# MIFIDPRU 8 Disclosures

## Point72 Europe (London) LLP

## For the Period 1 January 2024 to 31 December 2024

## 1. <u>Introduction</u>

1.1 Point72 Europe (London) LLP (the "**Firm**") is authorised and regulated by the Financial Conduct Authority ("**FCA**") of the United Kingdom and is a "MIFIDPRU investment firm" as defined in the FCA Rules. The Firm is a non-SNI firm for the purposes of the rules in the Prudential sourcebook for MiFID Investment Firms ("**MIFIDPRU**").

1.2 The Firm's Operations Committee is its Management Body (the "**Management Body**").

1.3 Under the FCA Rules (specifically Chapter 8 of MIFIDPRU), the Firm is required to make specific disclosures relating to its:

- Risk Management Objectives and Policies;
- Governance Arrangements;
- Own Funds; and
- Remuneration Policy and Practices.

1.4 The Firm is part of a consolidation group for prudential regulation purposes. However, in accordance with MIFIDPRU 8.1.7 R, the Firm is providing these disclosures on a solo basis only.

1.5 Unless stated otherwise, the information set out herein is provided as at 31 December 2024 (the "**Reference Date**").

## 2. Significant changes since last disclosure period

As at the Reference Date, the only significant change to the information disclosed for the previous disclosure period (i.e. financial year ending 31 December 2023) is that Sally Tennant resigned from the Management Body, effective 30 June 2024, and Krupesh Patel was subsequently appointed to the Management Body, effective 12 September 2024.

## 3. Risk Management objectives and policies

3.1 The Firm is the UK investment management arm of the Point72 group of asset management entities ("**Point72**" or "**Point72 Group**"). The Firm, as part of its role within the Point72 Group, provides discretionary investment management services in respect of certain assets of certain fund entities, which are located in the Cayman Islands and managed by Point72 globally.

3.2 In managing the assets of these funds, the Firm pursues three core investment strategies:

A. Long/Short Equity, which is the Firm's largest investment strategy by asset allocation and headcount, and which includes a fundamental research-intensive security selection process that is predominantly aimed at identifying mispriced equity securities;

B. Macro, which is comprised of portfolio teams working to generate uncorrelated returns through discretionary investments in developed and emerging markets across asset classes such as fixed income, FX, liquid credit, commodities, and derivatives; and

C. Quantitative/Systematic ("**Cubist Systematic Strategies**" or "**Cubist**"), which aims to generate returns using proprietary investment systems that consist of various computational techniques and models (collectively known as "signal models") that predict future prices in a variety of financial instruments.

3.3 In pursuing the strategies above, the activities of the Firm will give rise to certain risks which carry a potential for harm. Below we have set out a summary of the harm that could potentially be caused as a result of certain categories of risks related to the Firm's (i) Own Funds requirement; (ii) requirements around its Concentration risk; and (iii) requirements around its Liquidity. We have also set out a summary of the strategies and processes used to manage each of these categories of risk.

3.4 Regarding the Firm's approach to risk generally:

A. **The Firm's Risk Appetite**[1]

- The Management Body is committed to managing all of the Firm's risks. The Management Body has decided that the Firm's overall appetite for risk in business operations is low and it encourages all staff to identify, escalate and minimise risks as much as possible. The Firm has a conservative approach to tax and regulatory compliance risk and employs reputable external advisors that are specialised in those areas.

- The Firm defines "risk appetite" as the level of risk that the Management Body considers is acceptable for a given risk or group of risks. The assessment of risk takes into account the perceived or actual effectiveness of existing mitigating controls.

[1] MIFIDPRU 7.5.2R (2) and (3) and MIFIDPRU 7.8.7R (3)(a)

- The Firm has considered whether there is any misalignment between its business strategy and its risk appetite. The Firm is comfortable that, in light of the comparatively stable and predictable levels of the Firm's fee income and expenditure, the business strategy is aligned with its risk appetite[2].

  The Firm has also considered whether there are any material risks of misalignment between the Firm's business model and operating model and the interests of its clients and the wider financial markets. The Firm has concluded that there is no material risk of such misalignment.

B. **The Firm's Risk Management Processes and their Effectiveness**

The Firm has governance and internal control arrangements in place to manage risks across the business. The Firm maintains a risk management framework which is split between (1) portfolio and trading risk and (2) enterprise risk and is summarised as follows:

- *Portfolio and trading risk*

  - The Point72 Group's Risk Committee (the "**Group Risk Committee**") is responsible for the overall Point72 Group-level risk management and portfolio management oversight of the Point72 Group's trading strategy, which includes the Firm. The committee meets monthly and is chaired by the Point72 Group CRO.[3] The CRO draws upon the resources of each of the business groups within the Point72 Group in implementing the decisions of the Group Risk Committee, with particular support from the Execution Team.

    The Group Risk Committee reviews key risk measures such as VAR, Stress tests, market beta exposure, largest positions, largest relative positions, points of illiquidity etc. On a day-to-day basis, strategy risk is supervised and monitored by the CRO.

    The Point72 Group operates a series of automated measures to assist the risk management team to monitor and manage portfolio risk. These include:

    a. Flags – risk parameters, which, if crossed, lead to enhanced monitoring of the relevant positions;

    b. Guidelines – if a position crosses a guideline threshold, it would be expected to be brought back to a level below the guideline threshold during a relatively short timeframe; and

    c. Limits – these are hard limits. If a position crosses a limit, it would, absent exceptional circumstances, be required to be brought below the relevant limit immediately.

- *Enterprise Risk*

  The Point72 Group has in place arrangements in relation to all aspects of its business. These arrangements are grouped into five broad areas:

[2] MIFIDPRU 7.7.7R (3)(a)
[3] "CRO" means the Chief Risk Officer of the Point72 Group.

