INTRODUCTION

This Pillar 3 Disclosure Statement relates to Dimensional Fund Advisors Ltd. (“DFAL”), a 100% owned subsidiary of Dimensional Fund Advisors LP (the “Parent Company” or “DFA LP”), a limited partnership organised in the United States of America. DFAL is authorised and regulated by the Financial Conduct Authority (the “FCA”), Firm Reference Number - 150100 and is classified as a limited licence firm for capital purposes. DFAL was incorporated on 19 December 1990 and as at 31 December 2018, its funds under management totalled approximately $33.1bn.

The Financial Conduct Authority’s (“FCA”) Prudential Sourcebook for Banks, Building Societies and Investment Firms (“BIPRU”) outlines the UK application of the European Capital Adequacy Directive and Banking Consolidation Directive (“CRD”). Certain types of investment firms are subject to the third iteration of CRD (“CRD III”). CRD III includes a prudential framework for firms with the intention of relating capital more closely to risks. It involves a three ‘pillar’ approach:

- Pillar 1: deals with minimum capital requirements for credit, market and operational risks;
- Pillar 2: requires firms to assess their capital adequacy, taking into account all risks and to assess whether additional capital should be held to cover risks not adequately covered by Pillar 1 requirements; and
- Pillar 3: deals with disclosure requirements.

Under Pillar 3 of CRD III, a firm that is within scope is required to disclose information relating to the capital it holds and each material category of risk it faces. This process is seen as complementary to Pillar 1 and Pillar 2.

This document contains the Pillar 3 disclosures required by chapter 11 of BIPRU.

Frequency of Disclosures

DFAL has a financial year-end reporting date of 31 December and disclosures are made as of this date and as soon as is practicable after publication of DFAL’s Annual Report and Accounts and upon review and update of DFAL’s Internal Capital Adequacy Assessment Process (“ICAAP”) documentation. The information contained in this disclosure statement has not been audited by DFAL’s external auditors. This information is available on DFAL’s website (www.eu dimensional.com).

1. BACKGROUND TO THE BUSINESS, MANAGEMENT STRUCTURE, AND RISK MANAGEMENT

1.1 Background to the Business

DFAL is a 100% owned subsidiary of DFA LP, a global asset manager based in the US with approximately $517bn in assets under management (as at 31 December 2018). DFA LP has been privately held throughout its history, with the majority controlled by its founders, employees, and directors.

From its global headquarters in Austin, and with offices and entities located in Santa Monica, Charlotte, London, Singapore, Sydney, Tokyo, Hong Kong, and Dublin, DFA LP and its affiliates’ (“Dimensional Affiliated Entities”) professional staff are active in investment markets twenty-four hours a day. Dimensional also has regional sales and services offices in Berlin, Amsterdam, Melbourne, Vancouver and Toronto.
1.2 Management Structure

The board of directors of DFAL (the “DFAL Board”) is currently comprised of several UK-based Directors as well as directors who are employees and officers of DFA LP as its affiliate. The DFAL Board typically meets quarterly. To assist DFAL in fulfilling its responsibilities, an organisational structure has been set up which reflects the nature of the risks across the business. DFAL has established a DFAL Management Committee consisting of DFAL’s co-Chief Executive Officers and heads of the departments. The DFAL Management Committee typically meets on a bi-weekly basis to discuss day-to-day issues in the running of DFAL.

DFAL has also established various committees, including but not limited to: the DFAL Compliance Committee, the London Investment Committee, the DFAL Risk Committee and the Dimensional Funds ICVC ACD Committee.

The DFAL Board reviews various management reports at its regular Board Meetings, including reports on topics such as trading, performance measurement, funds under management, profitability, revenue, costs, compliance, and sales reports.

1.3 Enterprise Risk Framework

Dimensional’s global approach to risk management is detailed in the “Global Risk Management Statement”. Dimensional Affiliated Entities rely on their respective Boards of Directors (or General Partner, or Managing Member, as applicable) to determine the appropriate risk appetite, and generally to establish the tone for risk management efforts at each of the affiliated entities. (For ease of reference, this Pillar 3 Disclosure Document will refer to such Boards of Directors or General Partner or Managing Member as “Boards”). The Boards in general are responsible for establishing the risk parameters of each of the respective Dimensional Affiliated Entities and overseeing each of their respective risk policies and assessments. The Boards have delegated important aspects of risk policy implementation and oversight to the Global Risk Review Committee (“GRRC”), the heads of the Dimensional Affiliated Entities' primary business units, and other management personnel and/or local risk committees. All levels of Dimensional personnel, including management and managers, are tasked with identifying risks within their business units, and for the implementation of risk monitoring and controls within such units.

