

Securis Investment Partners LLP MIFIDPRU 8 Disclosure

(Based on the audited financial statements as at 31 March 2022)

Introduction

The Financial Conduct Authority ("FCA" or "regulator") sets out the detailed prudential requirements that apply to Securis Investment Partners LLP ("Securis" or the "Firm") in the Prudential sourcebook for MiFID Investment Firms in the FCA Handbook ("MIFIDPRU"). Chapter 8 of MIFIDPRU ("MIFIDPRU 8") sets out public disclosure rules and guidance with which the Firm must comply, further to those prudential requirements.

Securis is classified under MIFIDPRU as a non-small and non-interconnected MIFIDPRU investment firm ("Non-SNI MIFIDPRU Investment Firm"). As such, the Firm is required by MIFIDPRU 8 to disclose information on the following areas:

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

The purpose of these disclosures is to give stakeholders and market participants an insight into the Firm's culture and data on the Firm's own funds and own funds requirements allows potential investors to assess the Firm's financial strength.

This document has been prepared by Securis in accordance with the requirements of MIFIDPRU 8 and is verified by the Operational Governance Committee. Unless otherwise stated, all figures are as at the Firm's 31 March financial year-end.

Governance Arrangements

Securis believes that effective governance arrangements help the Firm to achieve its strategic objectives while also ensuring that the risks to the Firm, its stakeholders, and the wider market are identified, managed, and mitigated.

The governing body of Securis is the Board of Directors (the "Governing Body") which has the overall responsibility for the Firm and approves and oversees the implementation of Securis' strategic objectives, risk strategy and internal governance. The Governing Body comprises of Securis' CEO and three experienced representatives of the Firm's majority owner via its corporate member. Securis' CEO holds 6 other Directorships. The authorised representatives hold 15, 7 and 1 other appointments respectively. The Governing Body has appointed the following committees:

1. The Operational Governance Committee has a general duty to oversee, and is accountable for, the implementation of governance arrangements to ensure the effective and prudent management of the Firm. All staff performing senior management functions ("SMF") under the Senior Managers and Certification Regime sit on the Operational Governance Committee. The segregation of duties between these senior managers ensures the effective and prudent management of the Firm as well as the effective management of potential conflicts of interest. The OGC is a committee which was appointed by and reports to the Board.
2. The Securis LLP Risk Management Committee is tasked with overseeing all risks pertinent to Securis and its business as outlined in the Securis Risk Management Framework and assisting the Firm's Governing Body in overseeing the implementation of that strategy by senior management. Members of the risk committee have the appropriate knowledge, skills, and expertise to fully understand, manage and monitor the risk strategy and risk appetite of the Firm. The LLP Risk Management Committee is a committee which was appointed by and reports to the Board.

In order to fulfil its responsibilities, the Governing Body meets on a quarterly basis (or more frequently as required). Amongst other things, the Governing Body approves and oversees the implementation of the Firm's strategic objectives and risk appetite, ensures the integrity of the Firm's accounting and financial reporting systems, including financial and operational controls, ensures compliance with the requirements of the regulatory system, assesses the adequacy of policies relating to the provision of services to clients, and provides oversight of the Firm's senior management.

A key document that is reviewed, discussed, and ratified by the Operational Governance Committee is the Senior Management Systems and Controls Document ("SYSC Document"), as this demonstrates how the Firm has met its obligations with regards to its governance arrangements. The SYSC Document provides the Governing Body and Operational Governance Committee with information on the functioning and performance of all aspects of the Firm, including the following areas:

- General organisational requirements, including steps taken by the Firm to ensure continuity and regularity in the performance of its regulated activities, and the Firm's accounting policies.
- Employees, including steps taken by the Firm to ensure that employees have the necessary skills, knowledge, and expertise for the discharge of the responsibilities allocated to them, and to ensure that they are fit and proper persons.
- Policies, procedures, and controls for meeting its compliance and financial crime requirements.
- Internal capital adequacy and risk assessment process.
- Outsourcing of critical or material operating functions or activities.
- Record-keeping controls and arrangements.
- Conflicts of interest management.
- Remuneration policies and practices; and
- Whistleblowing controls.

Securis values the innovation and creativity that diversity of thought brings to the Firm and understands that diversity, equality and inclusion play a critical role in establishing strong governance and maintaining a healthy culture within the business. However, due to the size of the Firm, it did not implement a formal Equality, Diversity and Inclusion Policy.