- Organisation and Management - the Point72 Group maintains a clear organisational structure which is organised to maximise independence of function and to reduce internal conflicts. The Management Body is not aware of any present conflicts in respect of the Firm.

- People and Responsibilities – individuals have clearly defined roles and responsibilities, and openness and communication is actively encouraged in all areas, particularly in respect of any suspected breach of the Point72 Group's legal, ethical and regulatory obligations (including in relation to the Firm). There is an annual review and appraisal process in place for all staff.

- Business Processes – business risk is managed through the appointment of skilled senior personnel together with a combination of formal and informal checks and balances combined with management oversight arrangements. The Point72 Group maintains a close working relationship with its clients, prime brokers and administrators and certain other key advisers and service providers (in particular its auditors, tax advisors and lawyers).

- Management Information and Reporting – the importance of information as a governance tool is recognised by the Management Body. The Point72 Group has adopted risk management and management information systems that are designed to ensure that senior management have the required information that they need for reporting.

- Compliance Arrangements – the Point72 Group has sought to embed a culture of compliance throughout the business through a combination of education and training for staff and clarity of responsibility for management. In addition, there are detailed compliance manuals and policies covering compliance on an individual and Point72 Group wide basis, which include policies relating to best execution, trade allocation, trade errors, conflicts of interest, market abuse prevention, money laundering and financial crime prevention, personal account dealing and gifts and entertainment. All staff are required to confirm that they have read and complied with these on an annual basis. There is a risk-based monitoring plan in place which is an on-going process to monitor compliance with existing procedures and to ensure regulatory changes are addressed as they arise (e.g. specific personnel are assigned responsibility for risks across the Point72 Group's investment and business teams). The Management Body (which includes the Firm's Chief Compliance Officer[4]), the CRO, the CCO, the CAO and the COO[5] are responsible for the Firm's overall risk management framework and processes. Compliance requirements are the responsibility of the CCO at the Point72 Group-level and the Firm's Chief Compliance Officer at the Firm-level. Finance requirements are the responsibility of the CFO[6] at the Point72 Group-level and the Firm's Finance Lead at the Firm-level. These officers as well as other department managers are responsible for identifying new risks and implementing controls to mitigate risks in their areas.

[4] The Firm's Chief Compliance Officer means Jade Harber.
[5] CCO means the Chief Compliance Officer for the Point72 Group; CAO means the Chief Administration Officer for the Point72 Group; and COO means the Chief Operations Officer for the Point72 Group.

- The Point72 Group's internal governance committees enhance the Point72 Group's risk management framework and processes.

- The Point72 Group's risks and internal controls are assessed on an on-going basis. When risks fall outside the Point72 Group's guidelines, remedial actions are taken to manage such risks.

- The following criteria are considered when implementing internal controls: (a) the controls should provide effective and efficient processes to manage risk; (b) the controls should ensure compliance with applicable laws and regulations; and (c) the controls should promote segregation of duties and clearly assign accountability.

- The Management Body, Group Audit & Operational Risk Committee, CRO, CAO, CCO, and COO are responsible for supervising those who have been assigned responsibility to implement the Point72 Group's internal controls and risk management procedures. Such oversight shall include a review of the control environment and the adequacy of the Firm's regulatory capital and liquid assets on a regular basis.

C. **Risk Management Framework oversight**

The Management Body, which includes the Head of UK[7] and Cubist Business Manager[8], is responsible for overseeing the risk management of the Firm from an enterprise risk and portfolio/investment risk perspective. The day-to-day management of the two types of risk is undertaken at the Point72 Group level by, respectively, the Operational Risk Management department and the Risk Management departments within the Point72 Group, which report into the Management Body on a periodic basis.

The Management Body oversees the Firm's risk management framework and procedures and has a direct reporting line with:

- the Point72 Group Risk Management department, which will provide input into the reports that the Management Body receives quarterly (or more frequently if required); and

- the Point72 Group Audit and Operational Risk Management Committee, which will provide periodic reporting (no less than annually) to the Management Body (or more frequently as required)[9].

<u>Portfolio and Trading Risk</u>

The Point72 Group Risk Management department and the Group Risk Committee are independent of the portfolio management function. The principal focus of the Point72 Group Risk Management department is establishing, measuring, and reporting risk parameters related to positions managed by the Point72 Group (including the Firm), regulatory compliance and operations. The Point72 Group Risk Management department will set risk limits as part of the Firm's risk appetite and

[6] CFO means the Chief Financial Officer for the Point72 Group.
[7] "Head of UK" means Will Tovey
[8] "Cubist Business Manager" means Hugh Luckock.
[9] This committee oversees assurance activities related to governance, enterprise risk management, and control and provides authority and direction to Group Internal Audit in carrying out auditing and consulting engagements. The Point72 Group Audit and Operational Risk Committee also oversees enterprise risk management activities and the vendor due diligence programme.

enforces those limits. The Firm's Senior Risk Manager in the London office[10] has local responsibility over the Firm's Macro portfolio managers.

The Firm has established policies and procedures to identify the risks relating to the Firm's activities, processes and systems and to manage the risks relating to those. The Firm's risk management process consists of the risk management framework, the implementation of risk identification and assessment activities, and the treatment of risks, including the monitoring and control process.

