

**Stanhope Capital LLP ('The Firm')**

**FCA Non-SNI Disclosure Policy**

**31 December 2022**

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## **1 STANHOPE CAPITAL - OVERVIEW**

### **1.1 Introduction**

The Investment Firm Prudential Regime ('IFPR') is the FCA's prudential regime for MiFID investment firms which aims to streamline and simplify the prudential requirements for UK investment firms. The IFPR came into effect on 1 January 2022 and its provisions apply to Stanhope Capital LLP ("the Firm") as an FCA authorised and regulated firm.

The Firm is an investment manager and also provides advisory services. It is classified as a Limited Liability Partnership, its reference number is OC307719 and date of FCA authorisation was 7 September 2004. The firm's immediate parent undertaking and corporate member is Stanhope Capital Management Limited and ultimate parent undertaking and controlling party is Stanhope Capital Group SA which is incorporated in Switzerland.

The Firm is required to publish disclosures in accordance with the provisions outlined in MIFIDPRU 8. The disclosure document covers all aspects of the disclosure requirements within the scope of the MIFIDPRU rules applicable to non-small and non-interconnected ('Non-SNI') investment firms.

The Firm is a member of a UK Consolidation Group. The disclosures have been prepared on an individual basis.

The Firm believes that its qualitative disclosures are appropriate to its size and internal organisation, and to the nature, scope and complexity of its activities.

This disclosure has been ratified and approved for disclosure by the Board of Stanhope Capital Management Limited.

The annual audited accounts of Stanhope Capital LLP set out further information which complements the information in this disclosure. The audited accounts are freely available from UK Companies House.

This document does not constitute any form of financial statement on behalf of Stanhope Capital LLP. The information contained herein has been subject to internal review but has not been audited by the Firm's external auditors.

### **1.2 Objectives**

This document sets out the public disclosure under MIFIDPRU 8 for the Firm as of 31 December 2022, which is the Firm's accounting reference date.

As a MIFIDPRU investment firm, we must establish and implement disclosure requirements to provide investors, stakeholders and wider market participants an insight into how the Firm is run.

### **1.3 Disclosure timing requirements**

The Firm is required to publicly disclose the information specified in this Policy on an annual basis on the date it publishes its annual financial statements, which is on 30 September 2023.

The Firm will consider making more frequent public disclosure where particular circumstances demand it, for example, in the event of a major change to its business model or where a merger has taken place.

**1.4 Policy and Disclosure Validation**

Stanhope Capital LLP is committed to having robust internal controls to ensure the completeness, accuracy, and compliance with the relevant public disclosure regulatory requirements.

This document has been subject to internal governance and verification process, and approval by the Board in line with the Public Disclosure Policy that the Firm has adopted to ensure compliance with the regulatory requirements contained in MIFIDPRU 8.

As a Non-SNI firm, the public disclosure document will be prepared to contain the following key areas:

- Governance arrangements;
- Risk management objectives and policies;
- Own funds;
- Own funds requirements;
- Remuneration policy and practices;

The disclosure drafting process involves an input from a number of internal stakeholders. The table below summarises the governance relating to provision of data, verification, and approval of the individual areas of disclosures:

<b>Area of disclosure</b>	<b>Responsible individual(s)/team(s) for data provided</b>	<b>Accountable stakeholder/division for approval of the information provided</b>
Governance arrangements	Compliance	Risk and Compliance Committee
Risk management	Compliance/Finance	Risk and Compliance Committee
Own funds	Finance	Stanhope Capital Management Limited Board
Own funds requirements	Finance	Stanhope Capital Management Limited Board
Remuneration	HR/Compliance/Finance	Remuneration Committee

The Policy requires internal challenge and oversight prior to approval and publication.

## **2 REMUNERATION DISCLOSURE**

As a MIFIDPRU investment firm, we must establish, implement and maintain gender neutral remuneration policies and practices that are appropriate and proportionate to the nature, scale and complexity of the risks inherent in the business model and the activities of the Firm. Our remuneration policy and practices are gender neutral and do not discriminate employees on the basis of gender or other characteristics.

