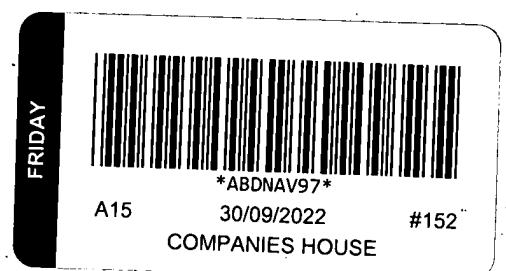


Registered number: 05732689

**Morningstar Investment Management Europe Limited**

**Annual report and financial statements  
for the year ended 31 December 2021**



# **Morningstar Investment Management Europe Limited**

## **Company information**

### **Directors**

S J Croucher  
D E Cullen  
D Kemp  
D S Schilling

### **Company secretary**

Ldc Nominee Secretary Limited

### **Registered number**

05732689

### **Registered office**

1 Oliver's Yard  
55-71 City Road  
London  
EC1Y 1HQ

### **Independent auditor**

KPMG LLP  
15 Canada Square  
London  
E14 5GL

# Morningstar Investment Management Europe Limited

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# Morningstar Investment Management Europe Limited

## Strategic report for the year ended 31 December 2021

The directors present their strategic report and the audited financial statements of the company for the year ended 31 December 2021.

As used in the annual report, "the group" and "Morningstar" refer to Morningstar, Inc. and its subsidiary undertakings, including joint ventures and associates. "The company" and "MIME" refer to Morningstar Investment Management Europe Limited.

### Business review

Morningstar, Inc., the ultimate parent company, is a leading provider of independent investment research in North America, Europe, Australasia, and Asia, offering an extensive line of products and services for individual investors, financial advisors, asset managers, and retirement plan providers and sponsors. Morningstar serves approximately 293,000 financial advisors, 3,000 issuers of debt, 8,600 private market and venture capital firms, 71 retirement plan providers, 297,000 retirement plan sponsors, and over 10 million individual investors globally. Morningstar also acquired Sustainalytics on July 2, 2020 leveraging its resources to support the integration of ESG data, research, and insights into products and services across Morningstar with more than 20,000 companies rated by Sustainalytics as of 31st December 2021.

In 2021, Morningstar agreed to acquire Praemium's U.K. and international wealth management platform business. Praemium offers proprietary, friction-free, SaaS-based technology and services that allow fee-based advisors to outsource key elements of the advice workflow. The platform will enable Morningstar to expand its wealth management platform capabilities internationally beyond the U.S. and India. We expect this transaction to close mid-to-late 2022, subject to regulatory approval.

Morningstar Investment Management Europe Limited is authorised and regulated by the U.K. Financial Conduct Authority (FCA). Those regulatory permissions allow Morningstar Investment Management Europe Limited to advise, arrange, deal and manage investments for professional and eligible counterparty clients across a range of investment instruments including shares, debt securities and units in collective investment schemes. The related services are delivered through the managed portfolios, manager selection, segregated mandates and U.K. authorised fund offerings, predominantly to U.K. domiciled clients and investors.

	2021	2020
Revenue (£'000)	6,547	6,625
Revenue growth (%)	(1.18)	(6.4)
Loss before tax (£'000)	(2,814)	(980)

The marginal negative revenue growth is a result of the shift away from legacy consultancy business and unfavourable market impact due to the global pandemic. The loss for the company is a reflection of continued investment into strategically growing the business.

### Future developments

Morningstar Investment Management Europe ('MIME') has a clear strategic focus on servicing financial advisers with high quality investment solutions. The strategy across the global group continues to be aligned, with our robust valuation driven long term investment process being at the heart of everything we do.

In 2021 we continued to see the impacts of COVID-19 and other consequential issues in the wider market, but the company took the opportunity to press forward with developments and improvements rather than delay or reduce the initiatives. The company continued to expand the distribution reach for the nascent CG Morningstar Multi Asset funds range with the fund range available on 20 platforms as of 31st December 2021. To complement the existing Managed Portfolio Services ("MPS") portfolio ranges, we launched a US Dollar International Portfolio range in late 2021. With Active, Passive, ESG, Income, International and Real Return ranges available the company now has a broad range of solutions aligned to the centralised investment proposition.

# Morningstar Investment Management Europe Limited

## Strategic report (continued) for the year ended 31 December 2021

### Future developments (continued)

The Morningstar group has made ESG (Environmental, Social and Governance) a priority for considering in our processes and propositions. MIME already operates a MPS range that has ESG specific objectives and will continue to review how ESG can be further included within other initiatives across the business without any adverse impacts on client outcomes.

