. VSA Capital Limited is authorised and regulated in the UK by the Financial Conduct Authority ("FCA").

The parent entity of the Firm is VSA Capital Group plc. VSA Capital Limited is the only regulated trading entity within the UK Group, which comprises largely all of the group's risks and exposures.

This document sets out the Investment Firm Prudential Regime ("IFPR") disclosures for VSA Capital in accordance with the FCA Prudential Sourcebook for Investment Firms chapter 8 ("MIFIDPRU 8").

1.2. Scope

VSA Capital Limited, as the individual MIFIDPRU Investment Firm, meets the level of application as defined in MIFIDPRU 8.1.7.

1.3. Disclosure policy

The disclosures are as at 31st March 2023 (the "Reference Date") in line with the last set of published financial statements for VSA Capital Limited.

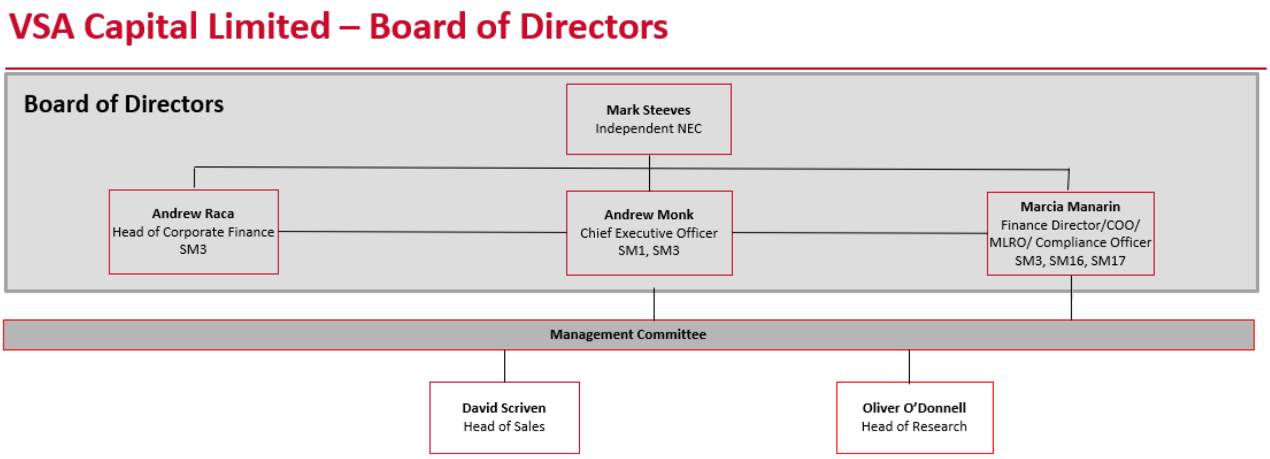
Frequency and means of disclosure

These disclosures are published annually, via VSA Capital's external website (http://www.vsacapital.com). The frequency of disclosure will be assessed, should there be a material change in either the nature or scale of either the individual entity or UK group's activities.

Verification

These IFPR Disclosures have been duly approved by VSA Capital's Board of Directors and are not subject to audit, except where they are prepared under accounting requirements for publication in the financial statements.

2. GOVERNANCE



VSA's Board of Directors/Senior Management (the "Board") is the main decision-making body at the Firm. The Board considers strategic issues and risk. It has overall responsibility for management of the business and affairs of the Firm, the establishment of Firm strategy and capital raising. The Board monitors and oversees the Firm's operations, ensuring competent and prudent management, sound planning, proper procedures for the maintenance of adequate accounting and other records and systems of internal control, and for compliance with statutory and regulatory obligations. The Board exercises the powers of the Firm, subject to any relevant laws and regulations and in accordance with the Articles of Association. In particular, the Board will take into account the Directors' duties contained in the Companies Act 2006 ('CA 2006') as well as the UK Corporate Governance Code's Principles (FRC, July 2018) and FRC's mission to promote transparency and integrity as stated in its Guidance on Board Effectiveness (July 2018).