As stated above, responsibility for overseeing the risk management process at the Firm sits with the Management Body. As part of this risk management process, the Head of UK (in respect of the Equities and Macro businesses) and the Cubist Business Manager (in respect of the Cubist business), both of whom sit on the Management Body, will carry out the following processes in relation to portfolio risk:

- Equities

  - Europe Long/Short Equities Risk Committee – The Europe Long/Short Equities Risk Committee meets monthly and is responsible for reviewing, assessing and deciding courses of action pertaining to the UK Long/Short equities business and covers individual books where risk limits are in focus. The Head of UK, the Group co-CIO and the relevant risk managers attend and participate in this committee and the Head of UK reports on these meetings to the Management Body;

  - The Head of UK meets with Equities portfolio managers monthly to discuss their strategy (i.e. team, market, macro environment, etc.);

  - The Head of UK performs annual reviews with all the Equities portfolio managers which focuses on recent performance, forward looking business plan, risk metrics (actual versus limits); and

  - The Equities portfolio managers receive ad-hoc reports from the Group portfolio construction analytics team ("**PCAT**") highlighting potential portfolio construction concerns and/or any potential factor leans or other characteristics that could be detrimental to performance (aging, concentration, realized v unrealized, etc.). The PCAT team will also flag to the Head of UK any insights and observations at the consolidated UK level.

- Macro

  - Global Macro Risk Committee – The Macro Risk Committee meets monthly and is responsible for reviewing, assessing and deciding courses of action on certain risk-related issues related to the global Macro business, including the UK Macro business. It also performs capital allocation for Macro Strategies. The Firm's Senior Risk Manager attends this committee in respect of the UK Macro business, and meets monthly with the Head of UK and provides key updates relevant to the UK Macro business;

[10] The Firm's Senior Risk Manager means Jeremy Harrison.

- The Firm's Senior Risk Manager attends annual reviews with Macro portfolio managers which focuses on recent performance, forward looking business plan, risk metrics (actual versus limits) and provides key updates to the Head of UK; and

- The Head of UK provides management information to the Management Body relating to the Macro business.

o Cubist

- The Cubist Business Manager has visibility of real-time risk measures and risk limits for Cubist PMs via Point72's Risk Portal and various other tools, is notified of risk limit changes, and reviews launches of new strategies and material changes to existing strategies for UK Cubist PMs;

- The Cubist Business Manager reviews and makes adjustments to the Cubist Risk Management Schedule A (which contains risk limit changes, position size, allowed drawdowns, buying power for the Cubist PM Teams), in co-ordination with the Cubist Risk Committee (which consists of the Point72 Group risk team and the President of Cubist); and

- The Cubist Business Manager is authorised to approve pre-trade risk limit changes and provides risk updates to the Management Body.

<u>Enterprise Risk</u>

The Firm's Management Body also receives periodic reporting from the Group's Audit and Operational Risk Committee, specifically in relation to the Firm. This committee oversees assurance activities related to governance, enterprise risk management, and control and provides authority and direction to the Group Internal Audit in carrying out auditing and consulting engagements. The Group Audit and Operational Risk Committee also oversees enterprise risk management activities and the vendor due diligence programme.

D. **Effectiveness of the Firm's Risk Management Processes**[11]

The Management Body conducts a formal annual review of the effectiveness of the Firm's risk management processes in connection with the ICARA process.

Such review is informed by information received from relevant committees that operate at the level of the Firm and the Point72 Group during which any material developments impacting on the Firm's risk profile may be brought to the attention of the Management Body. Such periodic and ongoing assessment of the Firm's risk profile facilitates the Management Body's ongoing assessment as to whether the Firm's risk management processes remain appropriate and whether sufficient own funds and liquid assets are maintained.

### 3.5 Risks Related to the Firm's Own Funds Requirement

The Firm has identified the following risks of harm relating to its strategy which relate to, and are intended to be addressed by, the Firm's Own Funds obligations (these represent the most material risks of harm):

[11] MIFIDPRU 7.8.7R(3)(f)

- Poor fund performance due to geopolitical or macroeconomic influences;
- An employee committing fraud or financial crime;
- A member of staff engages in market manipulation resulting in asset prices reaching abnormal or artificial levels;
- Terrorism or destruction of systems/office;
- The Firm engages in business without appropriate regulatory authorisations / licenses, including as a result of a change to the business model; and
- Failure of critical systems for an extended period may result in financial, regulatory and/or reputational impacts.

The Firm manages and mitigates the risks of harm identified above through various strategies and processes.

| Description | Potential mitigants to risk of harm |
| --- | --- |
| Poor fund performance.<br><br>- Geopolitical<br>- Economic (rates, inflation, employment) | 1. Allocation of capital across PMs and diverse strategies (Directional Macro in particular is growing, which is positioned to benefit from macroeconomic changes, lowering impact)<br>2. PM performance management<br>3. Hiring practices and contractual incentives<br>4. Tight risk limits and portfolios are tightly hedged<br>5. Performance is based on alpha not beta<br>6. Expenses partially offset by pass-through and management fees even during a drawdown |
| An employee committing fraud or financial crime | 1. Strict controls over movement of cash or authorization of trading activity<br>2. Fraud checks for new vendors<br>3. All expense reports are individually audited to ensure compliance with the expense policy. AML training is conducted regularly. Payments require both an initiator and an approver, and quarterly AML due diligence meetings are held.<br>4. Surveillance processes for insider trading and market manipulation, along with annual and new hire training programs. |
| A member of staff engages in market manipulation resulting in asset prices reaching abnormal or artificial levels | 1. Annual compliance training for investment professionals around market manipulation and insider trading<br>2. Surveillance of trading activity<br>3. Pre-trade limits for all PMs<br>4. Portfolio risk limits on asset classes and risk factors<br>5. Restricted list in place to restrict trading activity and monitor position limits<br>6. Hiring process includes hiring committee and surveillance approval, background checks, and a compliance veto |