### Statement of directors' statutory duties in accordance with s172(1) Companies Act 2006

In accordance with section 172 of the Companies Act 2006, all of the directors are required to act in a way they would consider, in good faith, most likely to promote the success of the company for the benefit of its members as a whole. In doing so, directors must take into consideration the interests of the various stakeholders of the Company, the impact of the Company's operations on the community and the environment, take a long-term view on consequences of the decisions they make as well as aim to maintaining a reputation for high standards of business conduct and fair treatment between the members of the Company.

The directors of Morningstar Investment Management Europe Limited, a subsidiary company of Morningstar Inc. being the ultimate parent, are committed to maintaining Morningstar's culture and achieving its mission to empower investor success. Everything we do at Morningstar is in the service of the investor.

During the year the company has given due regard to the promotion of the success of the company.

### *Long-term decision making and relationship with customers*

The directors are responsible for the longer-term strategic direction of the company, which is aligned with Morningstar Inc. and its board of directors.

As is customary for group companies which form part of a larger enterprise structure, responsibility for the day-to-day management of the company falls under the responsibility of the various functional management teams, including approving and overseeing the execution of the strategy and related policies.

The company considers their customers to be one of the most important stakeholders and we focus our strategic plan around secular trends that are shaping the investment industry and defining the solutions we expect our customers to demand in the future. We consider the views and interests of our customers when making decisions and gathering investment proposals in order to deliver on the company's mission statement which is to empower investor success.

### *Interests of the company's employees*

With people at the forefront of our strategy it is crucial that the interests of the company's employees are always considered by senior management and directors of the company. Employee engagement surveys are published on a quarterly basis to assess levels of engagement and identify any obvious areas of concern.

The directors are also committed to fairness and are advocates for eliminating any form of discrimination in the workplace and ensuring diversity.

### *Environmental and community impact*

The rise of ESG investing has been recognised as one of the hallmarks of the modern investor and has become integral to the Morningstar mission to empower investor success but has also uncovered an opportunity to apply an ESG framework to our own business. Morningstar's Sustainability statement can be found here: [https://assets.contentstack.io/v3/assets/blt4eb669caa7dc65b2/blt4f92598ad3e8a515/2021\\_SASB\\_Report.pdf](https://assets.contentstack.io/v3/assets/blt4eb669caa7dc65b2/blt4f92598ad3e8a515/2021_SASB_Report.pdf)

As a subsidiary of a larger Group, wider information about these matters are detailed and disclosed in the Group's annual report and accounts see: <https://www.morningstar.com/company/corporate-social-responsibility>

# Morningstar Investment Management Europe Limited

## Strategic report (continued) for the year ended 31 December 2021

### Statement of directors' statutory duties in accordance with s172(1) Companies Act 2006 (continued)

#### *Reputation for high standards of business conduct*

The Company views the changing regulatory environment as a revenue generating opportunity to offer solutions that meet client needs. The Directors therefore acknowledge the importance for the company to retain its own integrity by committing to its own legal and statutory requirements applicable to the United Kingdom.

Process reviews and training have been implemented to meet these local regulations.

#### *Acting fairly between members of the company in a group relationship*

The board maintains an open relationship with Morningstar Inc., its management team, and other group companies, where ideas and strategic objectives are exchanged and shared. The Morningstar Investment Management Europe Limited board are fully committed to ensuring due regard to the interests of other stakeholders as described above.

### Principal risks and uncertainties

#### *General*

The company views the changing regulatory environment and increased scrutiny facing the financial services industry, as a revenue generating opportunity to offer solutions and meet client needs. However, it is important that the company understands these changes and incorporates them in their latest product offerings.

Given market innovation within our industry, we are aware of the risks associated with competitor advancements. We continue to monitor market trends with regards to new technologies and product development and feel confident that we will invest as needed to keep advancing our offerings within this fast-paced industry.

#### *Brexit risks and contingency considerations*

Brexit has been a key topic addressed during the year and resulted in extensive work with external lawyers to ensure that there were no impacts on EU based clients receiving services from the company post Brexit. The company worked to expand the existing regulatory permissions of the sister company MICF based in Paris. Plans have been and are in progress to enable EU based clients to move across from the company to MICF in order to ensure continuity of service for those EU based clients within the Morningstar group.

Other aspects such as our investment approach, staffing and outsource arrangements have been reviewed to ensure that there were no issues for the company with the UK leaving the EU. The Board is satisfied that all material risks have been identified and mitigated.

# Morningstar Investment Management Europe Limited

## Strategic report (continued) for the year ended 31 December 2021

### Financial risk management

#### *Credit Risk*

The company is exposed to credit risk from other group entities and external debtors.

Because any transactions with group companies will be between entities which are 100% owned by Morningstar, Inc. the directors feel that risks are negligible.

Risk from external debtors is managed through regular credit control and review of debts with management. All clients are well established, and bad debts are minimal. A bad debt provision at 31 December 2021 is recorded of £8,225 (0.13% of revenue) (2020: £15,198).

#### *Market and liquidity risk*

The company does not have a significant exposure to market or liquidity risk given the nature of the financial instruments currently held.

