Pillar 3 Risk Disclosure Statement

As of December 2015

Introduction

The Pillar 3 disclosures relate to Dimensional Fund Advisors Ltd. (hereinafter referred to as the "Firm"), a 100% owned subsidiary of Dimensional Fund Advisors LP (the "Parent Company"), a limited partnership organised in the United States of America.

The Firm 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.

The Capital Requirements Directive ("CRD") 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 capital requirements for credit, market and operational risks;
- Pillar 3: deals with disclosure requirements.

Under Pillar 3 the Firm is expected to disclose information relating to the capital it holds and each material category of risk it faces in order to assist users of its accounts and to encourage market discipline. These disclosures aim to provide information on the risk exposures faced by the Firm and the risk assessment process it has in place to monitor these exposures. These disclosures are required to be made under Chapter 11 of the FCA's Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU") and are seen as complementary to Pillar 1 and Pillar 2.

The information is provided as follows:

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

i) Background to the business

ii) Management structure and risk management framework

iii) Risk management by category of risk

- Business risk
- Operational risk
- Market risk
- Credit risk
- Liquidity risk

2. CAPITAL RESOURCES AND REQUIREMENTS

Pillar 1: Establishes the Capital Resources Requirement.

Pillar 2: Describes the process for assessing capital adequacy in relation to the actual risk profile and determining whether there is sufficient capital to cover the risks.

3. REMUNERATION POLICY

- Compensation Committee
- Pay and Performance
- Aggregated Remuneration for Code Staff

The information contained in this disclosure statement has not been audited by the Firm's external auditors

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

1.1 Background to the business

The Firm offers a range of investments encompassing both equity and fixed interest strategies to clients primarily based in the UK, Europe, the Middle East, Latin America, Asia and Africa.

Equity portfolios are highly diversified with, in some cases, many thousands of securities. Equity portfolios do not typically use derivatives, except as noted below.

Equity warrants can be received as part of corporate actions from underlying equity holdings. Equity portfolios will occasionally use exchange traded equity index futures contracts but typically only for efficient portfolio management purposes (EPM), in the case of large redemptions or inflows.

Portfolios may also use derivative instruments to hedge foreign currency exposure. The portfolios may enter into forward foreign currency contracts so as to hedge against fluctuations in currency exchange rates. The fixed income portfolios managed by the firm which employ inflation hedging may also seek to protect for inflation risk by engaging in derivatives (swaps, futures and forwards).

The Firm's buy/sell programs and overall portfolio management approach seek to substantially eliminate bias towards buying or selling any one investment over another, as long as the individual securities meet the objectives of the portfolio and the investment guidelines. The Firm believes that this lack of bias enables the Firm to make investment decisions solely based on the investment philosophy of the Firm and what it believes is in the best interest of the Firm's clients.

The FCA has moved away from the 'C1-C4' conduct categories that were previously used, and now categorise firms as either 'fixed portfolio' or 'flexible portfolio'. The Firm is classified as a 'flexible portfolio' firm. Additionally, under the FCA rules, the Firm's FCA prudential categorisation is a Collective Portfolio Management Investment ("CPMI") Firm (as a UCITS investment firm) and a BIPRU Firm.

1.2 Management structure and risk management framework

The Firm is committed to implementing governance and a risk management framework appropriate to the size, nature and complexity of the business. The Board of Directors of the Firm (the "Board") has the ultimate responsibility for setting the tone of risk management and managing risk within the entity. To assist the Firm in fulfilling its responsibilities, an organisational structure has been set up which reflects the nature of the risks across the business. A Global Head of Risk was appointed in December 2015.

The Board has delegated important aspects of policy implementation and monitoring to senior management of the Firm, the DFAL Risk Committee, and the Global Risk Review Committee ("Global Risk Committee"), a committee of the Parent Company. The Firm has established other committees and functions that have responsibility for key risk management areas. More broadly, all levels of the Firm's personnel, including senior management and managers, are responsible for identifying risks within their business units and for the implementation of risk monitoring and controls within such units.

The committee structure and risk management forums are described in more detail below:

Dimensional Fund Advisors Ltd. committees

Board meetings – The Board of the Firm reviews various management reports at its regular quarterly Board Meetings, including trading, performance measurement, funds under management, profitability, revenue, costs, risk ,compliance and management reports. The Board reviews the Firm's Internal Capital Adequacy Assessment Process document ("ICAAP") periodically.