The Firm is subject to both the MIFIDPRU Remuneration Code and the AIFM Remuneration Code. We therefore commit to complying with the most stringent requirement in instances where the requirements differ, and we can only comply with one. The Firm therefore considers which requirement is the most stringent on a provision-by-provision basis.

The Firm has adopted a Remuneration Policy that complies with the requirements of Chapter 19G of the FCA's Senior Management Arrangements, Systems and Controls Sourcebook.

### **2.1 Performance period**

The Firm's performance period is from 1 January 2022 to 31 December 2022.

### **2.2 Approach to remuneration for employees**

The Firm's remuneration approach is designed to support individual and corporate performance, encourage the sustainable long-term financial health of the business and promote sound risk management for the success of the Firm and to the benefit of its customers, counterparties and the wider market. Our remuneration approach promotes long-term value creation through transparent alignment with the corporate strategy.

The Board believes the Firm's remuneration structure is appropriate for the business and the industry it operates in and is efficient and cost-effective in delivering its long-term strategy.

Our remuneration structure includes provisions that in specific circumstances, allow the Firm to:

- forfeit or withhold all or part of a bonus or long-term incentive award before it has vested and been awarded ('performance adjustment' or 'malus'); and/or
- recover sums already paid ('clawback').

Undeserved and excessive remuneration sends a negative message to all stakeholders, including the Firm's workforce, and causes long term damage to the Firm and its reputation.

### 2.3 Financial incentives objectives

The objectives of the Firm's remuneration practices are as follows:

- the Firm undertakes to reward all employees fairly, regardless of age, disability, race, religion or belief, gender, pregnancy and maternity, or sexual orientation;
- it is the policy of the Firm to operate competitive remuneration policies to attract, retain and motivate an appropriate workforce for the Firm;
- the Firm is also committed to ensuring that its remuneration practices encourage high standards of personal and professional conduct, support sound risk management and do not encourage risk taking that exceeds the level of tolerated risk of the Firm, and are aligned with the Firm's regulatory requirements;
- rewards for all staff will be aligned to financial and non-financial performance criteria and risk profile, and in all cases will be in line with the business strategy, objectives, values, culture and long-term interests of the Firm;
- the Firm will not allow any unfair or unjust practices that impact on pay;
- the Firm undertakes that it will not award remuneration using vehicles or methods the aim of which is to attempt to avoid application of the relevant FCA's Remuneration Code.

The Firm uses the following financial incentives:

- bonuses;
- commissions;
- salary raises; and
- professional development opportunities.

Our financial incentives are designed to:

- raise employee satisfaction;
- recognise individual performance;
- attract and retain talent;
- encourage collaborative teamwork; and
- motivate staff to achieve Firm-wide objectives.

## 2.4 Governance

The Remuneration Committee is responsible for the Firm's remuneration policy. The role of the Remuneration Committee is to determine the framework and policy on terms of engagement (including remuneration) of the Chairman, Executive Directors and members of the Management Board, and the specific remuneration of each Executive Director and each member of the Management Board (including entitlements under share incentive schemes and pension schemes) and any compensation payments. Fees payable to Non-Executive Directors are determined by the Executive Committee on the recommendation of the Chief Executive.

The Remuneration Committee meets regularly and is composed of:

- Chief Executive Officer
- Chief Investment Officer
- Head of Portfolio Management
- Chief Financial Officer
- Head of Human Resources

## 2.5 Components of remuneration

The Firm makes a clear distinction between the fixed and variable remuneration.

Fixed remuneration primarily reflects a staff member's professional experience and organisational responsibility as set out in the staff member's job description and terms of employment; and is permanent, pre-determined, non-discretionary, non-revocable and not dependent on performance.