The Board is responsible for:

- Reviewing, approving and guiding corporate strategy, receiving and approving appropriate policies on managing the risks to the firm's operations, annual budgets and business plans; monitoring implementation and corporate performance; and overseeing acquisitions and all administrative requirements that guarantee VSA's operations.
- Monitoring the effectiveness of VSA's governance arrangements and practices, making changes as needed to ensure the alignment of VSA's governance framework with current best practices as well as effective engagement from its members.
- Oversight of accounting processes, to include review and approval of annual reports, accounts, and submission of regulatory reporting to the appropriate regulatory bodies.

The composition of the Board is as follows:

Executive Directors

- Andrew Anthony Monk (Executive Director and Chief Executive Officer)
- Andrew Joseph Raca (Executive Director); and
- Marcia Manarin (Executive Director)

Non-Executive Director

- Mark David Crawford Steeves (Independent Non-Executive Chairman)

Other Directorships

The members of the Board have the following number of other directorships – as defined under MIFIDPRU 8.3.2:

- Andrew Anthony Monk – 5 Directorships
- Andrew Joseph Raca – 4 Directorships
- Marcia Manarin – 2 Directorships
- Mark David Crawford Steeves – 6 Directorships.

2.1. Compliance

The Board understands the standards of corporate governance expected of public companies admitted to the AQSE Growth Market.

The Board complies with the provisions of the QCA Code to the extent that it believes it is appropriate in light of the size, stage of development and resources.

The Board recognizes the need for regular meetings. Accordingly, the Board meets (either in person or by Zoom/telephone) monthly and requires management to submit regular Board pack including activity reports for its discussion. The form and structure of these activity reports will change over time in line with the changes resulting from the actions recommended in other sections of this Board pack.

Only members of the Board have the right to vote at Board meetings. On occasion, it may be necessary for other employees with oversight responsibilities to attend meetings at the invitation of the Management Committee (i.e., New Business Committee – "NBC").

The Head of Compliance attends Board meetings as the Firm's Secretary in order to provide regulatory guidance. The Firm Secretary or, in her absence, her nominated alternate will attend all Board Meetings.

The Company has adopted the QCA code for Directors' dealings appropriate for a company listed on the AQSE Growth Market and take reasonable steps to ensure compliance is also applicable to VSA and VSA's employees.

The Board conducts a review (at least annually) of the effectiveness of VSA's systems of internal controls and reporting to shareholders that they have done so. The review will cover all material controls, including financial, operational and compliance controls and risk management systems. The review also incorporates an analysis of the regulatory and fiscal position in the territories in which the Company operates.

The Company has one independent Non-Executive Chairman (Mark Steeves). The Executive Director and Chief Executive Officer (Andrew Monk) and the other two Executive Directors (Andrew Raca and Marcia Manarin) are deemed non-independent by virtue of their active management positions in the Company. The Board also recognizes the requirement that it should not be dominated by one person or Company of people.

2.2. Governance Committees

The firm has established the following Governance Committees to support the board in the effective governance of the firm:

- **Management Committee:**
  - Responsible for overseeing the implementation and ongoing adequacy of the firm's internal control framework and the firm's financial crime detection and prevention procedures
  - Management of conflicts of interest
  - Reviewing compliance monitoring outputs
  - Monitoring the firm's KPIs
- **Audit and Risk Committee**
  - The firm has voluntarily established an Audit and Risk Committee
  - The committee is responsible for ensuring the financial performance of the Company is properly reported on and monitored, including reviews of the annual and interim accounts, results announcements, internal control systems and procedures and accounting policies, as well as keeping under review the categorisation, monitoring and overall effectiveness of the Company's risk assessment and internal control processes.
- **Remuneration Committee**
  - The firm has voluntarily established a Remuneration Committee
  - The committee is responsible for the review of the performance of the Executive Directors and other senior executives and to set the scale and structure of their remuneration, including the implementation of any bonus arrangements, with due regard to the interests of shareholders.
- **AQSE Growth Market Rules Compliance Committee**
  - The committee is responsible for ensuring that the Company has sufficient procedures, resources and controls to enable it to comply with the AQSE Growth Market Rules for Issuers.

