PILLAR 3, STEWARDSHIP CODE AND REMUNERATION DISCLOSURE

CAPITAL ADEQUACY

Introduction

The Capital Requirements Directive ('**CRD'**) of the European Union establish a revised regulatory capital framework across Europe governing the amount and nature of capital credit institutions and investment firms must maintain.

In the United Kingdom, the CRD has been implemented by the Financial Conduct Authority ('**FCA'**) in its regulations through the General Prudential Sourcebook ('**GENPRU'**) and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('**BIPRU'**).

The CRD consists of three 'Pillars':

- Pillar 1 sets out the minimum capital amount that meets a firm's credit, market and operational risk capital requirement;
- Pillar 2 requires a firm to assess whether its capital reserves, processes, strategies and systems are adequate to meet Pillar 1 requirements and further determine whether it should apply additional capital, processes, strategies or systems to cover any other risks that it may be exposed to; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position to encourage market discipline.

The rules in BIPRU 11 set out the provision for Pillar 3 CRD disclosure. This document is designed to meet the Pillar 3 CRD obligations.

This Pillar 3 disclosure document has been prepared by 17 Capital LLP (the "**Firm**") in accordance with the requirements of BIPRU 11.

The Firm has made no omissions on the grounds that it is proprietary or confidential but have omitted certain data on the grounds of materiality.

Where the Firm has chosen to omit information because it is not material, the reason for the omission has been provided.

Scope and application of the requirements

The Firm is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. The Firm is categorised by the FCA for Prudential Regulatory purposes both as a Collective Portfolio Management Investment firm ("**CPMI** firm") and a BIPRU firm. The Firm has no trading book exposures.

Although part of a wider group, the Firm is managed in the UK on a "stand-alone" basis for liquidity purposes and do not foresee any impediments to the prompt transfer of capital between group entities should the need arise.

Disclosure, Approval and Publication

Pillar 3 disclosures will be issued on an annual basis after the year end and published as soon as practical when the audited annual accounts are finalised. Unless otherwise stated, all figures are as at the 31 March 2021 financial year-end. These disclosures have not been audited and do not form part of the annual audited financial statements of the Firm and should not be relied upon in making any judgement about the financial position of the Firm.

These Pillar 3 disclosures have been approved by the Management Committee and are published on the firm's website (www.17capital.com).

Risk Management

The Firm has established a risk management process 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 Management Committee, with the Senior Management team taking overall responsibility for this process and the fundamental risk appetite of the Firm.

The Chief Compliance Officer has responsibility for the implementation and enforcement of the Firm's risk principles.

Senior Management meet on a regular basis and discuss current projections for profitability, cash flow, regulatory capital management, business planning and risk management.

Senior Management engage in the Firm's risks though a framework of policy 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.

The Senior Management team has identified the most material risk areas to which the Firm is exposed.

Annually the Senior Management team formally review their risks, controls and other risk mitigation arrangements and assess their effectiveness.

An update on operational matters is provided to the Senior Management team on a monthly basis. 17Capital is able to demonstrate, at any point in time, the continued adequacy of the Firm's regulatory capital, which is reviewed on a regular basis.

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

Risks

The Firm has considered a range of risks which it has assessed during the risk management process as follows:

Business risk

The reputation of the Firm can be impacted by any of the Firm's key risks. For this reason, the Firm considers reputational impacts across all aspects of the risk management framework, rather than managing a separate reputational risk activity. The Firm also considers reputational risks when initiating changes to strategy or operating model and maintains high standards of conduct.

Operational risk

The Firm places strong reliance on the operational procedures and controls that it has in place in order to mitigate operational risk and seeks to ensure that all personnel are aware of their responsibilities in this respect. The Firm has identified a number of key operational risks to manage. These relate to:

- Conduct and Regulatory Risk
- Tax Risk
- Fraud Risk
- Third-party provider Risk
- Technology and Information System Risk
- Legal Risk

Appropriate polices are in place to mitigate against these risks, which includes taking out adequate professional indemnity insurance.

Credit Risk

The Firm is exposed to credit risk in respect of its debtors, investment management fees billed, and cash held on deposit.

The number of credit exposures relating to the Firm's investment management clients is limited. All bank accounts are held with large international credit institutions.

A summary of the Pillar 1 credit risk requirement has been omitted as it is not considered to be material.

Liquidity risk

The Firm maintains sufficient liquidity to meet the working capital requirements under normal business conditions, as well as to ensure that there is no significant risk that its liabilities cannot be met as they fall due or to ensure that it can secure additional financial resources in the event of a stress scenario.

The Firm has always had sufficient liquidity within the business to meet its obligations and there are no perceived threats to this given the cash deposits its holds.

Market risk

The Firm takes no market risk other than foreign exchange risk in respect of its accounts receivable and cash balances held in currencies other than GBP.

Given the immateriality of the foreign exchange risk, no specific strategies are adopted in order to mitigate the risk of currency fluctuations. A summary of the Pillar 1 foreign exchange risk requirement has been omitted as it is not considered to be material.

Regulatory capital requirement

Pillar 1 Assessment

As discussed above the firm is a CPMI firm and as such its Own Funds Requirements are the higher of:

- sum of credit risk requirement and market risk requirement; and
- sum of:
    - higher of:
        - fixed overheads requirements; and
        - FUM capital requirements;
    - Professional Indemnity Insurance ("**PII**") capital requirement.