Variable remuneration is based on performance and reflects the long-term performance of the staff member as well as performance in excess of the staff member's job description and terms of employment. In exceptional cases, variable remuneration is based on other conditions. Variable remuneration includes discretionary pension benefits. The Firm will ensure that the fixed and variable components of an individual's total remuneration are appropriately balanced. In determining this balance, the Firm considers the following factors:

- the Firm's business activities and associated prudential and conduct risks;
- the role of the individual in the Firm;
- the impact that different categories of staff have on the risk profile of the Firm or of the assets it manages;
- no individual must be dependent on variable remuneration to an extent likely to encourage them to take risks outside the risk appetite of the Firm;
- it may be appropriate for an individual to receive only fixed remuneration, but not only variable remuneration; and
- variable remuneration must not affect the Firm's ability to ensure a sound capital base.

When assessing individual performance to determine the amount of variable remuneration to be paid to an individual, the Firm takes into account financial as well as non-financial criteria. Non-financial criteria should:

- form a significant part of the performance assessment process;
- override financial criteria, where appropriate;
- include metrics on conduct, which should make up a substantial portion of the non-financial criteria; and
- include how far the individual adheres to effective risk management and complies with relevant regulatory requirements.
- represents Stanhope Capital LLP values, which are set out in the Employee Handbook, Compliance Manual and Code of Ethics for the firm.



**2.6 Financial and non-financial performance criteria**

The Firm must take into account both financial and non-financial criteria when assessing the individual performance of its staff. This aims not only to discourage inappropriate behaviours but also to incentivise and reward behaviour that promotes positive non-financial outcomes for the Firm.

The Firm uses the following financial performance criteria:

- realised asset inflows and outflows from client relationships
- realised revenues from client relationships
- current year and forecast profit and loss

The Firm uses the following non-financial performance criteria:

- measures relating to building and maintaining positive customer relationships and outcomes, such as positive customer feedback;
- performance in line with firm strategy or values, for example by displaying leadership, teamwork or creativity;
- adherence to the firm’s risk management and compliance policies;
- achieving targets relating to environmental, social and governance factors; and
- diversity and inclusion.

The criteria outlined above are used for the assessment of the performance of:

**The firm**

<b>Financial performance criteria</b>
Realised inflows/outflows of discretionary and advisory assets
Realised revenues from client relationships
Current year and forecast profit and loss
<b>Non-financial performance criteria</b>
Remuneration decisions are based on a sound and effective risk management approach that protects investors, clients, the firm, and its staff.
Incentives are designed to encourage behaviour focused on long-term strategic performance and ensure compliance with regulatory and legal frameworks.

**Business units**

<b>Financial performance criteria</b>
Divisional revenues and profit and loss
Realised inflows/outflows of discretionary and advisory assets
<b>Non-financial performance criteria</b>
Business objectives are set against which bonuses are considered and a remuneration committee is responsible for determining remuneration across the company.

**Individuals**

<b>Financial performance criteria</b>
Individual contributions to revenue and profit and loss
Individual contributions to realised inflows/outflows of discretionary and advisory assets
<b>Non-financial performance criteria</b>
Individuals are valued and rewarded competitively against external market peers
Fairness and equity in remuneration decisions are based on a formal, rigorous performance assessment against core values of the firm relating to environmental, social & governance factors and diversity and inclusion. Also conduct, the individual's role and the risk attached to that role

## 2.7 Awarded remuneration

The Firm has awarded the below amounts of remuneration to its senior management, MRTs and other staff:

Staff category	Remuneration type	£,'000
Senior management	Fixed remuneration	2,231
	Variable remuneration	800
	<b>Total amount</b>	<b>3,031</b>
Other MRTs	Fixed remuneration	633
	Variable remuneration	164
	<b>Total amount</b>	<b>797</b>
Other staff	Fixed remuneration	5,216
	Variable remuneration	1,577
	<b>Total amount</b>	<b>6,792</b>

Staff category	Remuneration type	£,'000	Total recipients
Senior management	Guaranteed variable remuneration	-	-
	Severance payments	-	-
	Highest severance awarded to an individual member of senior management	-	-
Other MRTs	Guaranteed variable remuneration	-	-
	Severance payments	-	-
	Highest severance awarded to an individual MRT	-	-

## 2.8 Material risk takers

The Firm has identified MRTs in accordance with SYSC 19G.5 and the qualitative criteria set out in SYSC 19G.5.3R, 19G.5.4RG and SYSC 19G.5.5G. In addition, as part of this Disclosure Policy, the Firm also draws from the Remuneration Policy which requires us to identify our MRTs on an annual basis.

