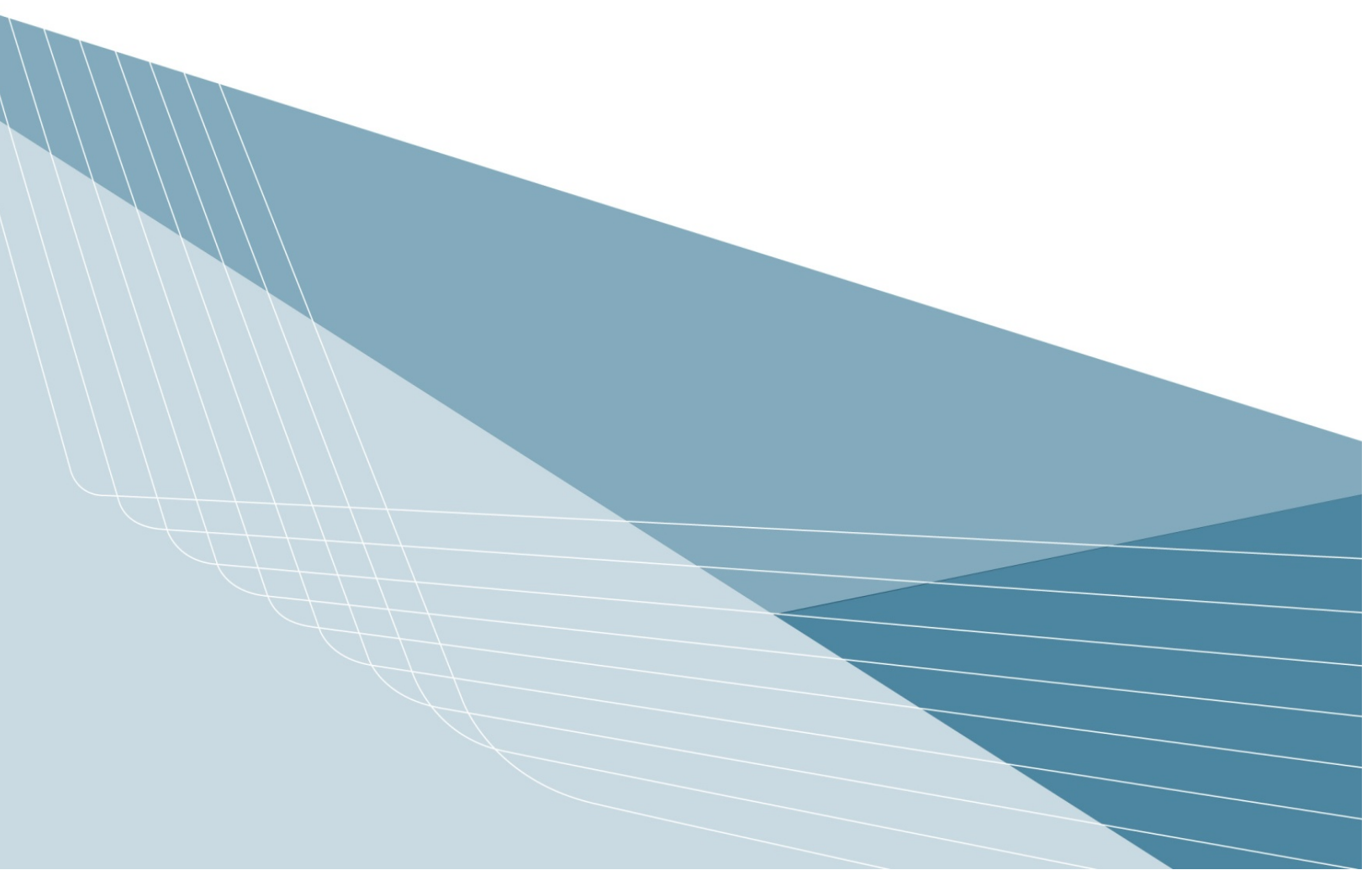




Pillar 3 Disclosure Statement

JULY 2020



INTRODUCTION

This Pillar 3 Disclosure Statement relates to Dimensional Fund Advisors Ltd. ("**Dimensional UK**"), a 100% owned subsidiary of Dimensional Fund Advisors LP (the "**Parent Company**" or "**Dimensional US**"), a limited partnership organised in the United States of America. Dimensional UK 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. Dimensional UK was incorporated on 19 December 1990 and as at 31 December 2019, its funds under management totalled approximately £35.9bn.