This report was approved by the board on

27 April

2022 and signed on its behalf.



**S J Croucher**  
Director  
1 Oliver's Yard  
55-71 City Road London  
EC1Y 1HQ

# Morningstar Investment Management Europe Limited

## Directors' report for the year ended 31 December 2021

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2021.

### Principal activity

The principal activity of the company during the year was the provision of investment management services.

### Results and dividends

The loss for the year, after taxation, amounted to £2,817,136 (2020: £962,012).

The directors do not recommend the payment of a dividend (2020: £Nil).

### Pillar 3 disclosures

In accordance with the rules of the Financial Conduct Authority, the company discloses information on its risk management objectives and policies, its regulatory capital requirements and resources and remuneration data (Pillar 3 disclosures). This information is made available as a separate unaudited addendum to the Annual report and financial statements.

### Directors

The directors who served during the year and up to the date of signing the financial statements, unless otherwise indicated, are given below:

S J Croucher  
D E Cullen (appointed 9 March 2021)  
D Kemp  
M J Radgowski (resigned 9 March 2021)  
D S Schilling

### Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that:

- so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware;
- and each director has taken all the steps that [he/ she] ought to have taken as a director to make [himself/ herself] aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the strategic report on page 1.

### Going concern

The directors have prepared the financial statements on the going concern basis as the company's financial position means that this is realistic. There are no material uncertainties that could cast significant doubt over MIME's ability to continue as a going concern and the directors have prepared cash flow forecasts for at least a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due in the future.

# **Morningstar Investment Management Europe Limited**

## **Directors' report (continued) for the year ended 31 December 2021**

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the board on 27 April 2022 and signed on its behalf.



**S J Croucher  
Director**

1 Oliver's Yard  
55-71 City Road  
London  
EC1Y 1HQ

## **Morningstar Investment Management Europe Limited**

### **Statement of directors' responsibilities in respect of the strategic report, directors' report and financial statements for the year ended 31 December 2021**

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and  
use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



## **Independent auditor's report to the members of Morningstar Investment Management Europe Limited**

### **Opinion**

We have audited the financial statements of Morningstar Investment Management Europe Limited ("the Company") for the year ended 31 December 2021 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.



## **Independent auditor's report to the members of Morningstar Investment Management Europe Limited (continued)**

### **Fraud and breaches of laws and regulations - ability to detect**

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board meeting minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue transactions are non-complex, nor do they require management's judgement in determining the contractual transaction price and performance obligations.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of the Company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those posted and approved by the same user and those posted to unusual accounts.
- Evaluated the business purpose of significant unusual transactions.

### **Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations**

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and the regulatory requirements of the Financial Conduct Authority and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.



## **Independent auditor's report to the members of Morningstar Investment Management Europe Limited (continued)**

### **Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations (continued)**

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: anti-bribery, employment law and certain aspects of company legislation recognising the financial nature of the Company's activities. Auditing standards limit the required audit procedures to identify noncompliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### **Context of the ability of the audit to detect fraud or breaches of law or regulation**

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing noncompliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### **Other information**

The directors are responsible for the other information which comprises the strategic report, the directors' report and the Pillar 3 disclosures statement. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.



## **Independent auditor's report to the members of Morningstar Investment Management Europe Limited (continued)**

### **Directors' responsibilities**

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditors' responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Lynton Richmond (Senior statutory auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL  
Date: 27th April 2022

# Morningstar Investment Management Europe Limited

## Profit and loss account for the year ended 31 December 2021

	Note	2021 £	2020 £
Turnover	5	6,546,678	6,625,173
Cost of sales		(4,731,131)	(3,861,577)
<b>Gross profit</b>		<b>1,815,547</b>	<b>2,763,596</b>
Administrative expenses		(4,629,160)	(3,751,865)
<b>Operating loss</b>	6	<b>(2,813,613)</b>	<b>(988,269)</b>
Interest receivable and similar income	9	-	8,074
Interest payable and similar charges	10	(50)	(110)
<b>Loss on ordinary activities before taxation</b>		<b>(2,813,663)</b>	<b>(980,305)</b>
Taxation on loss on ordinary activities	11	(3,473)	18,293
<b>Loss for the financial year</b>		<b>(2,817,136)</b>	<b>(962,012)</b>

The notes on pages 16 to 29 form part of these financial statements.

## Morningstar Investment Management Europe Limited

### Statement of comprehensive income for the year ended 31 December 2021

	Note	2021 £	2020 £
Loss for the financial year		(2,817,136)	(962,012)
<b>Other comprehensive income</b>			
Gain on revaluation of investments	12	264,900	56,050
<b>Other comprehensive income for the year</b>		264,900	56,050
<b>Total comprehensive loss for the year</b>		<b>(2,552,236)</b>	<b>(905,962)</b>

The notes on pages 16 to 29 form part of these financial statements.

