FCA MIFIDPRU DISCLOSURES

WHEB Asset Management ("WAM", the "Firm" or "we") is a MIFID investment firm 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 non- SNI (small and non-interconnected) firm and are subject to the basic and standard 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.

Governance Arrangements

The Firm's Senior Management Team Committee (the "SMT"), Board equivalent for WHEB Asset Management as a limited liability partnership, is responsible for the oversight of implementation of the strategic objectives, risk strategy and internal governance arrangements of the Firm. The SMT is composed of four members, including the three executive MT Members of WAM and the Non-Executive Chair, with the Director of Operations attending with observer status.

As of 31st March 2024, the number of outside directorships held by each member of the SMT is as follows:

SMT Member	**Number of Outside Directorship Position Held**		
	Executive	Non-Executive	Total
Non Executive Chair	-	1	1

The SMT meets on a monthly basis and receives reports on investment, operations, financial, risk, legal and compliance matters. The SMT has also delegated certain functions to the following committees:

Committee	**Responsibilities**
Investment & Risk Committee ("IRC")	The IRC is co-chaired by the Non-Executive Chair of WAM and the CRO. The scope of the IRC covers the application and the development of the investment process, review and understanding of historic investment performance, and risk. The IRC provides on-going challenge and debate around risk budgeting and consistency of process during periods of both strong and weak performance - highlighting any key risks to fund performance and significant changes to investment style and fund risk profile.
Internal Audit Committee	The Internal Audit Committee consists of the Non-Executive Chair and the Director of Operations, and meets quarterly to review all aspects of risk management across the business. The Committee monitors the risks to which the business is exposed, in order to ensure that the Firm remains compliant with relevant regulatory rules and regulations, and to identify any areas of weakness or non-compliance. Factors which are taken into account include (but are not limited to), current and planned business activities, strategy, organisational structure, people and existing systems and controls.

Committee	Responsibilities
Investment Advisory Committee	The Independent Investment Advisory Committee provides an additional layer of governance and challenge on the consistent application of the investment philosophy, particularly from a point of view of sustainability, meeting three times annually. Its key function is to review the fund's holdings and ensure that they meet with both the spirit and the letter of the fund's sustainability criteria. The Committee also provides us with intelligence and a discussion forum on strategic developments in our themes.

The Firm is not subject to the requirements under MIFIDPRU 7.3.1 to establish a risk committee.

The Firm has a Diversity, Equity & Inclusion Policy, which is reviewed on an annual basis. The policy outlines our commitment to DEI and how we are achieving that commitment with specific actions. We do not currently have organisational targets on DEI. We are a small organisation and we want to create the right culture which will supports a diverse, equitable and inclusive business, this is difficult to express in targets in a business of our size. Our focus is to build the right culture, which will ultimately lead to a more diverse and inclusive workplace. We have done a lot of work to embed our culture and values within the team and to promote diversity, equity and inclusion.

Risk Management

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

The Firm has a multi-layer governance structure in place providing for oversight of investment operations, including the Committees listed in the above table which provides several layers of risk monitoring, support and escalation.

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.

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 SMT at least annually, or more often as deemed appropriate.

As a Non-SNI firm, WHEB is required to maintain an amount of own funds that is the higher of the:

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

- Total K-Factor requirement, which includes:
  - **K-AUM,** assets under management; **K-CMH,** client money held; and **K-ASA,** assets safeguarded and administered;
  - **K-COH,** client orders handled; and **K-DTF,** daily trading flow;
  - **K-NPR,** net position risk; **K-CMG,** clearing member risk; **K-TCD** trading counterparty default risk; and **K-CON,** concentration risk.

Given the Firm's activities, the main K-Factor exposure of the Firm is K-AUM, which is the risk of managing and advising on investments.

The Firm's own funds requirements at 31st March 2024 according to MIFIDPRU 4.3 are as follows:

	£'000	
(a) Permanent minimum requirement (PMR)	75	
(b) Fixed Overhead Requirement (FOR)	1,102	
(c) Sum K-factor capital	258	Sum of (c1) and (c2)
(c1) K-AUM	258	
(c2) K-COH	-	
Own Funds Requirements	1,102	*Higher of (a), (b) and (c)*

Refer to Annexes 1-3 for the latest information about the Firm's own funds.