2.3. Diversity

VSA is committed to promoting equal opportunities in employment, including at a Board level, and creating a workplace culture in which diversity and inclusion is valued and everyone is treated with dignity and respect. All employees and any job applicants will receive equal treatment regardless of age, disability, gender, marital or civil partner status, pregnancy or maternity, race, nationality, ethnic or national origin, religion or belief, sex or sexual orientation (Protected Characteristics). VSA is committed to providing equitable treatment to all those it deals with as an organisation, including contractors, clients, and stakeholders.

The firm makes reasonable accommodations to ensure that employees with disabilities can perform their job responsibilities and have access to all company facilities and resources.

The firm maintains a Diversity, Equity and Inclusion policy to ensure that sets out the firm’s commitment to promoting equal opportunities – including in respect of the recruitment and promotion of employees.

3. RISK MANAGEMENT

3.1. Risk Management Framework

VSA is subject to a hierarchy of principles, rules and guidance made by the FCA under FSMA comprising:

- The FCA's Principles for Businesses and Statements for Approved Persons.
- Mandatory rules, evidential provisions and guidance on the conduct of business as set out in the Conduct of Business Sourcebook ("COBS"). Only certain parts of COBS apply to "corporate finance business" (as defined in the Glossary in the FCA Handbook) due to a carve-out from COBS for corporate finance business.

In the conduct of corporate finance business, the Corporate Finance Department is also subject *inter alia* to:

- The Market Conduct Sourcebook ("**MAR**")
- The Listing Rules ("**LR**")
- The Disclosure and Transparency Rules ("DTR**")**
- The Prospectus Rules ("**PR**")
- The Prospectus Directive Regulation, implementing the EU Prospectus Directive in the UK
- The AIM Rules for Companies
- The AIM Rules for Nominated Advisers
- The Takeover Code
- The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) ("**FPO**")

3.2. Risk Management Framework Governance

The Board of Directors of VSA Capital Limited review and approve the Firm's strategies, policies, processes, and systems relating to the management of liquidity risk on an annual basis, or more frequently as events dictate, through their approval of this document and subsequent iterations thereof. The firm believes that its systems and controls as set out herein are adequate in capturing, managing and escalating liquidity risk issues in a timely manner.

3.3. Risk Appetites

Senior management has a zero-risk tolerance for any individuals who breach policies affecting the prudential health of the firm such as breaching of internal limits. Decisions to sign engagement letters with existing or new clients are made on a collective basis not by an individual acting alone. Detailed client onboarding procedures are followed, and live mandates are reviewed by the Corporate Finance and managing team on a weekly basis.

VSA adopted a low-risk strategy during its formative years as it attempted to build the business and establish its corporate relationships in London and internationally. Generally, VSA will seek to minimise its exposures to risks and events that could negatively impact its regulatory capital requirements, in all its business activities by having robust systems and controls in place to ensure there is sufficient oversight of the financial health of VSA. This is reinforced by the policies which are in place.

VSA has historically carried a significant surplus of regulatory capital providing a buffer against market volatility or specific events affecting the firm. The Board regularly reviews the risked revenue pipeline to ensure expected estimated revenue in the fiscal year is realistic.

3.4. Risk Identification & Assessment

Senior Management considers it an integral part of its business strategy to understand the risks affecting its business and therefore requires that a complete and thorough capture of all material risks is recorded. The Board of Directors recognises that what appears to be stable today may not be the case in the future. In particular, it is important to consider distressed situations, as products may perform very differently under such environments. The senior management has given consideration as to what would make the business model unviable and whether systems and controls are in place to mitigate situations that would threaten the continued viability of VSA.

