

## 1. Overview

### 1.1 Background

Western Asset Management Company Limited ("WAMCL" or the "Firm") is a wholly-owned subsidiary of Legg Mason Global Holdings Limited ("LMGH" or the "Parent"), which is an indirect wholly-owned subsidiary of Franklin Resources, Inc. ("Franklin"), WAMCL is part of the wider Franklin corporate structure (the "Franklin Group").

WAMCL is authorised and regulated by the Financial Conduct Authority ("FCA") and adheres to MIFIDPRU requirements.

MIFIDPRU 8.1.1 requires non-SNI MIFIDPRU investment firms to disclose the below information annually:

1. Risk management objectives and policies – MIFIDPRU 8.2
2. Governance arrangements - MIFIDPRU 8.3
3. Own funds – MIFIDPRU 8.4
4. Own funds requirement – MIFIDPRU 8.5
5. Remuneration policies – MIFIDPRU 8.6

### 1.2 Firm Overview

WAMCL provides investment management ("IM") and related services to institutional investors, with an emphasis on segregated mandates, pension plans, endowments and public entities, as well as sub-advisory assignments, including assignments for Franklin-sponsored funds.

WAMCL's core values are trust, honesty, integrity, diversity, teamwork, mutual respect and personal responsibility. These values enrich and enhance Firm's efforts to excel, for its clients, its people, its organisation and communities.

## 2. Risk Management Objectives and Policies

### 2.1 Overview and Potential Harms

WAMCL maintains a comprehensive risk management framework designed to identify, assess, monitor, and mitigate risks in line with its strategic objectives and regulatory obligations. The framework ensures that risks are managed within the Firm's risk appetite and that appropriate policies and controls are in place to support the achievement of business objectives. WAMCL's approach is consistent with the requirements of the FCA and the MIFIDPRU prudential regime. WAMCL promotes a strong risk culture, encouraging all employees to take ownership of risk management and to escalate concerns as appropriate. WAMCL is committed to transparent communication of its risk management practices to stakeholders, including clients, counterparties, and regulators. WAMCL recognises potential harms arising from its business strategy, including:

- Client harm through operational failures, mandate breaches, or inadequate liquidity.
- Market harm through trading errors or systemic disruptions.
- Firm harm through financial loss, reputational damage, or regulatory breaches.

These harms are actively managed through robust governance and the Internal Capital Adequacy and Risk Assessment ("ICARA") process, ensuring adequate financial resources and resilience.

### 2.2 Risk Management Structure

WAMCL is exposed to risks typical of investment management firms, mapped to MIFIDPRU categories:

**First Line of Defence:** Business units are responsible for the day-to-day identification and management of risks, as well as the implementation and maintenance of effective internal controls.

**Second Line of Defence:** Independent risk and compliance functions provide oversight, guidance, and challenge to ensure that risk management standards and practices are robust and effective.

**Third Line of Defence:** Internal audit provides independent assurance regarding the adequacy and effectiveness of governance, risk management, and internal controls.



This structure aims to ensure accountability and appropriate segregation between risk ownership, oversight, and assurance.

### 2.3 Material Risks and Regulatory Categories

WAMCL is exposed to risks typical for investment management firms, mapped to MIFIDPRU categories:

**Own Funds Risks:** Capital adequacy to absorb losses from operational, conduct, and market risks.

**Concentration Risk:** Exposure to key clients, counterparties, and service providers.

**Liquidity Risk:** Ability to meet obligations under stressed conditions.

Other material risks include cyber risk, loss of key staff, and regulatory risk. These are assessed through ICARA, with capital and liquidity held against severe but plausible scenarios.

### 2.4 Governance and Risk Appetite

Risk governance is overseen by WAMCL's Board of Directors ("Board") and WAMCL's Management Committee. The Board sets and reviews risk appetite annually. The Board and senior management are actively engaged in overseeing risk management and ensuring that appropriate resources and expertise are available to support effective risk management across the firm. The Management Committee and the Board ensure that risk management practices are effective and that key risks are appropriately monitored and escalated as required. Monitoring against these metrics is embedded in management reporting and escalation protocols.