For the performance year 2022, the Firm identified 10 MRTs, broken down as follows:

<b>MRT Type</b>	<b>Number</b>
The staff member is a member of the management body in its management function	7
The staff member is a member of the management body in respect of the management body in its supervisory function	
The staff member is a member of the senior management	
The staff member is a member who has managerial responsibility for business units that are carrying on at least one of the following activities: <ul style="list-style-type: none"> <li>• arranging (bringing about) deals in investments;</li> <li>• dealing in investments as agent;</li> <li>• dealing in investments as principal;</li> <li>• managing investments;</li> <li>• making investments with a view to transaction in investments;</li> <li>• advising on investments (except P2P agreements); and/or</li> <li>• operating an organised trading facility.</li> </ul>	
The staff member is a member who has managerial responsibilities for the activities of a control function	
The staff member is a member who has managerial responsibilities for the prevention of money laundering and terrorist financing	1
The staff member is responsible for managing a material risk within the firm	
In a firm that has permission for carrying on at least one of the regulated activities mentioned above, the staff member is responsible for managing one of the following activities: <ul style="list-style-type: none"> <li>• information technology;</li> <li>• information security; and/or</li> <li>• outsourcing arrangements of critical or important functions as referred to in article 30(1) of the MiFID Org Regulation.</li> </ul>	1
The staff member has authority to take decision approving or vetoing the introduction of new products	1

## 2.9 Risk adjustment

Stanhope Capital LLP takes risk, including conduct risk, into account both on an ex-ante and ex-post basis when setting the amount and form of variable remuneration for employees. Different lines of business have different risk profiles and these are taken into account when determining (future) remuneration. These include credit, market, liquidity, operational, reputational, legal, compliance and conduct risk. Guidelines are provided to assist compensation managers when applying discretion during the remuneration process to promote consistent consideration of the different risks presented by the firm's businesses. Further, to ensure the independence of control function employees, remuneration for those employees is not determined by individuals in revenue-producing positions but rather by the management of the relevant control function.

The Firm has implemented a set of procedures which ensures that all variable remuneration payable is subject to (i) in-year adjustments (all staff); (ii) malus, if appropriate (applicable to MRTs); (iii) and/or clawback (applicable to MRTs). To ensure effective risk adjustment, the Firm requires employees who receive variable remuneration awards to agree to forfeiture and clawback in the event of fraud, misconduct or actions contributing to the detriment of business interests. Ex-ante risk adjustment of variable remuneration can occur through the considerable reduction in total variable performance where subdued or negative financial performance of the Firm occurs, taking into consideration the Firm's regulatory capital, liquidity requirements and the current and future risks it has identified. Furthermore, an individual's variable remuneration may be reduced, or if malus or clawback is available, utilised, where employment issues have been identified as part of the ongoing performance review process in place at the Firm.

Performance adjustment events may occur as a result of a deliberate or malicious act, error, accident or negligence. There may also be grounds for a performance adjustment due to an individual's failure to act either to prevent a risk event or where timely action would have mitigated the effects of a risk event. Performance adjustment seeks to take account of matters that were not apparent at the time of the original variable award. Adjustments or application of malus or clawback will depend upon the severity of the event and will be subject to Remuneration Committee approval.

### 2.10 Policies and criteria for awarding guaranteed variable remuneration and severance payments

The Firm does not award guaranteed variable remuneration and therefore there are no policies and criteria with respect to this.

The Firm follows all local statutory severance requirements. Severance payments made will not be disproportionate but will appropriately compensate the employee in cases of early termination of the contract. Severance payments do not reward failure and will not be awarded where there is a failure in risk management or conduct.