The principal area of risk is reduced gross revenue due to market conditions or lack of engagement mandates. The receivables position is another risk factor which is monitored weekly to ensure that payments are received on time. In the event of delay or non-payment provisions or write-offs are actioned.

VSA was initially funded by shareholders. VSA now generates revenues from the corporate services it offers its client base.

1.1.1. Own Funds Risk (MIFIDPRU 4)

The principal activity of VSA Capital is to provide corporate finance, advisory and capital markets services to private and public growth companies. The company also carries out corporate bond trading on a matched principle basis, although this does represent a significant amount of the Firm's overall business.

Operational risk:

The Firm's business model could result in operational risk resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risk, which could lead to a reduction in the Firm's overall own funds.

Strategies and processes used to mitigate against this:

- VSA has a well-structured system of policies, processes and controls, the main aim of which is to reduce operational risk.
- Through the set-up and implementation of effective operational and compliance procedures and adequate training of staff, material operational risks are mitigated to an acceptable level.
- To the extent VSA outsources activities that could give rise to operational risk, these are mitigated to an acceptable level by procedures that ensure the initial and continued engagement of professionally competent service providers who are long established in the London market.
- VSA has a Disaster Recovery Plan with alternative operational options should the London office be incapacitated by natural causes, terrorism or pandemic (as has been demonstrated during the past years).

Market Risk:

Market risks are risks that arise from macroeconomic events and which may impact VSA's income from its client services.

- Foreign currency risk: an insignificant part of VSA's revenue streams is earned in non-sterling currencies; daily monitoring of cash and receivable assets, as well as liabilities, in non-sterling currencies is performed to assess exposures and conversions to base currency are performed where necessary to mitigate the risks.
- Interest rate risk: VSA has minimal direct exposures to interest rate risk movements and reviews any exposures on a monthly basis.
- Credit risk: VSA considers as part of its risk assessment the risk that third parties will default on monies, securities, or other assets due. Senior management manages credit risk through an assessment of each counterparty, prior to engaging in any transactions. A regular review of credit exposures at weekly Corporate Finance meetings monitors this risk and ensures it remains at an acceptable level.

Business risk:

This relates to the risk of loss inherent in the business and the specific domain in which it operates

VSA's focus is the natural resources, transitional energy, alternative energy and TMT sectors and specific concentration risk is a key consideration for senior management. Any economic or political factors either domestically or internationally are regularly monitored and their impact is deliberated at a senior level prior to committing VSA to any risk exposure. VSA Capital does not engage with companies domiciled or operating assets in countries subject to sanctions by the UK. Due Diligence includes a review of the shareholder register checked against current OFAC HM Treasury Sanctions Lists.

Reputational risk:

Reputational risk is another consideration, and every effort is made to ensure that this is kept to a minimum. VSA ensures it only deals with reputable counterparties or institutions to mitigate any exposure to issues that may affect market perception of its activities. VSA only contemplates entering into relationships with regulated firms or unregulated companies of good repute, most are known to the Firm and repeat business.

Group Risk:

VSA is part of a larger group; however, VSA generates its own revenue streams. The management of VSA has also considered group risk and contagion risk associated with its role in the overall business structure of the Group and is fully aware that although not reliant on the parent entity, VSA Capital Group plc, its overall success is intrinsically linked to that of its parent.

The parent entity itself is not regulated by the FCA but it is required to maintain capital resources in excess of its investment in VSA. Based on recent financial reports, the parent entity and the overall Group is in a strong financial and capital position.

1.1.2. Concentration Risk (MIFIFPRU 5)

The business model and associated harms:

Principally, VSA services the energy sector and concentration of risk is a consideration for senior management. Within this sector, VSA offers diversified services and hopes to mitigate its specific concentration risks to an acceptable level taking into account energy sub sectors (i.e., transitional energy) and geographical and geo-political concentration. VSA as part of its strategic and business plans started to diversify and now also operates in the TMT and Consumer Brands sectors.