Concentration risk

Concentration risk is that associated with the Firm's exposure to sectoral, geographic and entity or obligor concentrations. The Firm's appetite for concentration risk is low.

The Firm monitors concentration risk in relation to those factors relevant to its risk profile, in particular in relation to the source of revenue streams associated with a cornerstone investor and the financial institution(s) holding the cash deposits of the Firm. Key scenarios and possible outcomes have been considered by Senior Management and likelihood of occurrence monitored on an ongoing basis.

K-CON, which accounts for concentration risk in the trading book of a MIFIDPRU investment firm is not applicable.

Liquidity

Liquidity risk is the risk of the Firm failing to meet its short-term liabilities as they fall due. The Firm's appetite for liquidity risk is low.

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 may include cash, units or shares in short-term regulated money market funds and short-term deposits at UK credit institutions. For WAM specifically, liquid assets comprise the cash accounts held with Coutts & Co.

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.

It is not considered necessary to hold additional liquid assets in relation to the ICARA risk assessment or stressed liquidity needs, above the basic liquid assets requirement. Senior Management considers that the Firm benefits from the manageable outcomes of stress-test scenarios explored, the ongoing support of WHEB LLP, and the relative speed at which the Firm would be able to reduce its costs to balance with its revenue.

Given the above, together with the current remuneration structure in place between WHEB and its clients (management fee based on AUM) and the nature of the assets and liabilities of the Firm, the liquidity risk embedded in WHEB's business is considered remote. Our risk appetite is to hold a minimum of three months fixed costs in liquid assets. This balance is held in a segregated account, separate from the Firm's current accounts with Coutts & Co.

Monitoring

A dashboard of ICARA risk metrics are presented on a monthly basis to SMT, taking into account the key risk categories identified as relevant to the Firm. These currently include operating profit margin, AUM trends, AUM/income diversification, regulatory capital and liquidity surplus (vs minimum requirements and internal triggers), cashflow requirements, operational/conduct/reputational risk factors.

Detailed stress testing is also carried out on a monthly basis to consider the impact of various scenarios on the regulatory capital position of the Firm, which is also reviewed by the SMT.

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;
- encourage responsible business conduct;
- limit risk-taking and avoid conflicts of interest;
- align staff interests with the Firm's long-term strategy and objectives; and
- to be gender neutral, in line with the Equality Act 2010.

Governance and decision-making procedures

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

The function of the remuneration committee is effected by the SMT, comprising the Non-Executive Chair and executive partnership team. The SMT is thus responsible for overseeing the implementation of the policy and ensuring its compliance with the Remuneration Code.

One role of the SMT in this respect 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 SMT 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 SMT. 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 specialist external regulatory compliance consultants, Bovill Newgate (an Ocorion Company).

Key characteristics of remuneration policies and practices

All staff receive fixed remuneration in form of base salary (as salaried members of the partnership or employee salary for non-permanent staff) and are considered for discretionary variable remuneration in form of bonus and deferred equity awards where eligible.

Fixed remuneration

<u>Base Salary</u>

We review the base salary of our staff members on an annual basis by considering factors such as market information and individual performance. All staff receive fixed remuneration and are considered for discretionary variable remuneration where eligible.

Variable remuneration

<u>Bonus</u>

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 is determined by SMT.

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. Non-financial outcomes can include the achievement of Environmental Social and Governance (ESG) and Diversity and Inclusion objectives and targets.

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

- Any compliance or regulatory issues that have occurred or are under investigation internally or externally;
- Any persistent or significant breaches in either financial or non-financial KPIs;
- Any conduct related matters that have occurred or are under investigation internally or externally;
- Any matters that have or may adversely impact client outcomes; and
- 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.

Deferred Equity Plan

In addition to fixed remuneration and discretionary bonus, staff have the opportunity to be part of a Deferred Equity Plan ("DEP"). The aim of the DEP is to align interests between the team and the business and is intended to create long term stability and loyalty in the team. In order to participate in the DEP, staff have to sign up to become a salaried B Member of the partnership.

The DEP is awarded from a pool generated as a percentage of annual profits which, as such, is indirectly linked to asset growth. The SMT proposes the allocation of the pool across the team based on the outcomes of the performance management process.