Credit risk requirement – the Firm has adopted the simplified standardised approach to credit risk.

Market risk requirement – the Firm has adopted the simplified standardised approach market risk.

Fixed overheads requirement – calculated, in accordance with FCA rules, based on the firm's projected annual expenditure.

FUM capital requirement – 0.02% is taken on the Assets Under Management ("**AUM**") of all funds managed by the firm (for which it is the appointed AIFM) in excess of €250m. AUM is valued as the absolute value of all assets including assets acquired through the use of leverage, whereby derivative instruments shall be valued at their market value.

PII capital requirement – 0.01% is taken on the AUM of all Alternative Investment Funds ("**AIFs**") where the Firm is the portfolio manager, including AIFs where it the firm is managing as a delegate. AUM is valued as the absolute value of all assets including those acquired using leverage, whereby derivative instruments are valued at their market value.

The firm is not subject to an operational risk requirement. The Firm's fixed overhead requirement plus the PII capital requirement establishes its Pillar 1 Own Funds Requirement. The Pillar 1 Own Funds Requirements are monitored by the Finance Team and reported to the Management Committee on a monthly basis.

Pillar 2 Assessment

While carrying out its internal capital adequacy assessment process ('**ICAAP'**), the Management Committee have:

- considered the major risk scenarios, with quantitative and qualitative aspects, that may affect the continuity and viability of its business as well as the procedures which are in place to mitigate these risks;

- assessed the Firm's systems and controls as being adequate and sufficiently flexible to accommodate the Firm's existing business plans;

- formulated a comprehensive orderly wind-down plan and estimated the associated costs, net of income receivable, to ensure Own Funds and liquid resources would be sufficient in such an event.

- assessed and quantified the residual risks arising from the Firm's risk assessment process;

- conducted stress and scenario testing based on risks identified in the Firm's risk assessment process.

None of the these caused the surplus to be eroded below the overall Own Funds Requirement.

Regulatory capital resources

The Firm is a private limited company and its capital arrangements are established in its Articles. The Firms capital resources are comprised solely of Tier 1 capital, which totals £3.6.

Overall capital adequacy

Having challenged the ICAAP the Compliance Committee have concluded that the level of Own Funds Requirements quantified therein is proportionate to their assessment of the level of complexity of the Firm's business and the risks to which it is exposed in accordance with the requirements of GENPRU and BIPRU.

With Own Funds of £3.6m and an overall Own Funds Requirement of £3.1m the Compliance Committee are confident that the resulting solvency ratio of 116% is healthy and sufficient to withstand the risks to which the Firm is exposed.

STEWARDSHIP CODE DISCLOSURE

Under Rule 2.2.3R of the FCA's Conduct of Business Sourcebook, the Firm is required to include on this website a disclosure about the nature of its commitment to the UK Financial Reporting Council's Stewardship Code (the 'Code') or, where it does not commit to the Code, its alternative investment strategy.

Consequently, while the Firm supports the objectives that underlie the Code, the provisions of the Code are not relevant to the type of fund management operations currently undertaken by the Firm.

If the Firm's strategy changes in such a manner that the provisions of the Code become relevant, the Firm will amend this disclosure accordingly.

REMUNERATION DISCLOSURE

The Firm is subject to FCA Rules on remuneration. These are contained in the FCA's Remuneration Codes located in the SYSC Sourcebook of the FCA's Handbook.

The Remuneration Code (the "**RemCode**") covers an individual's total remuneration, fixed and variable. The Firm incentivises staff through a combination of the fixed and variable remuneration.

The Firm's policy is designed to ensure compliance with the RemCode and compensation arrangements:

(1) are consistent with and promote sound and effective risk management;
(2) do not encourage excessive risk taking or risk-taking which is inconsistent with the risk profiles or fund constitutional documents of the AIFs managed;
(3) include measures to avoid conflicts of interest; and
(4) are in line with the Firm's business strategy, objectives, values and long-term interests.

Proportionality

Enshrined in the European remuneration provisions is the principle of proportionality. The FCA has sought to apply proportionality in the first instance by instituting two tests.

Firstly, a firm that is significant in terms of its size must disclose quantitative information referred to in BIPRU 11.5.18R at the level of senior personnel.

Secondly, that a firm must make disclosure that is appropriate to the size, internal organisation and the nature, scope and complexity of their activities.

The Firm is not 'significant' and so makes this disclosure in accordance with the second test in BIPRU 11.5.20(2).

Application of the requirements of BIPRU 11.5.20(2)

The Firm's policy has been agreed by the Senior Management in line with the Remuneration Principles laid down by the FCA.

Due to the size, nature and low level of complexity of the Firm, it is not required to appoint an independent remuneration committee.

The Firm's policy will be reviewed at least annually or following a significant change to the business requiring an update to its internal capital adequacy assessment.

The Firm's and group's ability to pay bonuses and individual awards are based on the performance of Firm and group's overall as well as individual performance.

Aggregate quantitative information on remuneration, for staff whose actions have a material impact on the risk profile of the Firm/of those staff of the Firm who are fully or partly involve in the activities of the AIF.

Code Staff	Aggregate compensation expense in fiscal year ended 31 March 2021
Senior Management	£3.1m
Material Risk Takers	£9.9m

The Firm has made no omissions on the grounds of data protection. The Firm only has one "business division", namely its investment management business and thus no breakdown by business division is provided.