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|---|---|
| Terrorism or destruction of systems/office | 1. Business Continuity Plan ("**BCP**") addresses inability to access office space as a disaster scenario along with appropriate workarounds to ensure efficient continuation of the business<br>2. BCP addresses unavailable critical systems and documents workarounds available to employees<br>3. Ability to shift performance of critical processes between offices globally<br>4. Well defined and tested crisis escalation and management process<br>5. All employees have ability to work remotely<br>6. Backup data centre for recovery of critical trading applications during a disruption lasting up to 5 days<br>7. Pre-rollout testing of vendor pushed "auto-updates" to critical applications and services<br>8. Regular and secure back-ups of critical data |
| The Firm engages in business without appropriate regulatory authorisations / licenses, including as a result of a change to the business model | 1. Compliance representative participates in governance and steering committees as well as key working groups to ensure new activities or strategic initiatives are sanctioned<br>2. Training (including senior managers and certified staff) for SMCR<br>3. Compliance monitoring programme<br>4. Compliance manual<br>5. New business activity requires senior manager approval through the New Activities Working Group<br>6. The Firm is authorized by the FCA and operates within its regulatory permissions. |
| Failure of critical systems for an extended period may result in financial, regulatory and/or reputational impacts | 1. BCP documents manual workarounds for critical functions in the event of a systems outage lasting less than 2 days<br>2. Backup data centre for recovery of critical trading applications during a disruption lasting up to 5 days<br>3. Pre-rollout testing of vendor pushed "auto-updates" to critical applications and services<br>4. Regular and secure back-ups of critical data |

## 3.6 Concentration Risk

The Firm has identified the following risks arising from its strategy, which relate to the Firm's relationships with, or direct exposure to, a single client / counterparty:

- the Firm's main client and debtor is Point72 Asset Management, L.P., who is the Firm's indirect parent; hence, the risk of the Firm being unable to collect these receivables is low; and

- Cash deposits are concentrated at one reputable global banking institution. In the unlikely event of the banking institution's insolvency, the Firm would receive a capital and/or liquidity injection from Point72 UK Limited (the Firm's immediate Parent) or Point72 Asset Management, L.P.

Based on the above, the Firm has determined that the concentration risk is low, given Point72 Asset Management, L.P.'s ongoing commitment to ensure financial viability of the Firm.

Liquidity

The Firm has identified the following risks of harm arising from its strategy which relate to, and are intended to be addressed by, the Firm's Liquidity obligations (these represent the most material risks of harm):

- There is not sufficient cash to meet intra-day obligations.
- Liquid assets are not denominated in the same currency as expected outflows.
- The Firm's funding arrangements are or become concentrated in terms of counterparties, maturity, any security provided, products, currencies and geographical location.
- There are mismatches between the maturity of assets and liabilities.
- Unexpected payments arise.

The Firm manages and mitigates the risks of harm identified above through various strategies and processes.

| Description | Potential mitigants to risk of harm |
| --- | --- |
| There is not sufficient cash to meet intra-day obligations. | Treasury and Finance manage availability of cash globally to ensure the intraday obligations for all management companies across the Point72 Group are met. |
| Liquid assets are not denominated in the same currency as expected outflows. | Balances are generally denominated in USD and necessary amounts are converted to GBP ahead of known obligations, the largest of which is compensation. There is minimal risk that the Firm will have difficultly exchanging USD to GBP in a reasonable time to meet its obligations and this has never happened in the past. |
| The Firm's funding arrangements are or become concentrated in terms of counterparties, maturity, any security provided, products, currencies and geographical location. | The Firm does not take on debt and is not directly exposed to market / counterparty risk. The Group's revenue is primarily derived from intercompany transactions, with receivable balances settled in cash periodically, usually on a monthly basis, to support the Firm's liquidity needs. Additionally, the Firm consistently maintains a healthy cash balance. |
| There are mismatches between the maturity of assets and liabilities. | The majority of the Firm's assets are cash or intercompany receivables. The intercompany receivables, mainly from Point72 Asset Management, L.P. in respect of services provided, are current in nature and can be settled on the demand of the Firm. |

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| Unexpected payments arise. | 1. The Finance team is responsible for the day-to-day monitoring and management of the Firm's cash and liquidity position. Cash flow forecasts are regularly updated to ensure coverage for at least the next six months and forecast both fee income and expenditure of the Firm, including known future events such as changes in assets under management, new hires, capital purchases, system enhancements and also a buffer for unexpected payments.<br><br>2. The Firm upholds a robust liquidity position to address any unforeseen payments. |

## 4. Governance arrangements

Oversight of Governance Arrangements by the Management Body

4.1 The Firm, as a MIFIDPRU Investment Firm, is subject to the organisational requirements in 4.3A.1 R of the Senior Management Arrangements, Systems and Controls Sourcebook of the FCA Handbook ("**SYSC**").

4.2 Under SYSC 4.3A.1 R, the Firm must ensure that the Management Body defines, oversees and is accountable for the implementation of governance arrangements that ensure effective and prudent management of the Firm, including the segregation of duties in the organisation and the prevention of conflicts of interest, and in a manner that promotes the integrity of the market and the interests of the Firm's clients.

4.3 In order to comply with the requirement in SYSC 4. 3A.1 R, the Firm has procedures in place to ensure that members of the Management Body are selected based primarily on the following criteria:

- reputation within the market;
- the possession of the necessary knowledge, skills and experience to perform the relevant duties;
- whether their addition will complement the Management Body's collective knowledge, skills and experience in relation to the Firm's activities, including the main risks it faces; and
- diversity of viewpoints, backgrounds, experiences, and other demographics.