Investment performance, Sustainability/ESG/Impact and client servicing responsibilities are all built into the performance management process with an annual performance assessment outcome being used as a contributing factor in the determination of remuneration, including the allocation of the DEP.

The SMT proposes the allocation of the profits across the team and this is then used to buy equity at an agreed valuation from WHEB LLP or other member wishing to dispose of or reduce their interest in the partnership, or as a primary transaction (of new interest in the partnership). These awards are subject to a three-year vesting period.

Participation in the DEP is determined by SMT (only) and is not related to risk taking or prior year performance vs KPIs. The review process is governed by the SMT, with allocations determined with the aim of fostering buy-in to the business at all levels of seniority.

Guarantees

We acknowledge that 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; or
- 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.

Material risk takers

Material risk takers are those staff members and members of Senior Management who have a material impact on the Firm's risk profile, including:

- Member of the SMT;
- Manager or senior member of staff in a control function; or
- Staff awarded in the previous financial year a total remuneration that is equal to or greater than the average total remuneration awarded in that financial year to any of member of staff who meets the material risk taker qualitative criteria.

Clawback and malus

The total variable remuneration awarded to any individual is subject to clawback where we experience subdued or negative financial performance. These clawback arrangements will take into account both current remuneration and reductions in payment of amounts previously earned, including through prior clawback arrangements.

Up to 100% of the total variable remuneration previously awarded will be subject to clawback arrangements. The following criteria will result in clawback arrangements being invoked:

- Gross negligence, misconduct or material error;
- Participation in or, responsibility for, conduct which resulted in significant losses to the Firm;
- Failure to meet appropriate standards of fitness and propriety.

Clawback should always be applied in cases of fraud or other conduct with intent or severe negligence which led to significant losses.

Further cases and the determination of the level of clawback to be undertaken is made by the SMT, which may seek external independent professional advice on the implementation of such arrangements.

Quantitative disclosures

For the financial year ended 31st March 2024, the amount of remuneration (£'000s) awarded is as follows:

	Total	(i) Senior Management and other material risk takers	(ii) Other staff
Total remuneration	**£2,631**	**£879**	**£1,752**
(a) Fixed remuneration	£2,048		
(b) Variable remuneration	£583		

Note: As of 31st March 2024, the Firm has identified five material risk takers.

For the financial year ended 31st March 2024, the amounts of guaranteed variable remuneration and severance awarded are as follows:

	Number of material risk takers receiving the ward	Total	(i) Senior Management	(ii) Other material risk takers
Guaranteed variable remuneration	-	-	-	-
Severance	-	-	-	-

The highest severance payment awarded to a material risk taker is £0.

We are obliged to provide the above information but have relied on the exemption available to us under the FCA Handbook MIFIDPRU 8.6.8R(7) to prevent individual identification of a material risk taker in respect of the breakdown of the fixed and variable remuneration awarded by categories for senior management, other material risk takers, and other staff.

Annex 1: Own funds – Composition of regulatory own funds (31st March 2024)

	Item	Amount £'000	Source: Audited Financial Statements Balance Sheets
1	**OWN FUNDS**	**2,122**	
2	**TIER 1 CAPITAL**	**2,122**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**2,122**	
4	Fully paid-up capital instruments	3,676	Capital account of WHEB Asset Management LLP
5	Share premium	-	
6	Retained earnings	(1,728)	Reserves of WHEB Asset Management LLP
7	Accumulated other comprehensive income	-	
8	Other reserves	174	Amounts due to Members of WHEB Asset Management within one year
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**	**-**	
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	-	
29	Tier 2: Other capital elements, deductions and adjustments	-	

Annex 2: Own funds – Reconciliation of regulatory own funds to balance sheet in the audited financial statements as at 31st March 2024

		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				
2				
	Total Assets			
	Liabilities *Breakdown by asset classes according to the balance sheet in the audited financial statements*			
1				
2				
	Total Liabilities			
	Shareholders' Equity			
1	Capital Account	3,676	3,676	Item 4
2	Reserves	(1,728)	(1,728)	Item 6
3	Other Reserves	174	174	Item 8
	Total Shareholders' equity	**2,122**	**2,122**	Items 1,2,3

Annex 3: Own funds – Main features of own instruments issued by the Firm

N/A (the Firm does not have instruments in issue).