# Morningstar Investment Management Europe Limited

Registered number: 05732689

## Balance sheet as at 31 December 2021

	Note	2021 £	2021 £	2020 £	2020 £
<b>Non-current assets</b>					
Investments	12		3,320,950		3,056,050
<b>Current assets</b>					
Debtors: Amounts falling due after more than one year	13	13,399		21,496	
Debtors	13	1,964,002		1,222,700	
Cash at bank		6,487,370		7,954,553	
		<u>8,464,771</u>		<u>9,198,749</u>	
Creditors: Amounts falling due within one year	14	(4,225,064)		(2,219,138)	
<b>Net current assets</b>			<u>4,239,707</u>		<u>6,979,611</u>
<b>Total assets less current liabilities</b>			<u>7,560,657</u>		<u>10,035,661</u>
Creditors: Amounts falling due after more than one year	15		(77,232)		-
<b>Net assets</b>			<u><u>7,483,425</u></u>		<u><u>10,035,661</u></u>
<b>Capital and reserves</b>					
Called up share capital	18		75,002		75,002
Share premium account			3,999,998		3,999,998
Capital contribution reserve			2,894,888		2,894,888
Other comprehensive income reserve			320,950		56,050
Retained earnings			192,587		3,009,723
<b>Total equity</b>			<u><u>7,483,425</u></u>		<u><u>10,035,661</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 April 2022.

  
S J Croucher  
Director

The notes on pages 16 to 29 form part of these financial statements.

## Morningstar Investment Management Europe Limited

### Statement of changes in equity for the year ended 31 December 2021

	Called up share capital	Share premium account	Capital contribution reserve	Other comprehensive income reserve	Retained earnings	Total equity
	£	£	£	£	£	£
At 1 January 2021	75,002	3,999,998	2,894,888	56,050	3,009,723	10,035,661
Loss for the financial year	-	-	-	-	(2,817,136)	(2,817,136)
Gain on revaluation of investments	-	-	-	264,900	-	264,900
<b>At 31 December 2021</b>	<b>75,002</b>	<b>3,999,998</b>	<b>2,894,888</b>	<b>320,950</b>	<b>192,587</b>	<b>7,483,425</b>

### Statement of changes in equity for the year ended 31 December 2020

	Called up share capital	Share premium account	Capital contribution reserve	Other comprehensive income reserve	Retained earnings	Total equity
	£	£	£	£	£	£
At 1 January 2020	75,000	-	2,894,888	-	3,971,735	6,941,623
Loss for the financial year	-	-	-	-	(962,012)	(962,012)
Gain on revaluation of investments	-	-	-	56,050	-	56,050
Shares issued during the year	2	3,999,998	-	-	-	4,000,000
<b>At 31 December 2020</b>	<b>75,002</b>	<b>3,999,998</b>	<b>2,894,888</b>	<b>56,050</b>	<b>3,009,723</b>	<b>10,035,661</b>

The notes on pages 16 to 29 form part of these financial statements.

Other comprehensive income reserve represents the fair value movement on investments.

# **Morningstar Investment Management Europe Limited**

## **Notes to the financial statements for the year ended 31 December 2021**

### **1. General information**

Morningstar Investment Management Europe Limited ("the company") provides investment management services.

The company is incorporated and domiciled in England and Wales in the United Kingdom. The address of its registered office is 1 Oliver's Yard, 55-71 City Road, London, EC1Y 1HQ.

### **2. Statement of compliance**

The individual financial statements of Morningstar Investment Management Europe Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

### **3. Accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### **3.1 Basis of preparation of financial statements**

The financial statements have been prepared on a going concern basis, under the historical cost convention, except for certain assets at fair value, and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4. Management has assessed the impact of COVID 19 and considered possible consequences in preparing the financial statements.

#### **3.2 Going concern**

The directors have prepared the financial statements on the going concern basis as the company's financial position means that this is realistic. There are no material uncertainties that could cast significant doubt over MIME's ability to continue as a going concern and the directors have prepared cash flow forecasts for at least a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due in the future.

# Morningstar Investment Management Europe Limited

## Notes to the financial statements for the year ended 31 December 2021

### 3. Accounting policies (continued)

#### 3.3 Exemptions for qualifying entities under FRS 102

The company's parent undertaking, Morningstar, Inc. includes the company in its consolidated financial statements. The consolidated financial statements of Morningstar, Inc. are available to the public and may be obtained from [www.morningstar.com](http://www.morningstar.com). In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to the end of the period;
- Cash flow statement and related notes; and
- Key management personnel compensation.

As the consolidated financial statements of Morningstar, Inc. include the equivalent disclosures, the company has also taken the exemptions under FRS 102 available in respect of the following disclosures;

- Certain disclosures required by FRS 102.26 Share Based Payments.

The company proposes to continue to adopt the FRS 102 disclosure exemptions listed above in its next financial statements.