The FCA's 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

Dimensional UK 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 Dimensional UK's Annual Report and Accounts and upon review and update of Dimensional UK's Internal Capital Adequacy Assessment Process ("**ICAAP**") documentation. The information contained in this disclosure statement has not been audited by Dimensional UK's external auditors. This information is available on Dimensional UK's website (www.eu.dimensional.com).

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

A. BACKGROUND TO THE BUSINESS

Dimensional UK is a 100% owned subsidiary of Dimensional US, a global asset manager based in the US with approximately \$609bn in assets under management (as at 31 December 2019). Dimensional US 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, Dublin, London, Singapore, Sydney, Tokyo and Hong Kong, Dimensional US and its affiliates' ("**Dimensional Affiliated Entities**") professional staff are active in investment markets twenty-four hours a day. Dimensional currently also has regional sales and services offices in Berlin, Amsterdam, Melbourne, Vancouver and Toronto.

B. MANAGEMENT STRUCTURE

The board of directors of Dimensional UK (the "**Board**") is currently comprised of several UK-based Directors, as well as non-executive directors who are employees and officers of Dimensional US as Dimensional UK's affiliate and two independent non-executive directors. The Board typically meets quarterly. To assist Dimensional UK in fulfilling its responsibilities, an organisational structure has been set up which reflects the nature of the risks across the business. Dimensional UK has established a Dimensional UK Management Committee consisting of Dimensional UK's co-Chief Executive Officers and heads of the departments. The Dimensional UK Management Committee coordinates day-to-day issues in the running of Dimensional UK.

Dimensional UK has also established various other committees, including but not limited to: the Dimensional UK Compliance Committee, the London Investment Committee, and the Dimensional UK Risk Committee.

The Dimensional UK 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, risk management and sales.

C. ENTERPRISE RISK FRAMEWORK

Dimensional US's global approach to risk management is detailed in the "Global Risk Management Statement" and "Enterprise Risk Management Framework". The Dimensional Affiliated Entities currently rely on their respective Boards of Directors (or General Partner, or

Managing Member, as applicable)¹ to determine the appropriate risk appetite, and generally to establish the tone for risk management efforts at each of the Dimensional Affiliated Entities. 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.

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

D. RISK MANAGEMENT BY CATEGORY OF RISK

Material risks applicable to Dimensional UK are categorised as business, operational, market, credit 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 Dimensional UK faces is an event leading to a significant fall in the level of assets under management as Dimensional UK’s revenue is reliant on the performance of existing funds and its ability to launch new funds or to obtain new mandates. As such, the risk posed to Dimensional UK relates to underperformance resulting in a decline in revenue and adverse market conditions hindering the launch of new funds/obtaining new mandates and ultimately the risk of redemptions from funds and other client accounts managed by Dimensional UK. Based on the current level of assets under management, Dimensional UK could withstand a sizeable decrease and still be able to meet all costs. Given the scale of the decrease that would

¹ For ease of reference, this Pillar 3 Disclosure Document will refer to such Boards of Directors or General Partner or Managing Member as “Boards”.

be required to threaten Dimensional UK's ability to meet its capital requirements, Dimensional UK management do not currently consider it appropriate to hold further capital within Dimensional UK 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 Dimensional UK's control.

Dimensional UK may incur increased costs in the event of a disaster requiring implementation of its Crisis Management and Business Continuity Plan. Costs may include a move to temporary accommodation, however this is expected to be mitigated by insurance recoveries and work-from-home arrangements. In early 2020, COVID-19 emerged globally, resulting in disruption to economic activity and financial markets. While Dimensional UK is presently implementing its Crisis Management and Business Continuity Plan, the impact of the COVID-19 outbreak on Dimensional UK's financial condition will depend on the duration and spread of the outbreak and related advisories and restrictions. These developments and the impact of COVID-19 on the financial markets and the overall economy are highly uncertain. If the financial markets and the overall economy are impacted for an extended period, results of operations and cash flows may be materially adversely affected.