4.4 As part of the Firm's governance arrangements and structure, the Management Body defines, oversees and is accountable for the implementation of governance arrangements that ensure effective and prudent management of the Firm. These arrangements include ensuring that the Firm and its individual functions are adequately resourced and ensuring that there is appropriate segregation of duties and responsibilities (for example, appropriate segregation of front office and middle and back-office functions, including risk management, operations and compliance functions that are independent of the front office) in a manner that promotes the integrity of the market and the interests of any clients. Under the Firm's governance arrangements, the Management Body also ensures that conflicts of interest between the interests of the Firm and the interests of a client are avoided or managed appropriately, again, in a manner that promotes the integrity of the market and the interests of clients. This is predominantly achieved through: (1) the adoption, and regular review, by the Management Body of a comprehensive conflicts of interest policy which identifies all relevant areas of the Firm's business that could give rise to such conflicts and the various mitigants that the Firm has put in place either to avoid such conflicts or to manage them such that the risk of prejudice to any of the Firm's clients has been reduced to an appropriate level; and (2) the establishment of a specific procedure for managing any *ad hoc* conflicts that arise which are not covered by the Firm's conflicts of interest policy.

4.5 The Management Body (either directly through its individual members or via sub-committees or working groups) has general oversight and supervisory responsibility over the Firm and its staff and operations. The Management Body operates under a set of Terms of Reference which provide for certain decisions to be reserved to it. The Management Body meets at least every two months to discuss significant matters affecting the Firm and to make strategic decisions. Under the Firm's governance arrangements including the Terms of Reference for the Management Body, the Management Body:

- has overall responsibility for the business and conduct of the Firm;
- approves and oversees implementation of the Firm's strategic objectives, risk strategy and internal governance;
- has oversight of and ensures the integrity of the Firm's accounting and financial reporting systems;
- has put in place financial and operational controls and compliance with applicable regulations;
- oversees the process of public disclosure and communications by the Firm with clients and regulators;
- is responsible for providing oversight of the Firm's senior management;
- monitors, assesses and makes changes in respect of deficiencies found in respect of: (i) the adequacy/implementation of the Firm's strategic objectives in the provision of investment services and activities (including ancillary services); (ii) the effectiveness of the Firm's governance arrangements; and (iii) the adequacy of the policies relating to the provision of services to clients; and
- has adequate access to information and documents which are needed to oversee and monitor management decision-making.

All members of the Management Body are required to commit sufficient time to ensure that they can perform their functions within the Firm and to act with honesty, integrity and independence of mind to effectively assess and challenge decisions where necessary and to effectively oversee and monitor management decision-making.

Directorships

4.6 The table below sets out how many directorships each member of the Management Body holds, broken down into executive and non-executive directorships.

4.7 The table below does not include, in respect of each member of the Management Body:

- any directorships the member holds in an organisation which does not pursue a predominantly commercial objective (for example, a charitable organisation or a company that has been established to own the freehold to a building in which the member lives);
- separate directorships held for multiple entities within the same group (all such directorships are accounted as a single directorship for the purposes of the table below); or
- separate directorships in undertakings in which the Firm holds a qualifying holding.[12]

| **Member of the Management Body** | **Number of executive Directorships** | **Number of non-executive Directorships** | **Total number of directorships** |
|---|---|---|---|

[12] A qualifying holding is a direct or indirect holding in an undertaking which represents 10% or more of the capital or of the voting rights, or which makes it possible to exercise a significant influence over the management of the undertaking in which that holding subsists.

| | | | |
|---|---|---|---|
| Krupesh Patel | 0 | 1 | 1 |
| Will Tovey | 1 | 0 | 1 |
| Jade Harber | 1 | 0 | 1 |
| Hugh Luckock | 0 | 0 | 0 |

Risk Committee

The Firm is not required to establish a risk committee, and so has not established such a committee.

Diversity Policy

In accordance with SYSC 4.3A.10 R, the Firm maintains a policy for promoting diversity on the Management Body (the "**Management Body Diversity Policy**").

The Management Body Diversity Policy sets out the Firm's approach to diversity within the Management Body. The Management Body Diversity Policy recognises and acknowledges the benefits of having a diverse Management Body in terms of supporting the attainment of the Firm's strategic objectives and its sustainable development.

The Management Body Diversity Policy further recognises and acknowledges that a diverse and effective Management Body would ensure that the perspectives and experience of all relevant individuals are taken into account in forming and implementing the strategy of the Firm.

Under the Management Body Diversity Policy, the Firm attempts to ensure that the composition of the Management Body reflects as broad a range of backgrounds and experience as possible (taking into account any other factors the Firm deems relevant). The Firm, however, is mindful that its ability to achieve broad diversity within the Management Body may be constrained, in practice, by its size (the Firm is a relatively small firm that has a relatively small Management Body (consisting currently of 4 individuals)).

The key objectives of the Management Body Diversity Policy, in summary, are to ensure that:

- all appointments to the Management Body are made on merit against objective criteria, but while taking into account the benefits associated with complimenting and expanding the knowledge, skills, diversity and experience of the Management Body as a whole;
- the composition of the Management Body reflects as broad a range of backgrounds and experience as it can (taking into account any other factors the Firm deems relevant as well as the relative small size of the Management Body); and
- the Management Body will annually review and assess its own composition and any requirements relating to the appointment of new members of the Management Body in light of: (i) the diversity principles described in the Management Body Diversity Policy; and (ii) any other factors it considers relevant.

The Firm believes that the objectives of the Management Body Diversity Policy set out above have been and are continuing to be achieved. In this regard, the Management Body is tasked with periodically reviewing the Management Body Diversity Policy as appropriate to monitor its effectiveness.

Under the Management Body Diversity Policy, the Management Body may, if it so chooses, set measurable objectives/targets for improving the diversity of its own composition. In light of the relatively small size of the Firm and of the Management Body, the Management Body has not set any such targets.