#### 3.4 Turnover

The turnover shown in the profit and loss account represents the value of all services provided during the year, at selling price exclusive of Value Added Tax. Income from Managed Portfolios which are invoiced in arrears by the company are held as accrued income and income is recognised in the profit and loss account over the term of the contract on a systematic basis.

Income from services which are invoiced in advance of the company meeting its contractual obligations are held as deferred income and taken to the profit and loss account over the period which they relate.

# Morningstar Investment Management Europe Limited

## Notes to the financial statements for the year ended 31 December 2021

### 3. Accounting policies (continued)

#### 3.5 Current and deferred tax

The tax expense for the year comprises current and deferred tax recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

##### (i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### (ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

#### 3.6 Investments

The company has elected to recognise investments under IFRS 9 and has designated the investments as fair value through other comprehensive income to align with the accounting treatment at group level.

#### 3.7 Cash

Cash is represented by deposits with banks. Bank overdrafts, where applicable, are shown within borrowings in current liabilities.

# Morningstar Investment Management Europe Limited

## Notes to the financial statements for the year ended 31 December 2021

### 3. Accounting policies (continued)

#### 3.8 Financial instruments

##### (i) Financial assets

Basic financial assets, including trade and other debtors and amounts due from group undertakings, are initially recognised at transaction price.

Such assets are subsequently carried at amortised cost using the effective interest method and at the end of each reporting period are assessed for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

##### (ii) Financial liabilities

Basic financial liabilities, including trade and other creditors and amounts due to group undertakings, are initially recognised at transaction price.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

##### (iii) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### 3.9 Foreign currency translation

##### (i) Functional and presentational currency

The company's functional and presentational currency is the Pound sterling.

##### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency at a rate that approximates the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

# **Morningstar Investment Management Europe Limited**

## **Notes to the financial statements for the year ended 31 December 2021**

### **3. Accounting policies (continued)**

#### **3.10 Employee benefits**

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements, and defined contribution pension plans.

##### **(i) Short term benefits**

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

##### **(ii) Defined contribution pension plan**

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The net assets of the plan are held separately from the company in independently administered funds.

##### **(iii) Annual bonus plan**

The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

##### **(iv) Share based payments**

The company participates in a share-based payment arrangement established by the parent company, Morningstar, Inc. The company takes advantage of the alternative treatment allowed under Section 26 of FRS 102. The company has calculated its allocation of the parent company's total share-based payment expense based on the fair value of vested options of all employees who have spent time working for the company in the year.

# Morningstar Investment Management Europe Limited

## Notes to the financial statements for the year ended 31 December 2021

### 4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### (a) Critical judgements in applying the entity's accounting policies

The company has not made any critical judgements in applying the entity's accounting policies.

#### (b) Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

##### (i) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 13 for the net carrying amount of the debtors and associated impairment provision.

##### (ii) Taxation

Determining income tax provisions involves judgements on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used on temporary differences where it is probable that there will be taxable income against which these can be offset. See note 17 for details of deferred tax recognised.

##### (iii) Share-based payments

The company's employees have been granted share options by the parent company, Morningstar, Inc.. The company makes use of the exemption in section 26 of FRS 102 to account for the expense based on a reasonable allocation of the parent company's total expense. The company has calculated its allocation of the parent company's total expense based on the fair value of vested options of all employees who have spent time working for the company in the year. See note 19 for details.

### 5. Turnover

An analysis of turnover by geography is as follows:

	2021 £	2020 £
United Kingdom	5,675,201	5,730,330
Rest of the world	871,477	894,843
	<u>6,546,678</u>	<u>6,625,173</u>

The whole of turnover is attributable to the one principal activity of the company.

# Morningstar Investment Management Europe Limited

## Notes to the financial statements for the year ended 31 December 2021

### 6. Operating loss

The operating loss is stated after (crediting)/charging:

	2021 £	2020 £
Fees payable to the company's auditor for the audit of the financial statements	51,299	42,226
Exchange differences	13,200	49,792
Provisions for impairment	(6,973)	6,386
	<u>57,526</u>	<u>98,404</u>

### 7. Staff costs

Staff costs, including directors' remuneration, were as follows:

	2021 £	2020 £
Wages and salaries	5,455,559	4,405,274
Social security costs	709,689	586,465
Cost of defined contribution pension scheme	292,013	225,448
Equity-settled share-based payments	464,179	271,162
	<u>6,921,440</u>	<u>5,488,349</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2021 No.	2020 No.
Consultancy	16	18
Sales	12	11
Administrative	9	11
Product management	11	8
	<u>48</u>	<u>48</u>

# Morningstar Investment Management Europe Limited

## Notes to the financial statements for the year ended 31 December 2021

### 8. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	715,386	547,007
Directors' pension costs	40,491	23,597
	<u>755,877</u>	<u>570,604</u>

During the year retirement benefits were accruing to two directors (2020: two) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £383,555.78 (2020: £285,428).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £19,503 (2020: £13,247).