### **3 RISK MANAGEMENT OBJECTIVES AND POLICIES**

#### **3.1 Own funds requirements – MIFIDPRU 4**

When assessing the adequacy of the Own Funds Requirement, the Firm has considered the key risks to the Firm's operating model. Due to our prudential classification as a Non-SNI, the Firm's own funds requirement is based on the higher of the Permanent Minimum Requirement ('PMR'), the Fixed Overheads Requirement ('FOR') or the K-Factor Requirement ('KFR'). The Firm's FOR as at the Firm's year-end 31 December 2022 is £3,658,000.

#### **3.2 Concentration risk- MIFIDPRU 5**

The Firm does not conduct trading on own account and does not have regulatory permissions for dealing as principal. The Firm therefore does not have any concentration risks on or off-balance sheet and does not operate a trading book.

#### **3.3 Liquidity risk - MIFIDPRU 6**

The Firm maintains minimum liquidity at all times in compliance with the Basic Liquid Asset Requirement, being at least 1/3<sup>rd</sup> of its FOR.

The Firm does not provide any client guarantees and therefore its entire liquidity requirement is driven by its expenses, as captured by the FOR.

As part of the Internal Capital Adequacy and Risk Assessment ('ICARA'), the Firm also maintains liquidity to satisfy its net wind-down costs and any additional liquidity requirements which the ICARA identified for supporting the ongoing business activities of the Firm.

### 3.4 Harms associated with business strategy

The Firm has conducted a comprehensive risk identification exercise of potential harms in line with MIFIDPRU 7 Annex 1 across all business lines to ensure that all significant risks are identified. The Firm has developed a comprehensive Risk Register containing all relevant details for each risk that has been identified. All business areas of the Firm have input into the development of the risk register to ensure all areas of potential harm are identified. All risks recorded in the register are categorised in terms of potential harms to clients, the firm itself or markets. Credit, Market, Operational, Business and Liquidity are categories of risk mapped to potential harms.

#### **Credit Risk**

The Firm's exposure to credit risk is the risk that the Firm will suffer financial loss should any of the Firm's clients or counterparties fail to fulfil their contractual obligations.

Examples of this are as follows:

- that a counterparty to a trade fails;
- that a client fails to settle an outstanding purchase on settlement day;
- that a client fails to pay an invoice for fees; and
- a bank, where the Firm deposits funds, fails to meet its obligations.

Credit risk management techniques currently include the following processes designed to minimise the level of credit risk:

- monitoring of large trades;
- monitoring of the level of credit risk on a daily basis;
- procedures for the granting, and on-going monitoring, of credit limits;
- ensuring corporate clients pay fees.

Our appetite for credit risk is low. Credit risk can be a harm to the Firm itself.

#### **Market Risk**

The Firm does not have a trading book and the Firm's only exposure to market risk will be in its non-trading book in respect of foreign currency exposures.

Our appetite for market risk is low. Market risk can be a harm to the Firm itself.

## **Operational Risk**

The Firm has undertaken a robust risk identification and scoring exercise across the Firm. This Risk Appetite statement translates into the acceptance of risks that fall within our calibrated Operational Risk Appetite. Any risk rated above our Operational Risk Appetite is deemed to be unacceptable to the Firm and will be addressed as a priority to ensure that it is, through mitigation, able to fall within our Operational Risk Appetite or that additional Capital is assigned.

This position has been communicated to all members of staff and is to be reinforced on an annual basis. Senior Management has determined that any risk emerging and/or rated as above our Operational Risk Appetite must have a plan for treatment developed within ten working days of identification and implemented within thirty days. Operational risk can be a harm to clients and the Firm itself.

## **Business Risk**

We have assessed our business risks and set out appropriate actions to manage them. Our appetite for business risk is low. Business risk can be a harm to clients and the Firm itself.

## **Liquidity Risk**

The Firm seeks to ensure that it has constant access to an appropriate level of cash, liquid securities and committed funding lines to enable it to finance its on-going operations and reasonable unexpected events on cost-effective terms. Liquidity risk can be a harm to the Firm itself.