### 2.5 Regulatory Alignment and ICARA Integration

WAMCL's ICARA has been prepared in accordance with MIFIDPRU 7.8 and is reviewed and approved annually by the Board. The ICARA is used to identify and assess material risks, determine appropriate capital and liquidity resources, and inform strategic and operational decision-making. Outputs from the ICARA process are considered by the Board and relevant committees when setting risk appetite, planning for business changes, and ensuring the Firm maintains adequate financial resources to meet regulatory requirements and support its ongoing activities. WAMCL's ICARA process, reviewed and approved annually by the Board, underpins risk management. Key elements include:

- Own funds threshold requirement
- Liquid assets threshold requirement
- Stress testing and reverse stress testing
- Wind-down planning

### 2.6 Assessment of Effectiveness

The ICARA process has demonstrated that adequate financial and non-financial resources are held to minimise the risk of all potential material harms to clients, counterparties, the market(s) in which WAMCL operates and the Firm itself.

WAMCL has also established a thorough Liquidity Policy and Framework, and Reverse Stress Testing program. These efforts collectively provide ongoing transparency into the capital adequacy and liquidity of WAMCL and its preparation for the crystallisation of a material harm.

The Board reviews, challenges and approves the ICARA and conclusions of own funds and liquidity requirements on an annual basis, or more frequently if material changes to the business necessitate a review.

WAMCL is committed to the continuous improvement of its risk management framework, ensuring it remains responsive to changes in the business, regulatory requirements, and the external environment.

### 3. Governance Arrangements

#### 3.1 Corporate Structure

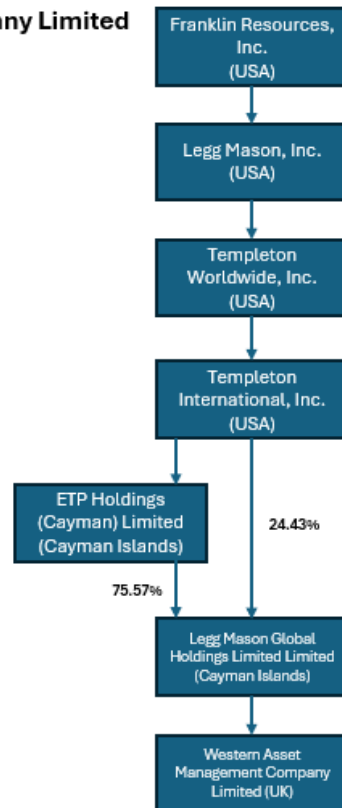
WAMCL maintains a robust governance framework ensuring effective oversight of its business, risks and regulatory requirements. WAMCL’s governance arrangements are aligned with Franklin’s corporate governance framework whilst ensuring full compliance with applicable UK regulatory requirements. The following chart illustrates WAMCL’s corporate structure. WAMCL is a wholly-owned subsidiary of LMGH, which is an indirect wholly-owned subsidiary of Franklin.

The Board relies on business units to manage, monitor and analyse key areas of responsibility, but gains sufficient information to discharge its duties. WAMCL does not have a separate Risk Committee and is not required to establish one, as it meets the conditions under MIFIDPRU 7.1.4, but the Board may delegate review and monitoring to WAMCL’s Management Committee for specific purposes.

The WAMCL Management Committee is the management body responsible for implementing the governance arrangements within the Firm defined by the Board. Representatives from Enterprise Risk Management and Investment Risk Management, as well as Legal and Compliance, participate in all Board and Management Committee meetings. The Management Committee meets at least four times per calendar year.

The Board may also rely on the advice, reports and opinions of consultants, counsel, accountants, auditors and other expert advisers.

**Western Asset Management Company Limited**  
Group Structure Chart – Extract  
(ownership 100%, unless otherwise stated)



#### 3.2 The Management Body

The WAMCL Board of Directors is the Firm’s management body for the purposes of MIFIDPRU. The Board embraces good practice in corporate governance and, as such, is charged with the responsibility for providing oversight of the activities and internal controls within the Firm.