In addition to the Management Body Diversity Policy, as part of the Firm's wider Equal Opportunity Policy (as set out in the Firm's Employee Handbook), the Firm is committed to the principles of equal employment opportunity for all employees, applicants, workers, secondees and consultants (including members of the Management Body). The Firm's Equal Opportunity Policy states that employment decisions are made without regard to race, colour, religion or belief, sex, pregnancy or maternity, national origin, ethnic origin, citizenship, age, sexual orientation, physical or mental disability, marital / civil partnership status, gender reassignment, or any other characteristic protected under applicable law. The Firm complies with applicable laws pertaining to equal employment opportunity.

5. **Own Funds and Own Funds Requirement**

Own Funds

5.1 The Firm is subject to the disclosure requirements stipulated in MIFIDPRU 8.4.1 R. As such, the tables below set out:

A. details of common equity tier 1 items, additional tier 1 items, tier 2 items, and the applicable filters and deductions applied in order to calculate the own funds of the Firm (i.e. a composition of regulatory own funds);

B. a reconciliation of the Firm's composition of regulatory own funds with the capital in the balance sheet in the audited financial statements of the Firm; and

C. a description of the main features of the common equity tier 1 instruments, additional tier 1 instruments and tier 2 instruments issued by the Firm.

Please see the tables below[13] which set out these disclosures.

| **A. Composition of regulatory own funds** | | | |
|---|---|---|---|
| | **Item** | **Amount (GBP thousands)** | **Source based on reference numbers/letters of the balance sheet in the audited financial statements** |
| **1** | **OWN FUNDS** | 29,937 | |
| **2** | **TIER 1 CAPITAL** | 29,937 | |
| **3** | **COMMON EQUITY TIER 1 CAPITAL** | 29,937 | |
| 4 | Fully paid up capital instruments | 29,937 | A7 |
| 5 | Share premium | | |
| 6 | Retained earnings | | |
| 7 | Accumulated other comprehensive income | | |
| 8 | Other reserves | | |
| 9 | Adjustments to CET1 due to prudential filters | | |
| 10 | Other funds | | |
| 11 | (-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1 | | |
| 19 | CET1: Other capital elements, deductions and adjustments | | |

[13] These are based on prescribed FCA templates set out in MIFIDPRU 8 Annex 1

| | | | |
|---|---|---|---|
| 20 | **ADDITIONAL TIER 1 CAPITAL** | 0 | |
| 21 | Fully paid up, directly issued capital instruments | | |
| 22 | Share premium | | |
| 23 | (-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1 | | |
| 24 | Additional Tier 1: Other capital elements, deductions and adjustments | | |
| 25 | **TIER 2 CAPITAL** | 0 | |
| 26 | Fully paid up, directly issued capital instruments | | |
| 27 | Share premium | | |
| 28 | (-) TOTAL DEDUCTIONS FROM TIER 2 | | |
| 29 | Tier 2: Other capital elements, deductions and adjustments | | |

| **B. Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements** | | | | |
|---|---|---|---|---|
| | | A | B | C |
| | | **Balance sheet as in published/audited financial statements** | **Under regulatory scope of consolidation** | **Cross-reference to template OF1** |
| | | **As at period end** | **As at period end** | |
| **Assets** - *Breakdown by asset classes according to the balance sheet in the audited financial statements* | | | | |
| 1 | Cash and cash equivalents | 43,427 | | |
| 2 | Debtors | 119,450 | | |
| 3 | **Total Assets** | 162,877 | | |
| **Liabilities** - *Breakdown by liability classes according to the balance sheet in the audited financial statements* | | | | |
| 4 | Creditors: amounts falling due within one year | 7,776 | | |
| 5 | **Total Liabilities** | 7,776 | | |

| Shareholders' Equity | | | | |
|---|---|---|---|---|
| 6 | Loans and other debts due to members | 125,164 | | |
| 7 | Members' capital classified as equity | 29,937 | | |
| 8 | **Total Shareholders' equity** | 155,101 | | |

| **C. Own funds: main features of own Instruments issued by the Firm** |
|---|
| The CET 1 instruments issued by the Firm consist of LLP members' capital. The instruments have been issued on an ad hoc basis as and when new LLP members have been admitted or when the Firm has required additional capital. The LLP members' capital does not have a nominal value. Its value reflects the amount paid in by the relevant member. Under the terms of the Firm's LLP Agreement, the LLP members' capital is non-convertible and perpetual (it does not have a maturity date), carries no right to dividends, coupon or other forms of income (instead, LLP members may, at the discretion of the Firm be awarded a share in the profits of the Firm at the end of the financial year) and is subject to restrictions on withdrawal in accordance with the requirements of MIFIDPRU 3.3.17 R. |

Own Funds Requirements

5.2 The below table relates to the Firm's own funds requirements under MIFIDRU 4.3.

| **K-Factor Requirement** (calculated by the Firm in accordance with MIFIDPRU 4.6) | The Firm's K-Factor Requirement is: £12.2m | The Firm's K-Factor Requirement can be further broken down as follows: |
|---|---|---|
| | | **the sum of**:<br>- the K-AUM requirement;<br>- the K-CMH requirement; and<br>- the K-ASA requirement,<br>which is:<br>£0.4m |
| | | **the sum of:**<br>- the K-COH requirement; and<br>- the K-DTF requirement.<br>which is:<br>£11.8m |

| | | |
|---|---|---|
| | | the sum of:<br>- the K-NPR requirement;<br>- the K-CMG requirement;<br>- the K-TCD requirement; and<br>- K-CON requirement,<br>which is:<br>£0m |
| **Fixed Overheads Requirement** | The Firm's Fixed Overheads Requirement, calculated in accordance with MIFIDPRU 4.5 is: £23.4m | |

Approach to Assessing Adequacy of Own Funds

As part of its ICARA process, the Firm assesses the adequacy of its own funds in accordance with the overall financial adequacy rule in MIFIDPRU 7.4.7 R. In particular, the Firm assesses the own funds it requires to:

- address any potential harms it has identified which it has not been able to mitigate;
- address any residual harms remaining after mitigation; and
- ensure an orderly wind down of its business.