### **3.5 Approach to risk management**

Section 4.5 is optional under MIFIDPRU 8.2.3(1) and so the Firm has chosen not to disclose its approach risk management.

### **3.6 Statement of risk appetite**

Section 4.6 is optional under MIFIDPRU 8.2.3(3) and so the Firm has chosen not to disclose its statement of risk appetite.

### **3.7 Assessing effectiveness of risk management process**

Section 4.7 is optional under MIFIDPRU 8.2.3(4) and so the Firm has chosen not to disclose its statement of risk appetite.



## 4 GOVERNANCE ARRANGEMENTS DISCLOSURE

### 4.1 Governance Framework

The Firm is part of an investment firm group, the table below gives an overview of the group's corporate and legal structure.

Entities	Description of activities
Stanhope Capital Group SA	Ultimate parent of the Group
Stanhope Capital (Switzerland) SA	Investment manager and immediate parent of Stanhope Capital Management Limited
Stanhope Capital Management Limited	Immediate parent of the firm

The Executive Committee is the Governing Body of the Firm. It meets regularly and is composed of:

- Chief Executive Officer
- Chief Investment Officer
- Head of Portfolio Management
- Chief Financial Officer
- Head of Corporate Development/Co-Chief Operating Officer
- Co-Head of Merchant Banking
- Partner – Stanhope Consulting

The role of the Board is to provide oversight and take responsibility for the strategic leadership of the Firm within a framework of good corporate governance and prudent and effective controls which enables risk to be assessed and managed, including appropriate segregation of duties of the Senior Management Functions in accordance with the Senior Management and Certification Regime ('SM&CR') and management of conflicts of interest. The Board sets the structure in place for the Firm to meet its objectives and reviews management performance. The Board sets and oversees the Firm's values and standards and ensures that its obligations to its shareholders, its clients and others are understood.

A review of the performance of the Board takes place annually and all staff are reviewed annually in respect of competence and fitness and propriety. This review process feeds into the individuals' remuneration which in turn is governed by the Firm's remuneration policy.

The Board of Directors of the Firm has the daily management and oversight responsibility for the business supported by other key members of the senior management team within the Firm.

The Firm seeks regulatory approval prior to appointments to the Board under the SMCR. All Board members are registered and listed on the FCA Register.

Responsibilities are allocated to Senior Managers under the SM&CR regime, and these are reviewed annually to ensure consistency with the business of the Firm including responsibility for client assets. As detailed in the Statement of Responsibilities Senior Managers have been allocated the following responsibilities:

Mr Daniel Pinto	SMF1
Mr Danny Brower	SMF16/SMF17

## 4.2 Overview of the Board Committees

The purpose of the Committees with their respective scopes of duties and responsibilities are in the Committee's Terms of References.

### Risk Committee

The Firm has formed a Risk & Compliance Committee, which is comprised of:

- Chief Executive Officer
- Chief Investment Officer
- Head of Portfolio Management
- Head of Legal and Compliance
- Director – Legal and Compliance
- Director – Legal and Compliance

whose role is to discuss FCA risk and compliance issues on a monthly basis.

### Remuneration Committee

The Firm has formed a Remuneration Committee, which is comprised of:

- Chief Executive Officer
- Chief Investment Officer
- Head of Portfolio Management
- Chief Financial Officer
- Head of Human Resources

whose role is to discuss remuneration policy and make remuneration decisions.

### Nominations Committee

A separate Nominations Committee has not been formed due the size of the Firm.

### Audit Committee

The Firm has not formed an Audit Committee due to the size of the Firm.

## 4.3 Directorships

The following information relates to the appointments of Stanhope Capital LLP Partners held in both executive and/or non-executive functions, including any Directorships held at external, commercial organisations as at 31 December 2022.

SMF Function/Role	Name	Number of other external directorships
SMF1	Mr Daniel Pinto	3

#### 4.4 Diversity

The Firm values the innovation and creativity that diversity of thought brings to the organisation and understands that diversity, equality and inclusion play a critical role in establishing strong governance and maintaining a healthy culture from the top as part of delivering higher standards of conduct and success of the Firm. The Firm is committed to building a workforce that reflects all aspects of diversity and intersectionality to bring a range of perspectives, ideas and insights to everything the Firm does.