DFAL Management Committee – The Management Committee meets on a bi-weekly basis to discuss day-to-day issues in the running of the Firm. The Management Committee consists of the managing director and heads of departments.

DFAL Compliance Committee – Responsible for the oversight of compliance monitoring and various policies and procedures as well as for monitoring the Firm's activities and providing regulatory advice for significant business projects. The Compliance Committee consists of the managing director, the head of Finance, the head of International Trading, a Senior Portfolio Manager, the head of European compliance and lead European Counsel of the Firm. Among other things, the head of Compliance reports monitoring findings to the Committee.

London Investment Committee – Monitors and co-ordinates the investment activities of the Firm, including the approval of, and supervision of compliance with, investment guidelines for each investment portfolio.

DFAL Risk Committee –The Risk Committee serves as a forum for the identification and evaluation of potential risks specific to the Firm's business and reviews and evaluates the Firm's risk-related policies and other matters related to risk. The Risk Committee reports to the Board and the Global Risk Committee on risk matters relating to the Firm, and assists the Board, senior management and the Global Risk Committee in evaluating broader monitoring and control measures within the Firm.

Global committees

Global Risk Committee – The Global Risk Committee has as a key objective, the identification and evaluation of potential risks across the global Dimensional organisation. The Global Risk Committee reviews risk reports; considers risk priorities; helps to evaluate broader risk monitoring and control measures; and analyses risks across the global organization. The Global Risk Committee plays a critical role in communicating information to the Board to assist it in its decision-making responsibilities.

Global Risk Task Force - A separate Global Risk Task Force ("Risk Task Force") has been established to further assist in the identification of risks by serving as another forum for identification of potential risks relevant to day-to-day operations across the global Dimensional organisation. Members of the Risk Task Force are drawn from business areas across the global Dimensional organisation. The Risk Task Force regularly reports to the Global Risk Committee.

1.3 Risk management by category of risk

The relevant high- level risks applicable to the Firm are categorised as business, operational, credit, market and liquidity risks.

Business risk

The main risk the Firm faces is an event leading to a significant fall in the level of assets under management as the Firm's revenue is reliant on the performance of the existing funds and its ability to launch new funds/obtain new mandates. As such, the risk posed to the Firm 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 the Firm. 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 in order to threaten DFAL's ability to meet its capital requirements, senior management do not currently consider it appropriate to hold further capital within DFAL in order to mitigate against this eventuality.

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 the Firms control.

The Firm continues to develop its corporate risk assessment and the Firm's risk committee meets on a quarterly basis to evaluate the material current and emerging risks.

Market risk
Market risk is the risk of loss arising from fluctuations in the value of its non-sterling debtors due to movements in exchange rates. The risk is mitigated by keeping the size of debtor balance under regular review.

Since the Firm holds no trading book positions (assets used for the purposes of proprietary trading), its principal market risk is any fluctuations in the value of its non-sterling debtors 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. The Firm has adopted the simplified standardised approach for credit risk to calculate the minimum credit risk capital required. This amounts to 8% of the total balance due. All bank balances are subject to a risk weighted exposure of 1.6% in accordance with BIPRU 3.4 of the FCA Handbook.

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

The Firm's relationship with the parent provides it with access to significant capital reserves should they be required as a result of both falling markets and/or for expansion. Before requesting additional capital from its parent, there is significant scope for the Firm to reduce its variable costs in order to generate sufficient profit to cover this risk. Capital planning for liquidity purposes is conducted on an ongoing basis.

2. CAPITAL RESOURCES AND REQUIREMENTS

2.1 Capital resources

Under the FCA rules the Firm's FCA prudential categorisation is:

- Collective Portfolio Management Investment (CPMI) Firm (as a UCITS investment firm); and
- Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU) Firm.

CPMI Firm
As a CPMI Firm, the Firm is required to hold own funds and liquid assets in excess of the higher of:

- The funds under management requirement i.e. A minimum capital requirement of €125,000 plus 0.02% of the amount by which the Firm's funds under management exceeds €250,000,000 (IPRU (INV) 11.3.2R) and

- The fixed overheads requirement ("FOR") – i.e. shall hold eligible capital of at least one quarter of the fixed overheads of the preceding year. (IPRU (INV) 11.3.3AEU).