Risk Management Objectives and Policies

This section describes Securis' risk management objectives and policies for the categories of risk addressed by the requirements of the Firm in the following areas:

- Own funds.
- Concentration risk.
- Liquidity.

Business Strategy

The Firm's clients are the funds themselves, with the underlying investors typically being institutional investors, such as pension funds, insurance companies, and other professional investors.

Securis primarily seeks to grow its revenues by growing the underlying asset base on which it charges a management / advisory fee, and a performance fee in certain circumstances. This is achieved by the prudent growth of the Firm's client's assets and by seeking additional asset inflows from prospective clients and investors.

Costs are controlled carefully to ensure long-term profitability. The business seeks to make investments to expand its business and product lines and to continuously improve its control environment.

Given the Firm's business model, controls, and controls assessment, it is the conclusion of the Firm that its overall potential for harm to consumers or other market participants is low.

Own Funds Requirement

Securis is required to maintain own funds that are at least equal to the Firm's own funds requirement. The own funds requirement is the higher of the Firm's:

- **Permanent minimum capital requirement ("PMR"):** The level of own funds required to operate at all times. Based on the MiFID investment services and activities that the Firm currently has permission to undertake this is set at £75,000;
- **Fixed overhead requirement ("FOR"):** The minimum amount of capital that Securis would need to have to absorb losses if the Firm has cause to wind down exit the market. This is equal to one quarter of the Firm's relevant expenditure; and
- **K-factor requirement ("KFR"):** The KFR is intended to calculate a minimum amount of capital that Securis would need for the ongoing operation of its business. The K-factors that apply to the Firm's business are K-AUM (calculated on the basis of the Firm's assets under management ("AUM")) and K-COH (calculated on the basis of the client orders handled by the Firm).

In addition to the basic Own Funds Requirement, the additional own funds requirement is the amount of additional capital identified by the Firm which is necessary to mitigate risks to ensure the viability of the firm throughout economic cycles and to ensure the Firm can be wound down in an orderly manner.

Securis' basic own funds requirement is currently set by its FOR, as this is the highest of the three metrics. The potential for harm associated with Securis' business strategy, based on the Firm's own funds requirement, is low. This is due to the relatively consistent and reliable receipt of management fees on a monthly basis.

A method adopted by the Firm to manage the risk of breach of the Firm's own funds requirement is the maintenance of a healthy own funds surplus above the own funds requirement. Securis has established an internal early warning threshold of 125%, an additional threshold of 115% which would require escalation to the Governing Body and escalation to the Regulator in the event that the Firm's own funds drop below 110%. The Governing Body will consider the necessary steps required in order to increase the own funds buffer; this may include injecting more own funds into the Firm.

Concentration Risk

According to MIFIDPRU 5.2.2G, the Firm is required to monitor and control all sources of concentration risk. In accordance with the FCA guidance, the Firm has identified the following two concentration risks and has put in place the control strategies discussed below;

1. **Earnings:** the risk that the Firm has a significant amount of its revenue concentrated in a small number of clients, leaving it exposed if it loses one or more of those clients. Securis' revenue is derived from several funds under management with different investment strategies. The underlying investor base is comprised of numerous professional investors, notwithstanding that there is some concentration risk via consultant advisory relationships. This reduces the concentration risk of loss of any one single investor to an acceptable level. In addition, it is further noted that investors are subject to substantial notice periods on their investments, or are invested in closed ended funds.
2. **Cash deposits:** the risk that the Firm's cash deposits are held with a narrow range of credit institutions, leaving it exposed if one or more of them becomes insolvent. The Firm maintains instant-access cash accounts with a UK investment grade rated credit institution with whom the Firm has strong and well-established relationship. Furthermore, other entities within the Securis group have relationships with two separate investment grade credit institutions. The Firm considers this to reduce its cash deposit risk to an acceptable level.

The potential for harm associated with Securis' business strategy, based on the Firm's concentration risk, is low.

Liquidity

The Firm is required to maintain sufficient liquidity to ensure that there is no significant risk that its liabilities cannot be met as they fall due and to ensure that it has appropriate (liquid) resources in the event of a stress scenario.