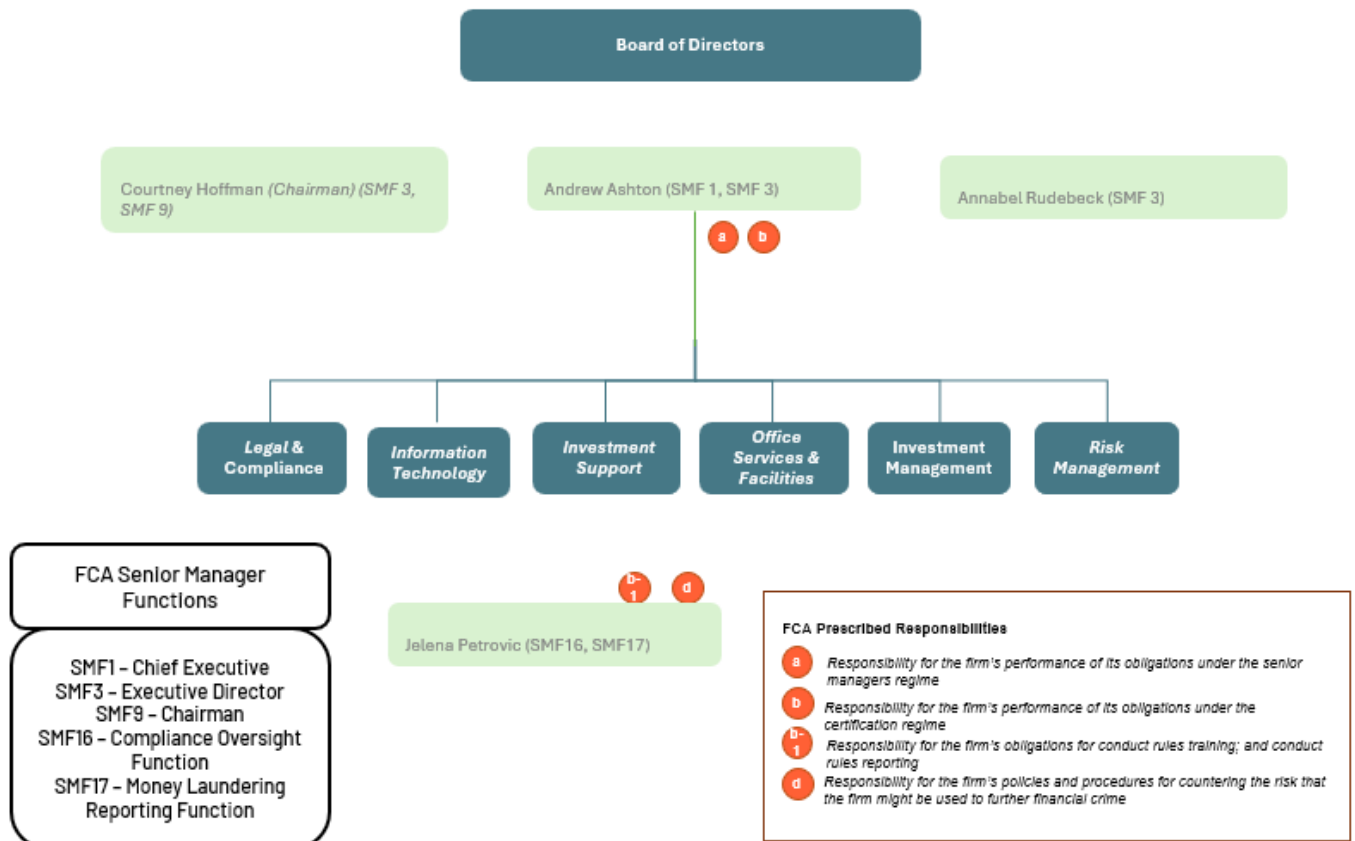
The key responsibilities of the Board include:

- overseeing WAMCL’s risk management framework, including the identification and mitigation of potential harms;
- approving and reviewing the ICARA process and ensuring the adequacy of own funds and liquid assets;

- ensuring an effective system of governance, internal controls and delegation;
- overseeing the Firm’s culture, conduct standards and adherence to Firm’s corporate values.

