MITHERIDGE

MIFIDPRU 8 Disclosure

Introduction

Mitheridge Capital Management LLP (“MCM”, the “Firm” or “we”) is a MIFID Investment Manager authorised and regulated by the Financial Conduct Authority (FCA). We are required to comply with the disclosure requirements under the Investment Firms Prudential Regime (IFPR), which is set out in the FCA Handbook MIFIDPRU 8.

For the purpose of prudential regulations, we are classified as a SNI (small and non-interconnected) firm” and are subject to the basic requirements. We are required to provide a level of detail in our disclosures that is appropriate to our size and internal organisation, and to the nature, scope, and complexity of our activities.

Risk Management

The Partner Board has the ultimate responsibility for the development of appropriate strategies, systems, and controls for the management of risks within the business.

The Firm’s governing body has adopted a conservative risk appetite to maintain a strong capital position, liquidity and balance sheet throughout market cycles.

As an investment management company, risk is a fundamental characteristic of the Firm’s business. MCM is committed to ensuring all business activities are conducted with a clear understanding of the risks, to maintaining a robust risk management framework, ensuring transparent disclosure, treating its clients fairly, and to meet the expectations of major stakeholders, including clients, employees, Partners and regulators.

Own funds requirement

The Firm must, at all times, hold own funds and liquid assets which are adequate, both to their amount and their quality, to ensure that the Firm is able to remain financially viable throughout the economic cycle and be able to address any material potential harm that may result from its going activities; and to ensure that the Firm’s business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

As a result of the introduction of the IFPR, the Firm has conducted and documented its Internal Capital Adequacy and Risk Assessment process (ICARA) to identify whether the Firm complies with the abovementioned overall financial adequacy rule. The Firm may hold additional own funds or additional liquid assets above the Firm's own funds requirement or basic liquid assets requirement to manage the potential harms identified.

The Firm's ICARA is reviewed and approved by the Board at least annually, or more often as deemed appropriate.

As a SNI firm, the Firm is required to maintain an amount that is the higher of the:

- Permanent minimum capital requirement (PMR); and
- Fixed overheads requirement (FOR), which is an amount equal to three months of the firm's relevant expenditure.

The Firm's own funds requirements according to MIFIDPRU 4.3 are as follows:

	£ ('000)	
(a) Permanent minimum requirement (PMR)	75	
(b) Fixed Overhead Requirement (FOR)	TBC	Business undergoing a restructuring whereby the operating expenses of MCM will significantly reduce, reflective of their engagement across the Mitheridge group structure.
Own Funds Requirements		*Higher of (a) and (b)*

Refer to the Annexes for the latest information about the Firm's own funds.

Liquidity

Liquidity risk is the risk of the Firm failing to meet its short-term liabilities as they fall due. MCM's appetite for liquidity risk is low. Given the current remuneration structure in place between MCM and its clients (management fee based on AUM) and, the nature of the assets and liabilities of the firm, the liquidity risk embedded in MCM's business is considered remote.

The Firm is required to hold an amount of liquid assets equal to one third of their Fixed Overhead Requirement. This is the basic liquid asset requirement and is made up of approved liquid assets, which can include cash, units or shares in short-term regulated money market funds and short-term deposits at UK credit institutions.

However, the basic liquid asset threshold requirement may not be sufficient in times of financial stress, so the Firm has also considered the higher requirement needed to meet:

1. The liquid assets needed at any given point in time to fund ongoing operations as well as to mitigate any adverse trends throughout the economic cycle, or
2. The Firm's assessment of liquid assets required in the event of an orderly wind down.

Remuneration

The Firm is required to comply with the MIFIDPRU Remuneration Code under IFPR, which aims to ensure that we have risk-focused remuneration policies that are consistent with and promote sound and effective risk management in the long-term interests of the Firm and our customers and do not expose the Firm or our clients to excessive risk.

Our approach and objectives

We have formulated our approach in remuneration policy and practices with reference to the guidance set out by the FCA. We consider the appropriate balance between fixed and variable remuneration as well as the constraints in place to avoid a conflict of interest between staff incentives and the best interests of customers.

The objectives of our financial incentives are to:

- promote sound and effective risk management in the long-term interests of the Firm and our customers;
- limit risk-taking and avoid conflicts of interest
- ensure alignment between risk and individual reward
- supporting positive behaviours and healthy firm cultures
- encourage responsible business conduct
- discourage behaviour that can lead to misconduct and poor customer outcomes
- align employee's interests with the firm's long-term strategy and objectives
- be gender neutral, in line with the Equality Act 2010.

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Governance and decision-making procedures

The Partner Board of the Firm is responsible for overseeing the implementation of our remuneration policy and ensuring our compliance with the MIFIDPRU Remuneration Code.