The potential for harm associated with Securis' business strategy, based on the Firm's basic liquid assets requirement, is low. This is due to the reliable monthly revenue stream and maintenance of a healthy core liquid assets surplus above the basic liquid assets requirement. The Firm retains an amount it considers suitable for providing sufficient liquidity to meet the working capital requirements under various conditions. Securis has always had sufficient liquidity within the business to meet its obligations and there are no perceived immediate threats to this. Additionally, it has historically been the case that all debtors are settled promptly, thus ensuring further liquidity resources are available to the Firm on a timely basis. The cash position of the Firm is monitored by the Chief Executive Officer on a monthly basis.

Risk Management Structure

As stated above in the Governance Arrangements section, Securis has established a risk management process, which includes a risk committee, in order to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business. The risk management process is overseen by the Chief Risk Officer, with the Governing Body taking overall responsibility for this process and the fundamental risk appetite of the Firm.

The Governing Body meets at least quarterly and discusses current projections for profitability, cash flow, regulatory capital management, business planning and risk management. The Governing Body engages in Securis' risks through a framework of committees, policies and procedures having regard to the relevant laws, standards, principles, and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required.

Annually, the Firm formally reviews its risks, controls, and other risk mitigation arrangements and assesses their effectiveness; the conclusions to this review inform the overall risk appetite of the Firm.

A formal update on operational matters is provided to the Governing Body on a quarterly basis. Management accounts demonstrating the continued adequacy of Securis' regulatory capital are reviewed on a monthly basis.

Appropriate action is taken where risks are identified that fall outside of the Firm's tolerance levels or where the need for remedial action is required in respect of identified weaknesses in Securis' mitigating controls.

Own Funds

As at 31 March 2022, Securis maintained own funds of £5,846k. The below regulator-prescribed tables provide a breakdown of the Firm's own funds – see following page:

Table 1: Composition of Regulatory Own Funds

	Item	Amount (GBP Thousands)	Source Based on the Audited Financial Statements
1	OWN FUNDS		
2	TIER 1 CAPITAL	5,846	
3	COMMON EQUITY TIER 1 CAPITAL		
4	Fully paid up capital instruments	4,491	Page 10
5	Share premium		
6	Retained earnings	2,579	Page 10
7	Accumulated other comprehensive income		
8	Other reserves		
9	Accumulated other comprehensive income		
10	Accumulated other comprehensive income		
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(1,224)	Page 9
19	CET1: Other capital elements, deductions and adjustments		
20	ADDITIONAL TIER 1 CAPITAL	-	
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	-	
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		

Table 2: Own Funds: Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements

Item		Balance Sheet as in Published/Audited Financial Statements as at 31 March 2022	Under Regulatory Scope of Consolidation as at 31 March 2022	Source Based on the Audited Financial Statements
Assets – Breakdown by Asset Classes According to the Balance Sheet in the Audited Financial Statements (in £'000)				
1	Debtors – amounts falling due within one year	4,634	N/A	Page 10
2	Cash and cash equivalents	3,500	N/A	Page 10
	Total Assets	8,134		
Liabilities – Breakdown by Liability Classes According to the Balance Sheet in the Audited Financial Statements (in £'000)				
1	Creditors – amounts falling due within one year	(1,064)	N/A	Page 10
	Total Liabilities	(1,064)		
Shareholders' Equity (in £'000)				
1	Members' capital	4,491	N/A	Page 10
2	Other reserves	2,579	N/A	Page 10
	Total Shareholders' Equity	7,070		

Table 3: Own Funds: Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements

Securis' own funds consist of common equity tier 1 capital. The main features of the own funds issued by the Firm are highlighted below (£'000):	
Members Capital (fully paid less special capital)	3,267
Other reserves	2,579

Own Funds Requirements

Securis is required to at all times maintain own funds that are at least equal to the Firm's own funds requirement. The own funds requirement is the minimum requirement of capital the Firm is required to hold, taken as the higher of the PMR and FOR.

Additionally, the rules to determine the level of the Own Funds Threshold Requirement ("OFTR") and the Liquid Assets Threshold Requirement ("LATR") mandate that additional amounts may have to be held in the event they are needed to support an orderly wind down, and to reflect the assessment of risks that relate to Securis.