Strategies and processes used to mitigate against this:

The internal risk management process is governed locally by a management committee that reports to the Board who is responsible for the strategic direction, overall operational control and risk profile of VSA and the review and final adoption of the ICARA report.

1.1.3. Liquidity (MIFIDPRU 6)

The business model and associated harms:

Liquidity Risk, being financial risk due to uncertain liquidity, develops as liquidity crises occur due to inadequate or failed internal processes and/or systems in relation to monitoring and managing asset/liability profiles and related cash flows. Liquidity Risk is of such importance to the stability of any business to warrant detailed consideration. VSA has developed a Liquidity Risk Framework and Liquidity Risk Management Policy, which are separately available for inspection.

Strategies and processes used to mitigate against this:

The liquidity risk review process consists of a regular assessment of existing liabilities, taking into consideration when cash settlement will be made. Cash flows forecasts are prepared using this information and any short-term funding requirements are assessed. The Finance Director and Chief Operating Officer (Marcia Manarin holds both positions) reviews VSA's financial reports and forecasts on a regular basis to highlight any material deficiencies which are discussed at management meetings with the Board, who will jointly make decisions and act accordingly where necessary. All relevant liquidity risks including operational, cash and payment risk have been considered within the liquidity policy documents.

As part of remaining compliant with the Liquidity requirements under the IFPR, the Finance team collects quantitative and qualitative data to ensure that firms manage liquidity risk prudently and that they have adequate systems and controls to monitor exposures to liquidity risk. The new regime is intended to provide the FCA with more comprehensive and relevant data than was previously available to it for assessing liquidity for each investment firm and on a sector and market-wide basis.

3.5. Effectiveness of the Risk Management Framework

The Board has considered the effectiveness of VSA's risk management framework, and it is satisfied with the design of the Firm's risk management processes based on its current business activities.

The Board recognises that as the business grows and adapts to changing market conditions and regulatory environment, so will VSA's approach to managing risk. The Board is committed to ensuring that VSA has in place a risk management framework that is sufficiently adequate and formalised in proportion with the size, scale and complexity of the Firm.

4. CAPITAL ADEQUACY

VSA Capital is required to maintain sufficient capital resources at all times. "Own Funds" describes the available capital resources of the Firm while own funds requirement describes the capital funds required as a result of the business activities of the Firm.

4.1. Own Funds

The firm has disclosed the following information regarding own funds in the tables below:

- Breakdown of its own funds, reconciled to the specific instruments and deductions
- Reconcile the firm's own funds to the audited financial statements
- A description of the main features of the instruments that make up the firm's own funds

Composition of own funds

The first table below shows the Tier 1 Capital, specifically Common Equity Tier 1 (CET1) capital and Tier 2 capital held by VSA Capital. The Firm does not hold any Additional Tier 1 or Tier 2 capital.

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**	**3,084**	
2	**Tier 1 Capital**	**3,084**	
3	**Common Equity Tier 1 Capital**	**3,084**	
4	Fully paid-up capital instruments	1,632	Note 14
5	Share premium	0	
6	Retained earnings	1,452	Note 15
7	Accumulated other comprehensive income	0	
8	Other reserves	0	
9	Adjustments to CET1 due to prudential filters	0	
10	Other funds	0	
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	0	
19	CET1: Other capital elements, deductions, and adjustments	0	
20	**Additional Tier 1 Capital**	**0**	

21	Fully paid up, directly issued capital instruments	0
22	Share premium	0
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	0
24	Additional Tier 1: Other capital elements, deductions, and adjustments	0
25	**Tier 2 Capital**	**0**
26	Fully paid up, directly issued capital instruments	0
27	Share premium	0
28	(-) TOTAL DEDUCTIONS FROM TIER 2	0
29	**Tier 2: Other capital elements, deductions, and adjustments**	**0**

Reconciliation to audited financial information.

The table below shows a reconciliation with own funds in the balance sheet where assets and liabilities have been broken down by asset and liabilities classes respectively. The information in the table below reflects the balance sheet in the audited financial statements.