BIPRU Firm

As a BIPRU firm, the Firms capital requirements are the greater of:

- Its base capital requirement of €125,000;
- The sum of its market and credit risk requirements; or
- Its fixed overhead requirement ("FOR").

As at 31 December 2015 the Firm held regulatory capital resources of £13,764m. This comprised entirely of core Tier 1 capital. The Firm's Pillar 1 capital requirement was £6.2m. This has been determined by reference to the Firm's FOR and calculated in accordance with the FCA's General Prudential Sourcebook ("GENPRU") at GENPRU 2.1.53. The requirement is based on the FOR since at all times this exceeds the total of the credit and market risk capital requirements it faces and also exceeds its base capital requirement of €125,000.

The FOR is based on annual expenses net of variable costs deducted, which include discretionary bonuses paid to staff, allowable commission and fees and other variable expenditure. The Firm monitors its expenditure on a monthly basis and takes into account any material fluctuations in order to determine whether the FOR remains appropriate to the size and nature of the business or whether any adjustment needs to be made intra-year. This is reported to the Management Committee on a quarterly basis.

The Firm maintains capital resources as follows:

	31 Dec 2015
	£000
Tier 1 capital*	13,764
Tier 2 capital	
Tier 3 capital	
Deductions from Tiers 1 and 2	-
Total capital resources	**13,764**

*No innovative tier one capital is held

2.2 Satisfaction of capital requirements

Since the Firm's ICAAP (Pillar 2) process has not identified capital to be held over and above the Pillar 1 requirement, the capital resources detailed above are considered adequate to continue to finance the Firm over the next year. No additional capital injections are considered necessary and the Firm expects to continue to be profitable.

3. REMUNERATION POLICY

The FCA regulation SYSC 19E sets out a code of practice around remuneration practices, the Remuneration Code (the "Code").

The Firm's remuneration practices are designed to ensure that, for those staff in scope of the applicable rules: consistent with and promote sound and effective risk management; do not encourage risk taking and are consistent with the risk profiles, or the instrument of incorporation or prospectus of any UCITS fund it manages; do not impair the firm's compliance with its duty to act in the best interests of those funds; and include fixed and variable components of remuneration including salaries and discretionary pension benefits.

When applying the Remuneration Policy, the Firm will comply with the applicable rules in a way, and to the extent, that is appropriate to the size, internal organisation and the nature, scope and complexity of the Firm's activities.

The Remuneration Policy must be in line with the business strategy, objectives, values and interests of: the Firm; the UCITS funds it manages; and the shareholders of those funds; and include measures to avoid conflicts of interest.

3.1 Global Compensation Committee

The compensation practices of the Firm are governed by a Global Compensation Committee.

The Global Compensation Committee aims to ensure effective governance of the Firm's remuneration practices by performing in an oversight and advisory capacity to the Firm. The Global Compensation Committee makes reports and recommendations to the Executive 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 the Firm's practices.

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

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 the Firm considers that it does not need to establish its own remuneration committee.

3.2 Pay and Performance

The Firm 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, the Firm considers several factors, including, but not limited to, the individual's performance, qualifications and experience, the relative value of each position within the Firm, and the state of the compensation marketplace for each role. The Firm's compensation program is designed to promote integrity and soundness of the financial enterprise with a focus on long term interests. The Firm seeks to appropriately balance fixed and variable components of total remuneration.

Each year certain 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 the Firm's Managing Director for review. Following the review, the recommendations are presented to the Global Compensation Committee for approval.

3.3 Aggregated Remuneration for Code Staff

Seven members of senior management were identified and five control function employees* were identified, these being the Directors of the Firm. Two further employees were identified, these being the local head of Compliance and Legal. Due to the low risk nature of the business, the Firm does not consider any of its employees to have a material impact on the Firm's risk profile. In total fourteen employees were identified as Code Staff for this performance year.

Code Staff	*DFAL aggregate compensation expense for prior fiscal year*
	£5,115,617

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

* The five control function employees identified are employed by the Parent Company and do not receive any remuneration from the Firm. They are based in the United States of America, spend a limited time in the United Kingdom each year and do a limited amount of work for the Firm. Taking all of these points into consideration, we view these individuals as exempt from the Code.