Market risk

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

Since Dimensional UK holds no trading book positions (assets used for the purposes of proprietary trading), Dimensional UK currently 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.

Dimensional UK 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.

Dimensional UK typically has no exposure to trading counterparties (brokers) as principal since this risk rests within the portfolios managed by Dimensional UK. Whilst non-payment or delayed payment of fees exists as a possibility, particularly for separate account clients and other debtors, Dimensional UK 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 Dimensional UK's books.

Dimensional UK continues to have sufficient liquidity within the business to meet its obligations. The cash position of Dimensional UK is monitored on a quarterly basis by the Board.

Dimensional UK's relationship with Dimensional US 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 Dimensional US there is significant scope for Dimensional UK to reduce its variable costs to generate sufficient funds or to source liquidity from short-term investments held by Dimensional UK to cover this risk.

Capital planning for liquidity purposes is conducted on an ongoing basis.

II. CAPITAL RESOURCES AND REQUIREMENTS

A. CAPITAL RESOURCES

Dimensional UK 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.

B. SATISFACTION OF CAPITAL REQUIREMENTS

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

1. Identifying the material risks that Dimensional UK 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 capital**").
2. Simulating the steps required and the cost that would be incurred to wind down Dimensional UK in an orderly manner ("**wind down capital**").

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

As at 30 April 2020, Dimensional UK held regulatory capital resources of £16.385m comprised entirely of core Tier 1 capital. Dimensional UK's Pillar 1 capital requirement was £9.926m. As determined through the ICAAP, Dimensional UK's Pillar 2 capital requirement was greater

than its Pillar 1 requirement or wind down capital, and Dimensional UK held capital reserves sufficient to cover the Pillar 2 requirement.

C. CAPITAL RESOURCES

<i>CAPITAL RESOURCES</i> ¹	
Tier 1 capital ²	16,385
Tier 2 capital	n/a
Tier 3 capital	n/a
Deductions from Tiers 1 and 2	n/a
Total capital resources	16,385

¹ Figures included in the above table are in thousands (£)

² No innovative Tier 1 capital is held

III. REMUNERATION POLICY

Dimensional UK 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, Dimensional UK currently believes that its remuneration policy should not create conflicts between an employee's interests and those of Dimensional UK's clients.

FCA SYSC 19e sets out a code of practice around remuneration practices, the Remuneration Code ("**Code**"). Dimensional UK's remuneration policies and practices are, amongst other things, designed to be consistent with and promote sound and 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 Dimensional UK's duty to act in the best interests of the UCITS it manages.

A. GLOBAL COMPENSATION COMMITTEE

The compensation practices of Dimensional UK are governed by a Global Compensation Committee.

The Global Compensation Committee aims to ensure effective governance of Dimensional UK's remuneration practices by performing in an oversight and advisory capacity to Dimensional UK. 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 Dimensional UK’s practices.

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

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, Dimensional UK considers that it does not need to establish its own remuneration committee.

B. PAY AND PERFORMANCE

Dimensional UK 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, Dimensional UK considers several factors, including, but not limited to, the individual’s performance, qualifications and experience, the relative value of each position within Dimensional UK, and the state of the compensation marketplace for each role. Dimensional UK’s compensation program is designed to promote integrity and soundness of the financial enterprise with a focus on long term interests. Dimensional UK 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 Dimensional UK’s co-Chief Executive Officers for review. Recommendations are presented to the Global Compensation Committee for approval.

C. AGGREGATED REMUNERATION FOR CODE STAFF

In total, seven individuals have been identified by Dimensional UK as Code Staff for the fiscal year as of 31 December 2019. Under the Senior Managers Regime, only three out of the seven are classified as Senior Managers; two of these Senior Managers are Directors of Dimensional UK. Four further employees were identified as Code Staff.

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

CODE STAFF	
Aggregate compensation expense for prior fiscal year	£4,864,507

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

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