One of the Firm's objectives is to ensure that the composition of the Board is always suitable for it to be an effective decision-making body and to provide successful oversight and stewardship. Suitability of members of the Board is reassessed periodically, in line with the requirements of the SM&CR. The Directors are appointed in accordance with the following suitability criteria:

- being of good repute;
- being able to act with honesty, integrity and independence of mind;
- overseeing, monitoring and challenging management decision-making effectively;
- disclosing any financial or non-financial interests that could create potential conflicts of interest;
- possessing sufficient knowledge, skills and experience to perform their duties;
- being able to commit sufficient time to perform management body functions in a supervisory context;
- not being restricted from taking up the position by any regulatory requirement.

The assessment of an individual's adequate knowledge, skills and experience will consider:

- the role and duties of the position and the required capabilities;
- the knowledge and skills attained through education, training and practice;
- the practical and professional experience gained in previous positions;
- the knowledge and skills acquired and demonstrated by the professional conduct of the member of the Board.

## 5 OWN FUNDS DISCLOSURE

### 5.1 Composition of Regulatory Own Funds

The Firm's own funds consist of Common Equity Tier (CET) 1 capital as at the Firm's financial year end on 31 December 2022. The Firm complied with all capital requirements.

<b>Composition of regulatory own funds</b>	<b>GBP 000's</b>	<b>Reference to audited financial statements</b>
Tier 1 capital		
Audited reserves	£4,367	Reserves – Statement of changes in equity
Partners' capital	£299	Members capital – Statement of changes in equity
Subtotal	£4,667	Total – Statement of changes in equity
Deductions	-	
Common Equity Tier 1 own funds held net of deductions	£4,667	
Additional Tier 1 own funds held net of deductions	-	
Tier 2 own funds held net of deductions	-	
<b>Total Tier 1 Capital</b>	<b>£4,667</b>	

## 5.2 Reconciliation of regulatory own funds to balance sheet in the audited financial statements

The table below describes the reconciliation with own funds in the balance sheet as at 31 December 2022, where assets and liabilities have been identified by their respective classes. The information in the table below reflects the balance sheet in the audited financial statements.

<b>Reconciliation of own funds to balance sheet in the audited financial statements</b>		
	<b>Balance sheet as in audited financial statements GBP 000's</b>	<b>Cross reference to template OF1</b>
<b>Assets</b>		
Fixed Assets	469	
<b>Current assets</b>		
Debtors	12,207	
Cash and cash equivalents	2,984	
<b>Liabilities</b>		
Creditors: amounts falling due within one year	(3,824)	
Provisions for liabilities	(206)	
Creditors: amounts falling due after more than one year	(259)	
<b>Net assets attributable to members</b>	<b>11,371</b>	
<b>Represented by:</b>		
<b>Members total interests</b>		
Loans and other debts due to members	6,704	
Members' other interests	<b>4,667</b>	Total Tier 1 Capital

**6 OWN FUNDS REQUIREMENTS DISCLOSURE**

**6.1 Own funds requirement**

The Firm is required to disclose the K-factor requirement ('KFR') and the fixed overheads requirement ('FOR') amounts in relation to its compliance with the own funds requirements set out in MIFIDPRU 4.3, based on the audited financial statements for the year ended 31 December 2022.

		<b>£,'000</b>
K-factor	Sum of K-AUM, K-CMH and K-ASA	1,905
	Sum of K-COH and K-DTF	-
	SUM of K-NPR, K-CMG and K-CON	-
	<b>Total KFR</b>	1,905
FOR		3,658

**6.2 Compliance with Overall Financial Adequacy Rule**

In line with the provisions relating to the Overall Financial Adequacy Rule ('OFAR') set out in MIFIDPRU 7.4.7R, Stanhope Capital LLP is also required to disclose its approach to assessing the adequacy of the Firm's own funds.