**3.3 Organisational Structure and Lines of Responsibility**

WAMCL maintains a clear and transparent organisational structure with well-defined lines of responsibility. The below chart illustrates the organisational structure of WAMCL.



**3.4 The Number of Directorships**

The directors of WAMCL and the number of other directorships held that are in scope of MIFIDPRU 8.3.2 at the disclosure date by each are listed below:

WAMCL Director	Position	Directorships Held
Andrew Ashton	CEO, WAMCL - Head of UK and Chair of Canada	None
Annabel Rudebeck	Deputy CIO and Head of Investments - London	None
Courtney Hoffman	Deputy General Counsel	None

**3.5 Diversity Policy for the Management Body**

WAMCL has adopted Franklin's diversity, equity and inclusion framework. The Franklin Group is an equal opportunities employer and considers qualified applicants for employment without regard to race, sex, religion, colour, national origin, disability, medical condition, marital status, age, sexual orientation or any other basis protected by local employment legislation. Appointment to the Board follows the above equal opportunity policy and is based on positions held within Franklin, knowledge, skills and expertise.

Franklin's global inclusion statement can be accessed on <https://www.franklintempleton.co.uk/about-us/our-company/global-inclusion>, the statement includes the commitment and progress related to Women in Finance Charter.

4. Own Funds

Composition of regulatory own funds, in USD thousands			
	Item	Amount	Source based on reference numbers/ letters of the balance sheet in the audited financial statements
1	<b>Own funds</b>	<b>36,504</b>	
2	<b>TIER 1 Capital</b>	25,511	
3	<b>Common Equity TIER 1 Capital</b>	<b>25,511</b>	
4	Fully paid up capital instruments	100	Balance sheet, page 18
5	Share premium		
6	Retained earnings	25,411	Balance sheet, page 18
7	Accumulated other comprehensive income		
8	Other reserves		
9	Adjustment to CET 1 due to prudential filters		
10	Other funds		
11	(-) Total deductions from common equity TIER 1		
19	CET 1: Other capital elements, deduction and adjustments		
20	<b>Additional TIER 1 Capital</b>	<b>43</b>	
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, deduction and adjustments	43	Balance sheet, page 18
25	<b>TIER 2 Capital</b>	<b>10,950</b>	
26	Fully paid up, directly issued capital instruments	10,950	Balance sheet, page 18
27	Share premium		
28	(-) Total deductions from TIER 2		
29	TIER 2: Other capital elements, deduction and adjustments		

<b>Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements, in USD thousands</b>				
		a	b	c
		<b>Balance sheet as in published/ audited financial statements</b>	<b>Under regulatory scope of consolidation</b>	<b>Cross-reference to template OF1</b>
<b>Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements</b>				
	Tangible Assets	2,376		
	Debtors: amounts falling due within one year	11,594		
	Debtors: amounts falling due after more than one year	2,615		
	Investments	2,489		
	Cash at bank and in hand	35,803		
	<b>Total Assets</b>	<b>54,877</b>		
<b>Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements</b>				
	Creditors: amounts falling due within one year	17,109		
	Creditors: amounts falling due after more than one year	1,264		
	<b>Total Liabilities</b>	<b>18,373</b>		
<b>Shareholder's Equity</b>				
	Preferred stock, \$1 par value, non-participating, non-voting, redeemable at the option of the Company, 10,950,000 shares, authorised; 10,950,000 shares allotted and fully paid at September 30, 2025 and 2024	10,950		26
	Common stock, \$1 par value, 1,000,000 ordinary shares authorised; 100,010 ordinary shares issued, outstanding and fully paid, at September 30, 2025 and 2024	100		4
	Other reserves	43		24
	Retained earnings	25,411		6
	<b>Total Shareholders equity</b>	<b>36,504</b>		
	<b>Total Liabilities and Shareholder's equity</b>	<b>54,877</b>		

**5. Overall Financial Adequacy Rule**

Under MIFIDPRU 7.4.7, overall financial adequacy rule, a MIFIDPRU investment firm must hold own funds that are adequate in both amount and quality to ensure that:

- it is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
- its business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

The own funds threshold requirement ("OFTR") is the amount of own funds a firm must hold at all times in order to comply with the overall financial adequacy rule. The OFTR is the higher of the following assessments:

- Own funds required for ongoing operations, higher of:
  - K-Factors requirement ("KFR") under MIFIDPRU 4.6.  
 WAMCL is subject to the following K-factors:  
 K-Assets Under Management ("K-AUM")  
 K-Client Orders Handled ("K-COH")  
 K-Daily Trading Flow ("K-DTF")
  - Any additional own funds required for ongoing activities - where the firm determines that KFR alone is insufficient to cover the risks arising from its ongoing activities.