One role of the Partner Board of the Firm is to ensure the extent of the variable remuneration at the Firm cannot affect the Firm's ability to ensure a sound capital base. The Partner Board of the Firm is responsible for overseeing the performance management process; reviewing and approving the remuneration policy, variable remuneration pool and caps, eligibility of participation in variable remuneration schemes, as well as the approval of variable remuneration awarded to individuals.

We assess our staff members under our performance management process on an ongoing basis with an annual performance assessment outcome being used as a contributing factor in the determination of remuneration.

The remuneration of senior staff in risk management and compliance functions is directly overseen by the Partner Board of the Firm. Any remuneration to staff with control functions is awarded according to objectives linked to their functions and remains independent from the business units they oversee.

No variable remuneration is awarded to members of the management body who do not perform any executive function in the Firm.

The Firm's remuneration policies and practices are developed in consultation with our external consultants, Bovill.

Key characteristics of remuneration policies and practices

All staff receive fixed remuneration in form of base salary; and are considered for discretionary variable remuneration in form of bonus and fund carried interest where eligible.

The fixed and variable components of total remuneration are appropriately balanced with the fixed element being sufficiently high to enable the operation of a fully flexible policy on variable remuneration.

Fixed remuneration

<u>Base Salary</u>
We review the base salary our staff members on an annual basis by considering factors such as market information and individual performance.

Variable remuneration

Bonus

The Firm's bonus scheme is a discretionary reward scheme based on the performance of the Firm as a whole. All bonuses are dependent on the firm's overall financial result to ensure a sound capital base. The bonus pool will take into consideration all types of current and future, financial and non-financial risks and be determined on a sliding scale, using a monthly salary multiplier as a guide.

On an individual level, the scheme is designed and linked to both financial and non-financial criteria, rewarding behaviours that promote positive non-financial outcomes for the firm and limiting eventual behaviours contrary to the firm's values.

The bonus pool and other individual bonuses will be adjusted as deemed necessary by the Partner Board of the Firm in consideration of the following:

- Any compliance or regulatory issues that have occurred or are under investigations internally or externally
- Any persistent or significant breaches in either financial or non-financial KPI's
- Any conduct related matters that have occurred or are under investigation internally or externally
- Any matters that adversely impact client outcomes
- Any other factors that may publicly impact the Firm's brand or reputation.

Control function staff are independent from the business units they oversee and are remunerated in line with the achievement of the objectives of their functions. The determination of the level of remuneration of such staff is independent of the performance of the business areas they oversee.

Carried Interest

MCM will provide eligible employees with direct and indirect allocations of carry received by the Company from select investment vehicles.

Guarantees

We acknowledge non-performance-related variable remuneration, such as sign-on bonus, buy-out award, retention award and severance pay, may weaken the alignment of risk and award.

We may award the following remuneration if it does not become common practice:

- Sign-on bonus: only in the first year of service of the newly hired material risk takers where the firm has a strong capital base.

- Buy-out award: involves the Firm compensating a new employee for reduced, revoked, or cancelled variable remuneration by the previous employer
- Retention award: this is dependent on a material risk taker remaining in role until the end of a restructuring or a wind-down of the firm
- Severance pay: in case of early termination of the employment contract, the Firm retains the ability to make severance payments as long as they reflect the individual's performance over time and do not reward failure or misconduct.

Quantitative disclosures

For the financial year ended 31 March 2022, the amount of remuneration awarded is as follows:

Total remuneration	**1,015,233**
(a) Fixed remuneration	1,015,233
(b) Variable remuneration	-

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Annex 1: Own funds – Composition of regulatory own funds

	Item	Amount (£ '000)	Source based on reference numbers / letters of the balance sheet in the audited financial statements
1	**OWN FUNDS**	**88**	
2	**TIER 1 CAPITAL**	**88**	
3	**COMMON EQUITY TIER 1 CAPITAL**		
4	Fully paid-up capital instruments	88	
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		
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		
29	Tier 2: Other capital elements, deductions and adjustments		

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Annex 2: 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 **Amount as at period end (£ '000)**	**Under regulatory scope of Consolidation** **Amount as at period end (£ '000)**	**Cross-reference to Annex 1**
Assets - *Breakdown by asset classes according to the balance sheet in the audited financial statements*				
1	Intangible Assets	11		
2	Tangible Assets	51		
3	Investments	1		
4	Debtors	797		
5	Cash at Bank	144		
	Total Assets	**1,004**		
Liabilities - *Breakdown by liability classes according to the balance sheet in the audited financial Statements*				
1	Creditors: Amounts falling due within one year	444		
2	Creditors: Amounts falling due more than one year	334		
	Total Liabilities	**778**		
Members' Interests				
1	Loans due to Members	138		
2	Members' capital classified as equity	88		Item 4
	Total Members' Interests	**226**		