**ICARA process**

Within the annual ICARA process, the Firm is required to identify and assess the following:

- any material/key risks that arise from its activities;
- any material harms that may be caused to the clients, the market or the Firm itself as a result of its activities; and
- whether, at all times, the Firm has sufficient own funds and liquid resources to meet the Overall Financial OFAR.

The OFAR requires that the Firm holds own funds and liquid assets which are adequate (both in amount and quality) to ensure that:

- the Firm can remain financially viable throughout the economic cycle and be able to address any material potential harm; and
- the Firm's business can be wound down in an orderly manner with minimal impact on consumers and other market participants.

The process of embedding the ICARA process within the Firm has been completed and the adequacy of the ICARA process will be reviewed on an annual basis thereafter, or more frequently, should there be any material change to the business risk profile or business model.

The ICARA process encompasses various aspects of internal governance with a particular focus on:

- identification, monitoring and mitigation of harms;
- business model planning and forecasting;
- recovery and wind-down planning; and
- assessing the adequacy of financial resources; and
- assessing the overall effectiveness of the risk management of the Firm.

As part of the ICARA process, the Firm establishes its own funds threshold requirement and its liquid assets threshold requirement to comply with the OFAR and to ensure the Firm can remain viable, addressing any potential harm from ongoing activities, and can wind-down in an orderly way. For harms not adequately mitigated through existing systems and controls, the Firm assesses whether additional own funds and/or liquid assets are required.

The recovery action planning contains appropriate recovery actions to restore own funds and/or liquid resources to avoid breaching threshold requirements and early-warning-indicators ('EWIs') to assist the Firm when approaching trigger levels and set out credible actions to help reverse or repair any adverse trends.

The wind-down planning includes triggers (own funds and liquid assets) and timelines. The Firm considers different scenarios that could cause a need to wind-down the business. These underlying drivers could result in the need for different resources (financial and non-financial) during the wind-down period. The Firm sets resources aside so that sufficient own funds and liquid assets are available at all times to enable an orderly wind-down.

### **Risk management**

The Firm maintains a formally documented Risk Register that is established based upon the Firm's business plan and approved by the Board. Each risk within the Risk Register is cross-referenced to possible ICARA harms (client, market, firm) and assessed to determine its materiality to the Firm. It also includes a description of the controls put in place to mitigate the risk.

The Risk and Compliance committee defines the Firm's risk appetite, which reflects Stanhope Capital LLP's appetite and/or tolerance in relation to all identified material risks and is therefore, aligned to the Risk Register. The Firm's overall risk appetite must be such that its own fund and liquidity requirements as captured in the ICARA process are maintained within its risk bearing capacity or capital resources. All material risks identified in the Risk Register are assessed to determine appropriate own funds and liquidity reserves. Regular stress testing and scenario analysis is undertaken to ensure these reserves are sufficient to meet current and future obligations under a variety of stressed conditions.

### **Own funds adequacy**

Stanhope Capital LLP assesses the adequacy of its own funds on a regular basis against a variety of own funds requirement assessments. In maintaining the Firm's own funds requirements within the risk appetite, EWIs have been established. These are agreed as part of the annual own funds planning process and reviewed annually.

Levels of own funds usage against limit are monitored weekly.

### **Liquid assets adequacy**

The Firm has an established liquidity risk management framework based on the Firm's approved liquidity risk appetite in order to ensure that:

- the basic liquid asset requirement ('BLAR') is met; and
- the liquid assets threshold requirement is determined.

The Firm further assesses its compliance with liquid asset threshold requirement which is based on the sum of BLAR and an additional liquid asset requirement determined during the ICARA process, to ensure liquidity adequacy in stressed conditions and during an orderly wind-down as part of its OFAR compliance from a liquidity perspective.

Liquidity risks are identified through ongoing liquidity management and monitoring, which contribute to the development of the Firm's liquidity risk management framework and formulating stress testing scenario design and key assumptions.

The Firm's monitoring and reporting of its liquidity position is undertaken through established reporting against the key liquidity metrics. Any triggers or breaches would be escalated in line with the escalation framework.