## MIFIDPRU 8 Disclosure

As at September 30, 2025

- b. Own funds required for orderly wind-down, being the higher of:
- The fixed overhead requirement ("FOR") under MIFIDPRU 4.5; and
  - The wind-down requirement, where the firm determines that FOR is insufficient and additional own funds are necessary for orderly wind-down of its business with minimal adverse impact on its clients, counterparties or the wider markets.
- c. Permanent minimum requirement ("PMR"), WAMCL satisfies the conditions in MIFIDPRU 4.4.4, therefore its PMR is £75k.

Summary of own funds threshold requirement based on MIFIDPRU 7.6.4, own funds held and surplus:

Summary of own funds threshold requirement, own funds held and surplus:

(in \$ thousands)

<b>Own funds threshold requirement (Higher of A, B, and C)</b>	<b>September 30, 2025</b>
Assessment A, higher of:	
• Own fund requirement for ongoing operations - approved June 2025	20,082
• K-Factors - sum of K-AUM, K-COH and K-DTF	5,231
<i>K-AUM</i>	5,105
<i>K-COH</i>	117
<i>K-DTF</i>	9
Assessment B, higher of:	
• Fixed overhead requirement - based on September 30, 2025 audited results	6,611
• Wind-down requirement - approved June 2025	12,245
C. PMR	98
<b>Own funds threshold requirement</b>	<b>20,082</b>
<b>Own funds held as at 30 September 2025</b>	<b>33,846</b>
<b>Own funds surplus</b>	<b>13,764</b>

### 5.1 Assessment of Own Funds for Ongoing Operations

When assessing potential material harm from its ongoing operations, WAMCL has considered the following:

- An assessment of WAMCL's business and operating model to identify all material harms that could result from the firm's ongoing business.
- An assessment of WAMCL's full risk taxonomy.
- Considered the current economic cycle and ensuring no new risks have emerged.
- Considered future operational changes which could alter the risk taxonomy.

The regulations state that where, as part of its ICARA process, a firm has identified potential material harms that cannot be fully mitigated, the firm should first consider the extent to which the impact of the residual harm on own funds is covered wholly or partly by the FOR and K-factor. If the potential material harm arises from the ordinary course of the firm's portfolio management business, an investment firm should consider the potential impact of the harm by comparison to the firm's K-AUM requirement. WAMCL has compared K-AUM with the mandate compliance breach as the resultant loss that would be deemed as standard discretionary portfolio management harm. Similarly, if the harm relates to the ordinary course of trading then it can be compared against K-DTF.

## MIFIDPRU 8 Disclosure

As at September 30, 2025

Own funds required for ongoing operations are included in the below table. The assessment is based on material risks identified in Section 2.3. The risk assessment results are based on ICARA which was approved by the Board in May 2025. The risk assessments are valid as of September 30, 2025.

(in \$ thousands)

<b>Own funds required for ongoing operations - based on June 2025 approved ICARA</b>	<b>September 30, 2025</b>
Operational risks	20,082
<b>Total own funds required for ongoing operations</b>	<b>20,082</b>

### 5.2. Assessment of Own Funds Required for Orderly Wind-down

The FOR of a MIFIDPRU investment firm is an amount equal to one quarter of the firm's relevant expenditure during the preceding year. WAMCL's FOR is calculated in accordance with MIFIDPRU 4.5.2 to 4.5.10. WAMCL's current FOR of \$6.6m is based on FY2025 audited results.