OWN FUNDS: RECONCILIATION OF REGULATORY OWN FUNDS TO BALANCE SHEET IN THE AUDITED FINANCIAL STATEMENTS				
		A.	B.	C.
		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross reference to template OF1
		As at 31 March 2023	As at 31 March 2023	
Assets				
1	Owned (property, plant, and equipment)	78	N/A	
2	Right-of-use (property, plant, and equipment)	469	N/A	
3	Trade and other receivables	380	N/A	
4	Investments	2,135	N/A	
5	Cash and cash equivalents	1,006	N/A	
8	**Total Assets**	**4,068**	**N/A**	
Liabilities				
1	Trade and other payables	504	N/A	
2	Tax payable	46	N/A	
3	Current liabilities - borrowings	217	N/A	
4	Non-current liabilities – borrowings	217	N/A	
5	**Total Liabilities**	**984**	**N/A**	
Shareholders' Equity				
1	Called up share capital	1,632	N/A	4
2	Retained earnings	1,452	N/A	6
3	**Total Shareholders' equity**	**3,084**	**N/A**	

Main features of own funds instruments

OWN FUNDS: MAIN FEATURES OF OWN INSTRUMENTS ISSUED BY THE FIRM

Called up share capital by class:

- **Ordinary**
    - **Nominal value: £0.001**
    - **Allotted number: 418,466**
- **Deferred (1)**
    - **Nominal value: £1**
    - **Allotted number: 1,011,096**
- **Deferred (2)**
    - **Nominal value: £2,999**
    - **Allotted number: 209**

5. OWN FUNDS REQUIREMENTS

VSA have disclosed the below information regarding its basic own funds requirement. The following figures are presented as at 31 March 2023:

- The Fixed Overhead Requirement under MIFIDPRU 4.5.
- The K-factor requirement under MIFIDPRU 4.6., broken down as follows:
    - The sum of the K-AUM requirement, the K-CMH requirement and the K-ASA requirement;
    - The sum of the K-COH requirement and the K-DTF requirement; and
    - The sum of the K-NPR requirement, the K-CMG requirement, the K-TCD requirement and the K-CON requirement; and

REQUIREMENT	(£)
FIXED OVERHEAD REQUIREMENT	**844,547**
TOTAL K-FACTOR REQUIREMENT	**4,131**
SUM OF K-AUM, K-CMH AND K-ASA	Nil
SUM OF K-COH AND K-DTF	2,884
SUM K-NPR, K-CMG, KTCD AND K-CON	1,247

5.1. Assessing the adequacy of funds

VSA Capital assesses the adequacy of its own funds in accordance with the prescribed permanent minimum capital, fixed overheads and applicable K-factor requirements.

5.2. Overall Financial Adequacy Rule

The ICARA process is operated by VSA's Compliance and Finance function, predominantly Marcia Manarin (the Firm's COO) – with oversight provided by the Firm's Board. The ICARA itself was developed through a review of the Firm's identified risks – and in particular those risks which, based on the Firm's risk assessment process, were considered to represent the most material sources of residual risk and harm. The Firm has taken the outputs of this risk review process and developed, primarily through scenario analysis, its view of the additional financial resources required to mitigate the risk of harm through ongoing operations.

The Firm also maintains a wind down plan, which is refreshed on at least an annual basis. As part of the wind-down planning process management determine the financial resources required to wind the firm down in an orderly manner. The output of these two assessments form, the basis of the firm's own funds and liquid asset threshold requirements.

In conjunction with this identification of the Firm's threshold requirements, management also consider longer terms risks which could crystallize over the three-year forecast period and develop stress scenarios. The Firm has considered the potential recovery actions which could be implemented in the event a stressed scenario could crystalise. Where sufficient recovery actions cannot be implemented to maintain the viability of the Firm, the board would trigger VSA's wind-down plan.