As the Firm is not an SNI firm, it is required to use its K-factor requirement as a starting point for determining the appropriate amount of own funds to cover risks of harm to the business as a going concern, to the extent that such risks have not or cannot be mitigated.

The Firm assesses whether and to what extent a K-factor requirement covers each risk of harm identified during the ICARA process on a going concern basis (to the extent the risk of harm is not or cannot be adequately mitigated).

For this purpose, each risk of harm that is not adequately mitigated is mapped to the corresponding K-factor requirement. To the extent that the applicable K-factor requirement is insufficient to cover the post mitigation risk of harm or to the extent that there is no applicable K-factor requirement, the Firm will calculate a suitable amount of additional capital.

As part of its ICARA, the Firm also assesses the level of own funds that it would need in order to effect an orderly wind down, taking into account any additional risks of harm it identifies and whether the Firm's fixed overheads requirement adequately covers such risks.

## 6. Remuneration policy and practices

### Qualitative disclosures

6.1 The Firm's approach to remuneration for staff[14] can be summarised as follows:

- **Philosophy:** The Firm's remuneration policies and practices are driven by its desire to reward its staff fairly and competitively, but at the same time create a culture of principled behaviour and actions (particularly with regards to the areas of risk, compliance, control, conduct and ethics). As such, the Firm's remuneration policies and practices have been designed so as to contribute to the achievement of the Firm's objectives, but in a way that does not encourage excessive risk-taking or the violation of applicable laws, guidelines, and regulations, and which takes the capital position and economic performance of the Firm over the long term into account.

- **Linkage between variable remuneration and performance:** The total amount of an individual's variable remuneration will be awarded on a discretionary basis, and depending on whether the individual is an investment professional (i.e. portfolio manager and other front office staff) or investment services (i.e. back and middle office staff) will be generally based on a combination of the assessment of the performance of: (i) the individual; and (ii) the business unit concerned and the overall results of the Firm (more typically for investment services staff).

  When assessing individual performance, financial as well as non-financial criteria are taken into account.

- **Main performance objectives:** The Firm's main performance objectives relating to the remuneration of staff is as follows:

  Financial performance objectives:

  - For certain investment professionals, variable remuneration (i.e. bonuses) are determined with reference to the performance of the investment portfolio(s) they manage or assist in managing, thereby ensuring alignment of interest between the individual and the Firm's clients. Such individuals' investment management activities are subject to prescriptive risk controls and other mechanisms, which together assist in ensuring that any financial performance and relevant variable compensation awards reflect appropriate risk considerations over a multi-year period.

  Non-financial performance objectives:

  - Non-financial performance objectives may include risk mitigation, compliance record, adherence to the Firm's policies and values, and reputation in the market.

- **Categories of staff eligible to receive variable remuneration:** The following categories of staff are eligible to receive variable remuneration:

  - Investment professionals

  - Investment services

[14] The term 'staff' as used here should be interpreted broadly to include, for example, employees of the Firm itself, partners or members (in the case of partnership structures), employees of other entities in the group, employees of joint service companies, and secondees.

6.2 As indicated above, the Firm's objective in using financial incentives with its staff is to contribute to its strategic objectives, but in a sufficiently prudent manner that does not encourage excessive risk-taking or the violation of applicable laws, guidelines, and regulations, and which takes into account the capital position and long-term economic performance of the Firm.

6.3 The below is a summary of the decision-making procedures and governance surrounding the development of the Firm's remuneration policies and practices (which the Firm is required to adopt under SYSC 19G (the "**MIFIDPRU Remuneration Code**"):

- The Management Body has adopted remuneration policies and practices in line with the rules and guidance laid down by the FCA and the MIFIDPRU Remuneration Code and is responsible for the implementation of such policies and practices;

- The Management Body periodically reviews the Firm's policies (at least annually) in accordance with the guidance and rules in SYSC 19G.3;

- The Management Body ensures that the Firm, at least annually, conducts a central and independent internal review of whether the implementation of its remuneration policies and practices complies with the remuneration policy and practices adopted by the Management Body;

- Due to the application of MIFIDPRU 7.1.4 R, the Firm is not required, and so has not established, a remuneration committee; and

- The Firm engaged external legal advisors in the development of its remuneration policies and practices.

Material Risk Takers ("**MRTs**")

The Firm carried out a detailed assessment of the applicable requirements for the identification of MRTs, including the factors and indicators specified in SYSC 19G.5.3R to 19G.5.5G. The Firm considered all types of roles that may have a material impact on the Firm's risk profile or the assets it manages, using the categories of staff referred to in SYSC 19G.5.3R as a starting point, and taking into account all types of risk involved in the Firm's professional activities.

Pursuant to this process, the Management Body has classified 21 individuals as MRTs. Such MRTs include the following categories of personnel:

- Members of the Management Body;

- Portfolio managers whose activities have a material impact on the assets that the Firm manages;

- Heads of trading business units; and

- Individuals with responsibility for Legal, Compliance, IT, Human Resources, Finance and Risk.