The below illustrates the core components of Securis' own funds requirements – see following page:

Requirement	£'000
(A) Permanent Minimum Capital Requirement ("PMR")	75
(B) Fixed Overhead Requirement ("FOR")	2,623
(C) K-Factor Requirements ("KFR")	54
K-AUM – Risk arising from managing and advising on investments	53
K-COH – Risk arising from order execution and reception and transmission of orders	1
(D) Basic Own Funds Requirement (Max. A, B, C)	2,623
(E) Additional own funds requirement	150
Total Own Funds Requirement (D+E)	2,773

Securis is also required to comply with overall financial adequacy rule ("OFAR"). This is an obligation on Securis to hold own funds and liquid assets which are adequate, both as to their amount and quality, to ensure that:

- The Firm is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
- The Firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

Under the IFPR and, in particular MIFIDPRU 7, as a CPMI firm, Securis is required to conduct an Internal Capital Adequacy and Risk Assessment ("ICARA"), which serves as the means of assessing the key risks to which Securis is exposed. The ICARA process builds on a number of capital and liquidity requirements to which the Firm is subject:

- as a condition of its authorisation, the Firm is required to have appropriate resources;
- the Firm is subject to the FCA's Principles for Businesses, one of which (Principle 4) is that it maintains adequate financial resources; and
- the Firm is required to meet a Basic Own Funds Requirement and a Basic Liquid Assets Requirement.

The Firm uses its ICARA process to identify whether it is complying with the OFAR and, if it is not, to identify what steps it should take to remedy this.

The risk of some material harms can be reduced through proportionate measures other than holding additional financial resources, for example implementing additional internal systems and controls, strengthening governance and oversight processes or changing the manner in which the Firm conducts certain business.

However, for other harms identified, it may be that the only realistic option to manage them and to comply with the OFAR is for the Firm to hold additional own funds and/or additional liquid assets above its Basic Own Funds Requirement and Basic Liquid Assets Requirement.

To determine the Firm's own funds threshold requirement, Securis identifies and measures the risk of harm faced by the Firm and considers these risks in light of its ongoing operations and also from a wind-down planning perspective. The Firm then determines the degree to which systems and controls alone mitigate the risk of harm and the risk of a disorderly wind-down, and thereby deduces the appropriate amount of additional own funds required to cover the residual risk. Securis has therefore formed a judgment about what is appropriate and proportionate in its particular circumstances, informed by its risk appetite. This has led Securis to conclude that it must hold £2,773k as the Firm's OFTR.

Furthermore, the amount determined to be Securis' LATR is £1,966k. The own funds held are £5,846k and the eligible liquid assets are £3,791k, which is sufficient to meet the Firm's OFTR and LATR respectively.

The ICARA is conducted at least annually and is reviewed following any significant business change (including changes to strategy or operational environment which suggest that the current level of capital resources is no longer adequate). For the FYE 2022, taking into account the material harms faced and posed by the Firm, as well as the stress tests it has conducted,

the recovery and wind-down plans it has prepared, and the governance framework it operates, Securis has determined that it satisfies both its OFTR and LATR, and therefore its OFAR, and, as far as the Firm can reasonably determine, it will continue to do so on an ongoing basis. The ICARA process is documented and presented to, and ratified by, the Governing Body on at least an annual basis.

Remuneration Policy and Practices

Overview

As a Non-SNI MIFIDPRU Investment Firm, Securis is subject to the basic and standard requirements of the MIFIDPRU Remuneration Code (as laid down in Chapter 19G of the Senior management arrangements, Systems and Controls sourcebook in the FCA Handbook ("SYSC")). Securis, as an Alternative Investment Fund Manager, is also classified as a collective portfolio management investment firm, and as such, is also subject to the AIFM Remuneration Code (SYSC 19B). The purpose of the remuneration requirements is to:

- Promote effective risk management in the long-term interests of the Firm and its clients;
- Ensure alignment between risk and individual reward;
- Support positive behaviours and healthy firm cultures; and
- Discourage behaviours that can lead to misconduct and poor customer outcomes.

The objective of Securis' remuneration policies and practices is to establish, implement and maintain a culture that is consistent with, and promotes, sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profile of the Firm and the services that it provides to its clients.

In addition, Securis recognises that remuneration is a key component in how the Firm attracts, motivates, and retains quality staff and sustains consistently high levels of performance, productivity, and results. As such, the Firm's remuneration philosophy is also grounded in the belief that its people are the most important asset and provide its greatest competitive advantage.

Securis is committed to excellence, teamwork, ethical behaviour, and the pursuit of exceptional outcomes for its clients. From a remuneration perspective, this means that performance is determined through the assessment of various factors that relate to these values, and by making considered and informed decisions that reward effort, attitude, and results.