During the year two directors (2020: two) received shares under the long term incentive schemes.

During the year two (2020: two) other directors were remunerated by other group companies and they did not receive specific remuneration for their role as directors of Morningstar Investment Management Europe Limited. The time spent by these directors specifically on the company was considered minimal and therefore no allocation of their remuneration costs has been made for 2021 (2020: £Nil).

### 9. Interest receivable and similar income

	2021 £	2020 £
Other interest receivable	-	8,074
	<u>-</u>	<u>8,074</u>

### 10. Interest payable and similar charges

	2021 £	2020 £
Bank interest payable	50	110
	<u>50</u>	<u>110</u>

# Morningstar Investment Management Europe Limited

## Notes to the financial statements for the year ended 31 December 2021

### 11. Taxation

	2021 £	2020 £
<b>Total current tax</b>	-	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	(5,247)	(5,095)
Changes to tax rates	(3,340)	(1,793)
Adjustments in respect of previous periods	12,060	(11,405)
<b>Total deferred tax</b>	3,473	(18,293)
<b>Tax on loss</b>	3,473	(18,293)

#### Factors affecting tax charge/(credit) for the year

The tax assessed for the year is higher than (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £	2020 £
Loss on ordinary activities before tax	(2,813,663)	(980,305)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	(534,596)	(186,258)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	2,380	910
Effects of group relief	526,969	180,253
Changes to tax rates	(3,340)	(1,793)
Adjustments in respect of previous periods	12,060	(11,405)
<b>Total tax charge/(credit) for the year</b>	3,473	(18,293)

# Morningstar Investment Management Europe Limited

## Notes to the financial statements for the year ended 31 December 2021

### 11. Taxation (continued)

#### Factors that may affect future tax charges

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

### 12. Investments

	Other fixed asset investments £
<b>Valuation</b>	
At 1 January 2021	3,056,050
Revaluations	264,900
At 31 December 2021	<u>3,320,950</u>
<b>Net book value</b>	
At 31 December 2021	<u>3,320,950</u>
At 31 December 2020	<u>3,056,050</u>

On 30 November 2020, the company launched a range of Multi Asset funds (CG Morningstar MA40, 60 & 80). The investments represent the initial investment in respect of the Open - ended investment company.

# Morningstar Investment Management Europe Limited

## Notes to the financial statements for the year ended 31 December 2021

### 13. Debtors

	2021 £	2020 £
<b>Due after more than one year</b>		
Deferred tax asset	13,399	21,496
	<u>13,399</u>	<u>21,496</u>
<b>Due within one year</b>		
Trade debtors	563,759	340,499
Amounts owed by group undertakings	31,951	65,652
Other debtors	742	865
Prepayments and accrued income	1,362,293	815,051
Deferred tax asset	5,257	633
	<u>1,964,002</u>	<u>1,222,700</u>

Trade debtors are stated after provisions for impairment of £8,225 (2020: £15,198).

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

### 14. Creditors: Amounts falling due within one year

	2021 £	2020 £
Trade creditors	39,951	23,799
Amounts owed to group undertakings	1,046,064	642,569
Other taxation and social security	292,733	295,163
Other creditors	906,881	100,031
Accruals and deferred income	1,939,435	1,157,576
	<u>4,225,064</u>	<u>2,219,138</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

### 15. Creditors: Amounts falling due after more than one year

	2021 £	2020 £
Other creditors	77,232	-
	<u>77,232</u>	<u>-</u>

# Morningstar Investment Management Europe Limited

## Notes to the financial statements for the year ended 31 December 2021

### 16. Financial instruments

	2021 £	2020 £
<b>Financial assets</b>		
Financial assets measured at amortised cost	<u>7,051,128</u>	<u>8,295,052</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>2,152,781</u>	<u>1,600,147</u>

Financial instruments measured at fair value are all provided on normal commercial terms. The company has taken the practical expedient to recognise all short-term debt instruments (up to one year), including those with no stated interest at their undiscounted amount. As such the cost of these instruments is deemed to be equal to their fair value.

### 17. Deferred taxation

	2021 £	2020 £
At 1 January	22,129	3,836
(Charged)/Credited to the profit and loss account	(3,473)	18,293
<b>At 31 December</b>	<u>18,656</u>	<u>22,129</u>

The deferred tax asset balance is made up as follows:

	2021 £	2020 £
Accelerated capital allowances	3,794	3,516
Other timing differences - trading	14,862	18,613
	<u>18,656</u>	<u>22,129</u>

# Morningstar Investment Management Europe Limited

## Notes to the financial statements for the year ended 31 December 2021

### 18. Share capital

Shares classified as equity

	2021 £	2020 £
<b>Allotted, called up and fully paid</b>		
75,002 (2020: 75,002) Ordinary shares of £1 each	<b>75,002</b>	<b>75,002</b>

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

### 19. Share-based payments

#### *Equity-settled share-based payments*

During the year ended 31 December 2021 Morningstar, Inc. issued restricted stock units (RSUs) to certain directors and employees of the company in accordance with the Morningstar 2011 and 2004 Stock Incentive Plan.