Under MIFIDPRU 7.5.7 WAMCL as part of ICARA process is required to ensure the orderly wind-down and termination of business within realistic timescale. WAMCL is required to evaluate the potential harms arising from the winding down of its business and identify how to mitigate them.

The FCA also requires investment firms to have a detailed plan, outlining the process while considering all the financial and non-financial resources, constraints and potential material harm. An effective wind-down plan aims to enable a firm to cease its regulated activities and achieve cancellation of its permission with minimal adverse impact on its clients, counterparties or the wider markets.

WAMCL's wind-down plan considers the following:

- Scenarios leading a firm to wind-down its business;
- Potential impact on consumers and financial markets;
- Operational tasks required and time necessary to execute each task, including assessing issues that could lead to significant consumer detriment, or create a significant adverse impact to the financial markets or other third parties;
- Own funds to absorb winding-down costs and additional losses; and
- Liquid resources necessary to support cash outflows.

Based on above considerations, WAMCL's wind-down requirement is \$12.2m. WAMCL has sufficient own funds and liquid assets to meet this requirement. The wind-down requirement was approved by the Board of Directors in May 2025. The requirement is valid as of September 30, 2025 as there is no material change in the operating and business model of WAMCL. We note that certain support functions have been integrated into Franklin, however, this has not had a material impact on the overall operations of WAMCL.

## 6. Remuneration Policy and Practices

### Decision making process for remuneration policy

WAMCL has formally adopted a Remuneration Policy aligned to the FCA Remuneration Code.

For the period of the report, the Board delegated annual compensation assessments to Western Asset group's Compensation Committee. Under IFPR, WAMCL is not currently required to maintain a remuneration committee, however, as a best practice and in line with the FCA's recommendations the Firm utilises Western Asset group's Compensation Committee to support its remuneration framework by having an independent staff remuneration assessment process. Western Asset's Compensation Committee – which includes the Chief Executive Officer ("CEO"), Global Head of Human Resources, and the Compensation Manager – oversees the compensation review process and ensures that it adheres to the Firm's mission and core values, as well as to a clearly defined compensation philosophy and business rationale that focus on total compensation

Compliance with the Remuneration Policy is maintained and monitored by the Compliance and Human Resources Departments. The Compliance Department is charged with staying abreast of regulatory changes impacting the Remuneration Policy, including but not limited to IFPR and SYSC 19G. In addition, the Compliance Department reviews and interprets regulatory requirements set out in SYSC 19G and advises the Firm on the appropriate and most effective approach to implementation and adherence to the requirements. Finally, the Compliance Department maintains the Remuneration Policy and is responsible for the ongoing review and

updates, which are carried out at least once annually. The updated Remuneration Policy is ultimately reviewed and approved by the Board.

#### **Code staff criteria**

The Firm maintains a framework for the identification of Material Risk Takers ("MRTs") which is reviewed annually. Broadly MRTs can be interpreted to mean:

- Members of the Governing Body and Senior Management;
- Employees responsible for risk management and compliance functions; and
- Employees whose professional activities can exert material influence on the risk profile of the Firm.

WAMCL has undertaken a comprehensive review to identify those persons that it considers to be MRTs. In doing so, consideration has been given to all employees who have a material impact on the Firm's risk profile, including any employee who performs a significant influence function, or a Senior Manager Function under the Senior Managers & Certification Regime ("SMCR").

#### **The link between pay and performance for MRT staff**

Remuneration is made up of fixed pay (i.e. salary and benefits) and performance-related pay. Performance-related pay is designed to reflect success or failure against a range of targets which have appropriate risk-management as a key component. Generally senior management and key contributing employees are subject to deferral of a portion of their annual bonus into equity (either Franklin stock or a combination of Franklin stock and Mutual Fund Units). That deferred equity element then typically vests over three years in equal instalments.

#### **Aggregate remuneration cost for MRT staff**

For fiscal year 2025 there were 13 employees categorised as MRT Staff at WAMCL.

Aggregate remuneration expenditure in respect of the fiscal year ending September 30, 2025 in respect of MRT Staff was as follows:

#### **Western Asset Management Company Limited**

\$14.3m, of which the fixed element comprised \$4.0m (28%) and the variable element \$10.3m (72%).