Characteristics of the Firm's Remuneration Policy and Practices

Remuneration at Securis is made up of fixed and variable components. The fixed component is set in line with market competitiveness at a level to attract and retain skilled staff. Variable remuneration is paid on a discretionary basis and takes into consideration the Firm's financial performance as well as the financial performance of each business unit, and the financial and non-financial performance of the individual in contributing to the Firm's success. All staff members are eligible to receive variable remuneration.

The various components of total remuneration (which comprise base salary and variable bonus) are considered and are balanced appropriately having regard to Securis' overall performance. No remuneration is made by payments directly by a fund itself or by any transfer of units or shares of a fund made for the benefit of staff members.

Firm performance and the input of the individual are the significant contributors to the determination of variable bonus awards. The principal objective in determining variable bonus awards is to reward individual contribution to the Firm whilst ensuring that such payments are warranted given business results. In this context performance can include financial and non-financial measures, risk measures, compliance with regulatory obligations and other relevant factors. There is a focus on differentiation so that any rewards are determined according to the contribution of individuals. All staff are eligible to receive variable remuneration. However, bonus pools and individual awards are subject to the discretion of the Remuneration Committee and it is possible that in any year no variable bonus will be awarded, either at all, or to particular individuals. Variable remuneration for certain individuals may also be awarded via an investment in certain Securis funds with a vesting period. Securis may also impose vesting, retention, and clawback mechanisms to take into account the Firm's business cycle.

Securis has set a ratio between the variable and fixed components of the total remuneration, by way of ensuring that the components are appropriately balanced and that the fixed component represents a sufficiently high proportion of the total remuneration to enable the operation of a fully flexible policy on variable remuneration. This allows for the possibility of paying no variable remuneration component, which the Firm would do in certain situations, such as where the Firm's profitability performance is particularly constrained, or where there is a risk that the Firm may not be able to meet its capital or liquidity regulatory requirements.

Governance and Oversight

The Remuneration Committee, a committee of the Governing Body is responsible for setting and overseeing the implementation of Securis' remuneration policy and practices. In order to fulfil its responsibilities, the Remuneration Committee:

- Is appropriately staffed to enable it to exercise competent and independent judgment on remuneration policies and practices and the incentives created for managing risk, capital, and liquidity.
- Prepares decisions regarding remuneration, including decisions that have implications for the risk and risk management of the Firm.
- Ensures that the Firm's remuneration policy and practices take into account the public interest and the long-term interests of shareholders, investors, and other stakeholders in the Firm.
- Ensures that the overall remuneration policy is consistent with the business strategy, objectives, values, and interests of the Firm and of its clients.

Securis' remuneration policy and practices are reviewed annually by the Remuneration Committee.

Material Risk Takers

Securis is required to identify its material risk takers; those members of staff within the UK entity whose professional activities have a material impact on the risk profile of the Firm (and of the assets that the Firm manages). The types of staff that have been identified as material risk takers at Securis are:

- Members of the management body in its management function;
- Members of the management body in its supervisory function;
- Senior Management;
- Those with managerial responsibility for a client-facing or client-dealing business unit of the Firm;
- Those with managerial responsibilities for the activities of a control function;
- Those with managerial responsibilities for the prevention of money laundering and terrorist financing;
- Those that are responsible for managing a material risk within the Firm;
- Those that are responsible for managing information technology, information security, and/or outsourcing arrangements of critical or important functions; and
- Those with authority to take decisions approving or vetoing the introduction of new products.

Quantitative Remuneration Disclosure

The Firm considers that it has a single business area (investment management). The Firm has identified 10 individuals directly qualifying MRT's. The aggregate remuneration of the individuals engaged in the business for the Firm for period under review was £12.9m. The aggregate remuneration for senior management and other MRTs identified by the Firm includes total fixed remuneration of £2.3m and £2.6m of total variable remuneration. The remuneration for all other Firm staff includes total fixed remuneration of £5.7m and £2.3m of total variable remuneration. There were no guaranteed variable remuneration

("sign-on bonuses") and severance payments awarded to MRTs within the Firm during the financial year ending 31 March 2022.

According to MIFIDPRU 8.6.8 (4), a firm needs to disclose the fixed, variable and total remuneration split into categories of senior management, other MRTs and other staff. However, disclosure under these requirements would lead to the identification of one or two MRTs and therefore, the Firm is relying on the exemption in relation to these obligations provided by MIFIDPRU 8.6.8 (7) (a).