Based on the analysis conducted as part of the ICARA process the Board is satisfied that the Firm maintains sufficient financial resources to adequately mitigate the harms it poses – through all parts of the economic cycle, including under stressed market conditions. As such, the Board and Senior Management are satisfied that the Firm meets the overall financial adequacy rule.

6. REMUNERATION

6.1. Remuneration Committee

During the period, the Remuneration Committee membership and attendance was as follows:

NAME	ROLE	MEETINGS ATTENDED/POSSIBLE	ATTENDANCE %
Andrew Monk	CEO	2	100%
Mark Steeves	Chairman	2	100%

The duties of the Committee are delegated and agreed by the Board and governed by its Terms of Reference, which is reviewed annually. The Committee's main purpose is to consider and agree an appropriate Remuneration Policy for all employees. Furthermore, the Committee has specific responsibility for matters, including Material Risk Taker (MRT) remuneration and identification, workforce remuneration policies, approval and oversight of risk adjustment and ensuring the alignment of variable remuneration outcomes with VSA Capital's culture and values.

The Remuneration Committee at VSA Capital, based in the UK, plays a pivotal role in governance and oversight arrangements. Twice a year, the committee convenes to discuss and approve changes to remuneration, with the flexibility to hold additional discussions during the monthly Board Meetings. Andrew Monk, the CEO, and Mark Steeves, the Chairman, are esteemed members of the committee, which cover VSA Capital Group plc and VSA Capital Limited (the VSA Group). It is worth noting that the Remuneration Committee operates independently without any sub-committees.

During the year, the Committee reported to the Board and received external advice on remuneration related matters from an external remuneration consultant.

6.2. Remuneration Policy

The Board has delegated authority to the Remuneration Committee to consider and agree a Remuneration Policy for all employees, with particular focus on MRTs (other than non-Executives). It ensures that remuneration is aligned to the Company's business objectives, values, risk appetite, regulatory compliance, and long-term sustainable success in order to support a high-performance culture and drive appropriate behaviours.

6.3. Link between remuneration and performance

During the year under review, remuneration comprised of guaranteed drawings (for members) or salary (for employees) and a variable compensation in the form of a profit share at year-end. Profit share awards can be delivered in a cash bonus delivered bi-annually (around May and December time), depending on the performance of VSA and the individual.

The aggregated profit share awarded in any year is determined based on profits before interest and taxation and is available for distribution across all areas of the Company. The Remuneration Committee will, at its sole discretion, adjust individual profit share amounts in order to ensure that actual remuneration is appropriate and reflective of all appropriate performance-related and risk-adjusted factors following input from the Company's Risk, Compliance, Internal Audit and HR departments.

Profit share awards relating to MRTs are proposed by senior management to the Remuneration Committee for approval. Both fiscal and non-financial aspects of an individual's performance are considered when determining awards.

6.4. Performance objectives

Every April, VSA Capital conducts an annual performance review. In this process, the Heads of each department meet with their team members to discuss their future financial and non-financial goals and objectives, as well as how they have contributed to the firm's success over the past 12 months.

The performance objectives include rewarding employees for achieving sustainable growth, reducing risk exposure, and avoiding short-term gains that may harm the business in the long run.

Non-financial performance

Non-financial objectives may include metrics such as the number of introductions made during the year, responsibility for process optimization or streamlining, involvement in cost reductions or spearheading new initiatives, among other accomplishments.

Financial performance

In determining the variable renumeration available for award the Remuneration Committee considers the overall profitability of the firm and the firm's overall financial resources. No award of variable remuneration would be made where this would endanger the financial viability of the firm or its ability to meet its own funds and liquid asset requirements.