The DFAL Board has established a DFAL Risk Committee comprised of senior officers from DFAL and DFA LP. The DFAL Risk Committee serves as a forum for the identification and evaluation of potential risks specific to DFAL’s business and reviews and evaluates DFAL’s risk-related policies and other matters related to risk. The Chairperson of the DFAL Risk Committee reports to the DFAL Board from time to time and to the Global Risk Review Committee (GRRC), from time to time, on risk matters relating to DFAL. The DFAL Risk Committee seeks to assist the DFAL Board, management and the GRRC in evaluating broader monitoring and control measures within DFAL and may recommend possible risk mitigation actions.

1.4 Risk Management by Category of Risk

Material risks applicable to DFAL are categorised as business, operational, credit, market and liquidity risks.

*Business risk*

Business risk is the risk arising from a change in business, both as a result of internal decisions and external factors and events.

The main risk DFAL faces is an event leading to a significant fall in the level of assets under management as DFAL’s revenue is reliant on the performance of the existing funds and its ability to launch new funds or to obtain new mandates. As such, the risk posed to DFAL relates to underperformance resulting in a decline in revenue and adverse market conditions hindering the launch of new funds and ultimately the risk of redemptions from funds managed by DFAL. Based on the current level of assets under management, DFAL
could withstand a sizeable decrease and still be able to meet all costs. Given the scale of the decrease that would be required to threaten DFAL’s ability to meet its capital requirements, senior management do not currently consider it appropriate to hold further capital within DFAL to mitigate against this possibility.

**Operational risk**
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or resulting from external events beyond DFAL’s control.

DFAL may incur increased costs in the event of a disaster requiring implementation of its Business Continuity Plan. Costs may include a move to temporary accommodation, however this is expected to be mitigated by insurance recoveries.

**Market risk**
Market risk is the risk of loss arising from fluctuations in the value of investments due to movements in markets. Note that DFAL does not engage in proprietary trading.

Since DFAL holds no trading book positions (assets used for the purposes of proprietary trading), DFAL believes its principal market risk is any fluctuations in the value of its non-sterling assets due to movements in exchange rates.

**Credit risk**
Credit risk is the risk of financial loss if a client, fund or counterparty fails to meet its contractual obligations. DFAL calculates its credit risk requirement on any exposures that are in its non-trading book and which have not been deducted from its capital according to the simplified method to risk weighting exposures.

DFAL typically has no exposure to trading counterparties (brokers) as principal since this risk rests within the portfolios managed by DFAL. Whilst non-payment or delayed payment of fees exists as a possibility, particularly for separate account clients and other debtors, DFAL management does not currently consider it appropriate or necessary to hold further capital in respect of this risk, given the client base.

**Liquidity risk**
Liquidity risk is the risk that assets are insufficiently liquid to meet liabilities as they fall due in DFAL’s books.

DFAL continues to have sufficient liquidity within the business to meet its obligations. The cash position of DFAL is monitored on a quarterly basis by the DFAL Board who would be able to request further capital from the parent if required.

DFAL’s relationship with DFA LP provides it with access to significant capital reserves should they be required (for example, in the event of falling markets or if required for business expansion). Before requesting additional capital from DFA LP there is significant scope for DFAL to reduce its variable costs to generate sufficient funds or to source liquidity from short-term investments held by DFAL to cover this risk. Capital planning for liquidity purposes is conducted on an ongoing basis.

# 2. CAPITAL RESOURCES AND REQUIREMENTS

## 2.1 Capital Resources

DFAL seeks to maintain capital to operate the business, meet cashflow requirements, provide a buffer in the event of substantial risks materializing, close the business in an orderly manner if warranted, and otherwise fulfil compliance with regulation requirements it is subject to.
2.2 Satisfaction of Capital Requirements

DFAL’s approach to determining whether there is sufficient internal capital that is proportionate to the nature, scale and complexity of DFAL’s activities involves:

1. Identifying the material risks that DFAL is exposed to and, where appropriate, stress-testing these risks, quantifying the financial impact, assessing possible mitigating actions and ultimately defining the level of capital that is appropriate to be held against these risks (Pillar 2).

2. Simulating the steps required and the cost that would be incurred to wind down DFAL in an orderly manner (wind down capital).