Key Characteristics of the Firm's Remuneration Policies and Practices.

| **Different components of remuneration (fixed and variable) awarded by the Firm** | | |
|---|---|---|
| **Component of remuneration** | Base salary / fixed monthly drawings | Fixed |

| | | |
|---|---|---|
| | Discretionary bonus / discretionary profit share | Variable |
| | Fixed pension contributions and other benefits | Fixed |

| **Summary of the financial and non-financial performance criteria used across the Firm which impact variable remuneration awarded to staff** | | |
|---|---|---|
| **Performance Criteria** | Performance criteria used in relation to the Firm | Financial performance criteria:<br>- Fund performance<br>- Gross revenue |
| | | Non-financial performance criteria:<br>- Achievement of strategic goals<br>- Compliance related performance |
| | Performance criteria used in relation to the Firm's business units | Financial performance criteria:<br>- Attributable revenue generation in the case of investment professionals<br>- Expense management |
| | | Non-financial performance criteria:<br>- Risk mitigation<br>- Strategic goals e.g. in relation to headcount |
| | Performance criteria used in relation to the Individuals | Financial performance criteria:<br>- Attributable revenue generation in the case of investment professionals |
| | | Non-financial performance criteria:<br>- Performance in line with the Firm's strategy<br>- Adherence to the Firm's policies |

*Risk Adjustment*

Determination of the bonus pool includes adjustments for all types of current and future risks and the cost of the capital and liquidity required. The allocation of variable remuneration components within the Firm takes into account all types of current and future risks.

In considering the above, the Firm:

- determines at what level the adjustments should be applied (such as business unit, trading desk and/or individual level, as appropriate), which risks are relevant, and which risk adjustment techniques and measures are most appropriate; and

- in considering all types of current and future risks, includes both financial risks and non-financial risks.

Total variable remuneration is generally considerably contracted where the financial performance of the Firm is subdued or negative.

The Firm retains the right to make ex-post adjustments to variable remuneration awarded to MRTs through clawbacks (where there is any deferral or partial deferral of bonuses) for up to three years following the relevant award. This right may be exercised in the event that additional facts and circumstances come to light following an award of variable compensation that are relevant to the assessment of the individual's performance during the assessment period. This could include a scenario in which an MRT participated in or was responsible for conduct which resulted in significant losses or reputational damage to the Firm, its clients or the markets in which it operates, or otherwise failed to meet appropriate standards of fitness and propriety.

Guaranteed Variable Remuneration

6.4 Awards of guaranteed variable remuneration are generally only made in the context of hiring new personnel or otherwise where it is determined that such an award is in the interests of the Firm and its clients and does not compromise the Firm's capital base. In respect of MRTs, such guaranteed awards are limited to the first year of service.

Severance Payments

6.5 In certain circumstances, severance payments may be made. In such circumstances, severance pay is determined on a case-by-case basis and involves input from the legal, human resources and compliance departments. Additionally, the advice of external counsel is sought to ensure any severance payment is sound.

**Quantitative disclosures**

6.6 The total number of MRTs identified by the Firm under SYSC 19G.5 was: 21

6.7 Remuneration paid or awarded for the financial year ended 31 December 2024 comprised fixed remuneration and variable remuneration. The following tables show aggregate quantitative remuneration information for the Firm's "Senior Management", "Other Material Risk Takers" and "Other Staff" according to the following definitions:

- **Senior Management:** those persons at the Firm who exercise executive functions and who are responsible and accountable to the Management Body for the day-to-day management of the Firm;

- **Other MRTs:** other employees whose activities have a material impact on the risk profile of the Firm and have been classified as MRTs; and

- **Other Staff:** other employees whose activities are not deemed to have a material impact on the risk profile of the Firm and have not been classified as MRTs.

| **Disclosures required under MIFIDPRU 8.6.8R (4) and (5)(a) and (b)** | |
|---|---|
| **Disclosures required under MIFIDPRU 8.6.8R (4)** | |
| *Senior Management* | |
| *2024 Total remuneration awarded to Senior Management* | 7,685,869 |
| *2024 Fixed remuneration awarded to Senior Management* | 2,812,674 |
| *2024 Variable remuneration awarded to Senior Management* | 4,873,195 |
| *Other MRTs* | |
| *2024 Total remuneration awarded to Other MRTs* | 41,279,297 |
| *2024 Fixed remuneration awarded to Other MRTs* | 1,781,798 |
| *2024 Variable remuneration awarded to Other MRTs* | 39,497,499 |
| **Disclosures required under MIFIDPRU 8.6.8R (5)(a)** | |
| *Senior Management* | |
| *2024 Number of Senior Management that received guaranteed variable remuneration awards* | - |
| *2024 Total amount of guaranteed variable remuneration awards made to Senior Management* | - |
| *Other MRTs* | |

| | |
|---|---|
| *2024 Number of Other MRTs that received guaranteed variable remuneration awards* | - |
| *2024 Total amount of guaranteed variable remuneration awards made to Other MRTs* | - |

| **Disclosures required under MIFIDPRU 8.6.8R(4) – Other Staff** | |
|---|---|
| *2024 Total remuneration awarded to Other Staff* | 179,681,375 |
| *2024 Fixed remuneration awarded to Other Staff* | 45,501,332 |
| *2024 Variable remuneration awarded to Other Staff* | 134,180,043 |

| **Disclosures required under MIFIDPRU 8.6.8R(5)(c) – Senior Management and Other MRTs** | |
|---|---|
| *2024 Highest severance payment awarded to an individual classified as Senior Management* | 80,000 |
| *2024 Highest severance payment awarded to an individual classified as an Other MRT* | - |

6.8 In relation to the above Quantitative disclosures, the Firm has relied on the exemption in MIFIDPRU 8.6.8R (7) such that it has not provided information in relation to MIFIDPRU 8.6.8R (5)(b).

6.9 The Firm has relied on the exemption in MIFIDPRU 8.6.8R (7) in order to prevent the individual identification of any individual MRTs at the Firm or the disclosure of information that could be associated with an individual MRT at the Firm.