6.5. Fixed and variable remuneration

Fixed and variable compensation are two fundamental components of an employee's overall compensation package. These elements can vary based on the industry, job role and company policies. Here are the key characteristics of VSA's fixed and variable compensation:

- Fixed compensation: base salary (fixed amount of money an employee received on a monthly basis. It forms the core of an employee's compensation and remains consistent throughout the year unless there is a change due to promotion or salary adjustment; benefits (fixed compensation may also include various benefits, such as health insurance, pension contributions, paid or sick leave).
- Variable compensation: bonuses (additional payments given to employees based on VSA Capital's and their individual performance and/or achievement of specific goals. Bonuses are awarded twice a year,

usually May and December; Performance incentives: stock options, which is linked to VSA's performance and individual contributions).

Twice a year, the Remuneration Committee and the Board members engage in discussions about VSA Capital's performance, evaluation the achievement of overall goals and objectives. It is important to note that the variable portion of compensation, comprising of bonuses and stock options, is not guaranteed and may be subject to being nil. In the event of profits, the Remuneration Committee determines the size of the bonus pool to be distributed among employees; however, the total distribution should not exceed 10% of profit after tax (PAT).

The maximum ratio between the variable and fixed component of total remuneration set by VSA is 1:1. There are not different ratios set for different categories of staff and the ratios did not differ from this performance period to the last.

Within VSA, there are no staff members who receive only fixed or only variable remuneration. Nevertheless, the Remuneration Committee retains the discretion to award a bonus payment (variable remuneration) to an employee based on their performance, and if their performance is deemed unsatisfactory, the bonus may be nil.

6.6. Other forms of remuneration

The firm does not currently offer guaranteed variable remuneration or severance pay. In the unlikely event that VSA may consider offering non-standard forms of variable remuneration, such a decision might be driven by changing market conditions, the need to attract new talent or explore new lines of business or new industry coverage, as well as considerations for talent retention.

The firm does offer performance incentives, such as stock options, which was linked to VSA's performance and individual contributions.

6.7. Risk adjustment

The board of directors of VSA Capital played a critical role in designing an effective remuneration policy. They have been responsible for establishing VSA's risk appetite and ensuring it is aligned to the overall strategy as well as designed a remuneration policy that reflects VSA's risk appetite and objectives. When adjusting for risk, certain discretionary factors come into play, and VSA's Board of Directors strongly believe in erring on the side of caution and exercising prudence.

The key financial performance measures are tailored and adjusted based on the risks identified during a specific period, such as the business pipeline and the probability of project success, among others. In the current business environment, companies need to manage risk effectively to ensure their success. The macro market conditions and risks associated with the business pipeline are also consistently taken into account, and the Remuneration Committee establishes boundaries and parameters applicable to all employees.

VSA's Remuneration Committee has the discretion to make adjustments, including through malus and claw back arrangements and they have the flexibility to apply full discretion to reduce the bonus pool to zero.

The firm also has a group wide performance adjustment policy. VSA's process for determining performance adjustments encompasses the entire firm, and the Heads of Departments report relevant information to the Senior Management/ Board of Directors. In cases where necessary, the Board of Directors will escalate matters and findings to the Remuneration Committee for further review and consideration.

6.8. MRT remuneration

The table below sets out the aggregate remuneration for MRTs. Fixed compensation includes base salary and in the case of non-executive directors, any base fee paid in respect of services provided during the year. Variable compensation includes cash bonuses in respect of performance during the year.

	Fixed remuneration	**Variable renumeration**	**Total remuneration**
Senior Management	£480,765	£185,663	**£666,428**
Other Material Risk Takers	£475,705	£71,875	**£547,580**
Other Staff	£507,026	£69,187	**£576,213**
Total	**£1,463,496**	**£326,725**	**£1,790,221**

In defining those individuals considered as MRTs the firm has identified that all Directors and Heads of Departments meet this definition – on the basis that these individuals have the ability to materially impact the risk profile of the firm and who, through their actions, could expose the firm and its clients to material harm.

The total number of individuals classified as Senior Management and Other MRTs are four and 6 respectively.

6.9. Deferred remuneration

There was no deferred remuneration made during the year ending 31 March 2023.

6.10. Sign-on and severance payments

During the year ended 31 March 2023, there was no sign-on cash payment and no payments in respect of severance.