Pillar 2 capital and the wind down capital are then compared to DFAL’s Pillar 1 regulatory capital. Where Pillar 2 capital or the wind down capital exceeds the Pillar 1 requirement, DFAL will hold additional capital to cover the excess amount.

As at 1 June 2019, DFAL held regulatory capital resources of £22.374m comprised entirely of core Tier 1 capital. DFAL’s Pillar 1 capital requirement was £9.869m. As determined through the ICAAP, DFAL’s Pillar 2 capital requirement was greater than its Pillar 1 requirement or wind down capital, and DFAL held capital reserves sufficient to cover the Pillar 2 requirement.

<table>
<thead>
<tr>
<th>Capital Resources</th>
<th>£000</th>
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<tbody>
<tr>
<td>Tier 1 capital*</td>
<td>22,374</td>
</tr>
<tr>
<td>Tier 2 capital</td>
<td>n/a</td>
</tr>
<tr>
<td>Tier 3 capital</td>
<td>n/a</td>
</tr>
<tr>
<td>Deductions from Tiers 1 and 2</td>
<td>n/a</td>
</tr>
<tr>
<td>Total capital resources</td>
<td>22,374</td>
</tr>
</tbody>
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*No innovative tier one capital is held

3. REMUNERATION POLICY

DFAL has in place a remuneration policy which aims to remove material financial incentives for any of its employees to take inappropriate risks with client assets. As a result, DFAL believes that its remuneration policy should not create conflicts between an employee’s interests and those of DFAL’s clients.

FCA rule SYSC 19e sets out a code of practice around remuneration practices, the Remuneration Code ("Code"). DFAL’s remuneration practices are, amongst other things, designed to be consistent with the Code and intended to promote effective risk management and to neither encourage risk taking which is inconsistent with the risk profiles, prospectus or articles of incorporation of any UCITS fund it manages, nor to impair compliance with DFAL’s duty to act in the best interests of the UCITS it manages.

3.1 Global Compensation Committee

The compensation practices of DFAL are governed by a Global Compensation Committee.
The Global Compensation Committee aims to ensure effective governance of DFAL’s remuneration practices by performing in an oversight and advisory capacity to DFAL. The Global Compensation Committee makes reports and recommendations to the Executive Office Committee of the Parent Company as deemed necessary, from time to time.

The Global Compensation Committee uses such resources and authority as appropriate to discharge its responsibilities, including authority to retain consultants, special counsel, or other experts. The Committee engages a compensation consultant on an annual basis to benchmark compensation, but also to advise and consult on DFAL’s practices.

The Global Compensation Committee meets as frequently as deemed necessary in order to appropriately perform the functions required by DFAL.

Due to its size, the size of the UCITS it manages, the complexity of its internal organisation or the nature, scope and complexity of its activities, DFAL considers that it does not need to establish its own remuneration committee.

### 3.2 Pay and Performance

DFAL maintains a compensation program designed to attract and retain highly skilled, qualified employees. Compensation for employees typically includes a salary, benefits and a discretionary bonus. When determining compensation for its employees, DFAL considers several factors, including, but not limited to, the individual’s performance, qualifications and experience, the relative value of each position within DFAL, and the state of the compensation marketplace for each role. DFAL’s compensation program is designed to promote integrity and soundness of the financial enterprise with a focus on long term interests. DFAL seeks to appropriately balance fixed and variable components of total remuneration.

Each year managers and department heads are asked to provide compensation recommendations, in respect of both salary and bonus, based on individual bonus targets, overall approved budgets, and individual employee performance. Initial recommendations for all employees are reviewed by Human Resources and then shared with DFAL’s co-Chief Executive Officers for review. Following the review, the recommendations are presented to the Global Compensation Committee for approval.

### 3.3 Aggregated Remuneration for Code Staff

In total eight individuals have been identified by DFAL as Code Staff for the fiscal year as of 31 December 2018, of which five individuals have been classified as senior management. All five of the individuals classified as senior management are approved to perform one or more controlled functions, but only three are Directors of the Firm. Three further employees were identified as Code Staff, these being the local heads of Compliance, Legal and Finance.

Due to the relatively limited business, the Firm does not consider any of its other staff to have a material impact on DFAL’s risk profile.

<table>
<thead>
<tr>
<th>Code Staff</th>
<th>DFAL aggregate compensation expense for prior fiscal year</th>
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<tbody>
<tr>
<td></td>
<td>£6,247,782</td>
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</tbody>
</table>

We have made no omissions on the grounds of data protection.
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