The shareholders of Morningstar, Inc. approved the Morningstar 2011 Stock Incentive Plan (the 2011 Plan) on May 17, 2011.

As of that date Morningstar, Inc. stopped granting awards under the Morningstar 2004 Stock Incentive Plan (the 2004 Plan).

The 2011 Plan provides for a variety of stock-based awards, including, among other things, RSUs.

All employees and non-employee directors are eligible for the awards under the 2011 Plan.

Grants awarded under the 2011 Plan or the 2004 Plan are forfeited, cancelled, settled, or otherwise terminated without a distribution of shares, or shares withheld by Morningstar, Inc. in connection with the exercise of options, will be available for awards under the 2011 Plan.

Any shares subject to awards under the 2011 Plan, but not under the 2004 Plan, that are withheld by Morningstar, Inc. in connection with the payment of any required income tax withholding will be available for awards under the 2011 Plan.

The company participates in share-based payment arrangement established by the parent company, Morningstar, Inc.. The company takes advantage of the alternative treatment allowed under Section 26 of FRS 102. The company has calculated its allocation of the parent company's total share-based payment expense based on the fair value of vested options of all employees who have spent time working for the company in the year.

The total charge for the year was £464,179 (2020: £271,162).

### 20. Pension commitments

The company operates a defined contribution pension scheme. The pension charge for the year represents contributions payable by the company to the scheme and amounted to £292,013 (2020: £225,448).

At the end of the financial year the company owed contributions to the scheme of £40,492 (2020: £30,873).

# **Morningstar Investment Management Europe Limited**

## **Notes to the financial statements for the year ended 31 December 2021**

### **21. Related party transactions**

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the Morningstar, Inc. group.

### **22. Controlling party**

The company's immediate parent undertaking is Morningstar Investment Management LLC, a company incorporated in the United States of America.

The ultimate parent undertaking and controlling party is Morningstar, Inc., a company incorporated in the United States of America.

The largest group in which results of the company are consolidated is that headed by Morningstar, Inc.. Copies of the consolidated financial statements may be obtained from its registered office at 22 West Washington Street, Chicago, IL 60602, United States and are available from [www.morningstar.com](http://www.morningstar.com).

# **Morningstar Investment Management Europe Limited**

## **Notes to the financial statements for the year ended 31 December 2021**

Disclosures and commentary in this section are not covered by the audit report.

### **Disclosure under pillar 3 of Capital Requirements Directive**

#### **Background**

The Capital Requirements Directive ('the Directive') establishes a regulatory capital framework governing the amount and nature of capital that investment firms and credit institutions must maintain. In the United Kingdom, the Directive has been implemented by the Financial Conduct Authority ('FCA') through the applicable regulations detailed in the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies, and Investment Firms ('BIPRU').

The capital framework consists of three 'Pillars': Pillar 1 determines the minimum capital requirements to cover the firm's credit, market and operational risk; Pillar 2 requires the firm to assess whether its Pillar 1 capital is adequate to meet its risks; and Pillar 3 requires firms to disclose specific information about their risk management controls, capital adequacy and remuneration arrangements.

The rules in BIPRU Chapter 11 set out the requirements for the Pillar 3 disclosures.

#### **Scope and application of the requirements**

Morningstar Investment Management Europe Limited ("the firm") is authorised and regulated by the Financial Conduct Authority and at 31 December 2021 is categorised as a BIPRU Limited Licence Firm for regulatory purposes. It is an investment management firm and as such has no trading book exposures. The firm is not required to prepare consolidated reporting for prudential purposes. The firm does not hold client money or client assets.

This disclosure has been prepared by the firm in accordance with the requirements of BIPRU 11 and summarises the material disclosures the firm is required to make.

#### **Risk management objectives and policies**

The business strategy and risk appetite are determined by the firm's directors. Further to this approach and the activities carried out by the firm, the necessary arrangements are implemented and applied to manage the relevant risk exposures, on a proportionate basis.

The firm's key risk categories and arrangements commensurate to those categories, are summarised below.

# Morningstar Investment Management Europe Limited

## Notes to the financial statements for the year ended 31 December 2021

### Disclosure under pillar 3 of Capital Requirements Directive (continued)

Risk	Strategy/ process to manage risk	Structure of risk management function	Risk reporting and measurement systems	Policies for hedging/ mitigating risk
Operational risk	All operational processes are applied to mitigate the associated risks. As required, operational processes are documented accordingly and the firm's directors have necessary oversight of operational activity.	The firm is small and has a simple operating infrastructure. Regulatory compliance is overseen by the Chief Compliance Officer EMEA and the associated risk management arrangements are overseen by the directors.	Any operationally defined items identified, potentially increasing the associated risks, are escalated to the directors for review and due consideration. Reports on regulatory compliance are provided to the board by the Chief Compliance Officer EMEA and considered accordingly.	Opportunities to mitigate operational risks and further enhance relevant controls, are reviewed regularly by the directors
Business risk	The firm's risk appetite and its willingness to accept business risk are defined by its directors.	Risk management arrangements are overseen by the directors.	Any business defined items identified, potentially increasing the associated risks, are escalated to the directors for review and due consideration.	Business strategy is managed and updated on a day-to-day basis by the firm's principals.
Financial risk	Risk of the firm breaching regulatory capital requirements or falling short of its cash flow obligations is monitored as part of the accounting function.	Financial risk is reviewed by the directors. Where necessary, external advice is sought accordingly.	Internal reporting is provided to the directors and management on a monthly basis. Associated regulatory reporting is submitted to the FCA in accordance with the prescribed timetable of reporting.	Potential deficits are identified at an early stage and further capital is injected if necessary

While the Firm is aware of both Market and Credit risk neither of these are considered major categories of risk for the Firm.

# Morningstar Investment Management Europe Limited

## Notes to the financial statements for the year ended 31 December 2021

### Disclosure under pillar 3 of Capital Requirements Directive (continued)

#### Capital Resources

The firm is categorised as a BIPRU Limited Licence Firm and has calculated its capital resources in accordance with GENPRU 2.2. The firm's capital resources as at 31 December 2021 are detailed in the table below:

	£'000
Tier 1 capital resources less innovative tier 1 capital resources	£7,522
Innovative tier 1 capital resources	-
Upper tier 2 capital resources	-
Lower tier 2 capital resources	-
Deductions from tier 2 capital resources	-
Tier 3 capital resources	-
Deductions from total capital e.g. illiquid assets	-
Total capital resources	£7,522

#### Capital resources requirement

The firm's capital resources requirement (CRR) consists of a base capital resource requirement of €50,000 and the variable capital requirement which is calculated as the higher of the sum of the Credit Risk Capital Requirement and Market Risk Capital Requirement and the Fixed Overheads requirement. In the opinion of the directors, the higher of these two amounts is always likely to be the Fixed Overheads Requirement.

The firm also believes that Fixed Overheads Requirement is sufficient to cover any operational risks that may arise. The Fixed Overheads Requirement calculated as at 31<sup>st</sup> December 2021 was £1,998,000. As a part of its ICAAP review, the Firm allocated a capital requirement of £1,352,000 at Pillar 2 for business risk. The aggregate Pillar 1 and Pillar 2 applicable capital requirement was therefore £3,350,000 resulting in a surplus of capital resources of £4,172,000.

#### Key aspects of remuneration and the Policy

The Firm has adopted a Remuneration Policy and procedures that comply with the applicable requirements of chapter 19C (BIPRU Remuneration Code) of the FCA's Senior Management Arrangements, Systems and Controls Sourcebook (SYSC). The Firm has considered all the proportionality elements in line with FCA Guidance.

The Senior Management team is responsible for determining the budgets and monetary limits that apply to fixed remuneration and variable discretionary bonus payments. Employees of the Firm receive fixed remuneration and participate in the discretionary bonus plan and long-term incentive plan, as appropriate, relative to their role and seniority. The main goals of these arrangements are to provide fair, competitive remuneration that rewards employees for their contributions but not for excessive risk taking.

The Firm's ability to pay bonuses is based on the Firm's overall performance. Individuals are rewarded based upon performance and structured in such a way that the firm has received the income before the bonuses are paid. Other factors such as reliability, effectiveness of controls, business development and contribution to the business are considered when assessing the performance of the firm's Code Staff.

## Morningstar Investment Management Europe Limited

### Notes to the financial statements for the year ended 31 December 2021

#### Disclosure under pillar 3 of Capital Requirements Directive (continued)

In accordance with the FCA's Remuneration Code requirements, the Firm has identified those employees who are deemed to be Code Staff, with reference to their potential impact on the Firm's overall risk profile. The Code Staff include:

- members of senior management, heads of significant business lines and heads of control and support functions;
- risk-takers, whose professional activities may have a material impact on the firm's risk profile; and
- any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk-takers

The company operates in one business area and the total remuneration expensed during the financial year to 31 December 2021 for all staff amounted to £6,921,440.09. Of this amount, the aggregate remuneration for Code Staff (12 employees) during the financial year to 31 December 2021 was £2,771,818.07.

#### Breakdown of remuneration for Code Staff (12 employees)

Fixed	Variable		Total
Cash	Cash	Shares	
£1,902,164.09	£510,086.86	£359,567.12	<b>£2,771,818.07</b>