# Gresham House Asset Management Ltd
# Pillar III Disclosure

for the year ended 31 December 2021

Since 1857
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# 1. Introduction

## 1.1 Basis of preparation

The following disclosures are in accordance with the requirements of Chapter 11 of the FCA Prudential Sourcebook for Banks, Building Societies, and Investment Firms (BIPRU).

The Capital Requirements Directive ('CRD') of the European Union created a regulatory capital framework governing how much capital financial services firms must retain. The rules are set out in the CRD under three pillars:

- Pillar 1 sets out the minimum capital resource requirement firms are required to maintain to meet credit, market and operational risks
- Pillar 2 requires firms to assess firm-specific risks not covered by Pillar 1 and, where necessary, maintain additional capital
- Pillar 3 requires firms to disclose information regarding their risk assessment process and capital resources with the aim to encourage market discipline by allowing market participants to assess key information on risk exposure and the risk assessment process.

**Transitional arrangements**

The Investment Firms Prudential Regime (IFPR) is the FCA's new prudential regime for MiFID investment firms. The final rules from the FCA's first and second policy statements are in the legal instruments FCA 2021/38 and FCA 2021/39.

- Under the new Investment Firms Prudential Regime, GHAM and TRL have prepared Internal Capital Adequacy and Risk Assessment (ICARA) as a replacement for the Internal Capital Adequacy Assessment Process (ICAAP).
- The regime came into force on 1 January 2022. The MIFIDPRU Remuneration Code will apply from 1 January 2022 or the start of the next performance period, whichever is later.
- Disclosures under MIFIDPRU 8 shall be required for accounting reference dates falling after 30 December 2022.

The document is designed to meet Gresham House Asset Management Ltd (GHAM)'s Pillar 3 Disclosure obligations. Unless otherwise stated, all figures are based on the audited annual accounts of the firm for the year ended 31 December 2021.

## 1.2 Frequency and location of disclosure

Future disclosures will be issued on an annual basis once they have been reviewed and approved by the Board. The disclosures will be published on the Group's website.

## 1.3 Verification

The information contained in this disclosure document has not been and is not required to be audited by the Groups' external auditors, and does not constitute any form of financial statement. It has been produced solely for the purposes of Pillar 3 disclosure and does not constitute, in any form, audited financial statements.

### 1.4 Materiality

The Group regards information as material in disclosures if its omission or misstatement would change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. If the Group deems a certain disclosure to be immaterial, it may be omitted from the Pillar 3 disclosure. If GHAM deems a certain disclosure to be immaterial, it may be omitted from this Statement. Investment firms may omit required disclosures where they believe that the information is proprietary or confidential. The Group has made no omissions on the grounds that it is immaterial, proprietary or confidential other than as may be disclosed in the statutory accounts.

## 2. Business Model

The Group's companies are fully owned subsidiaries of Gresham House plc (GHE), a quoted specialist alternative asset management group (GHE.LN) that provides funds, direct investments and tailored investment solutions including co-investment. It currently advises funds and individual clients across a range of investment classes including Strategic Equity and Real Assets. The Group carries out all the regulated activities of the Group. This disclosure relates to the business of Gresham House Asset Management, TradeRisks Limited and Residential Capital Management Limited.

## 3. Risk Management and Governance

### 3.1 Approach to managing risk

The GHE plc Board is responsible for the effective management of risks across the Group and considers the effective management of these risks and opportunities as central to the achievement of its long-term objectives. The GHE plc Board is also responsible for determining risk strategy, setting the Group's risk appetite after considering recommendations received from the GHE plc Audit Committee to ensure risk is monitored and controlled effectively and promotes an overall culture of effective risk management throughout the business while delegating the day-to-day risk management responsibilities to the Boards of the Group's companies.

The Boards of the Group's companies are responsible for the Groups' risk management and ensuring that the Groups' risk exposure are managed in line with the Groups' overall business objectives and within its stated risk appetite. This include the governance of the process for identifying, evaluating, managing and reporting the significant risks faced by the Group.

The GHE plc Board  is ultimately responsible for ensuring that the Group maintains sufficient capital and liquidity resources to meet its regulatory capital and liquidity requirements and to support its growth and strategic objectives. Risk management is embedded throughout the business, with the overall risk appetite and risk management strategy approved by the GHE plc Board propagated down throughout the business as appropriate. The Group and GHAM have reviewed the number of directorships held by members of the GHE and GHAM Boards and are satisfied that the arrangements are such that the GHE and GHAM Boards are able to commit sufficient time and resources to perform their obligations to the Group and GHAM. The number of directorships held is monitored on an ongoing basis.

### 3.2 The Risk Management Process

Our The Enterprise Risk Management Framework (ERM Framework) sets out the risk governance structure, risk appetite and risk assessment processes, policies and procedures, periodical risk reporting and assurance arrangements across the Group.

The ERM Framework has been designed to ensure the prompt and accurate identification, assessment and management of internal and external risks as well as evaluation of emerging risks pertinent to the Group. During 2022, the Board reviewed and approved the annual refresh of the ERM policy and key risk management outputs, including the Group Risk Register and Risk Appetite Statement. There were no material changes to the risk tolerances of the business, however the Group Risk Register was updated to emphasise ESG considerations, and the integration of ESG risk management into decision-making processes and reporting during 2022.

The Gresham House Group approach to risk management encompasses the arrangements for the management of enterprise-wide risks, and the specific investment risks relevant for each fund.

- **Risk governance** - The GHE plc Board is responsible for setting our business strategy and the overall management of risk within the Group while delegating the day-to-day risk management responsibilities to the Boards of the Group's subsidiary companies.

  Our risk governance structure is comprised of Board and executive committees, risk culture management, second line oversight functions, risk appetite and risk ownership roles and responsibilities.

  The Group has in place a functional and hierarchical separation of its risk management oversight and business units, where business units include a portfolio management function. Risk ownership and risk oversight are fully segregated across the Group.

- **Risk culture** - the Boards set the right tone at the top by supporting a sense of risk ownership and collective responsibility for risk management across the employee base. A strong risk culture is promoted throughout the Group. Accountability for the effectiveness of the Group's risk management systems and internal controls is delivered through our ERM Framework and is overseen by the Boards and the senior management team in accordance with the senior managers and Certification Regime (SMCR).

- **Risk identification and prioritisation** - the identification of the strategic objectives of the Group as a whole and supporting business processes include identification and assessment of risk events that might impede the achievement of business objectives or delivery of business processes.

  Our risk identification process delivers a defined risk taxonomy which is used to establish the impact and likelihood of a risk materialising and the potential dimensions of the exposures the Group faces. Our risk prioritisation reflects an understanding of risk exposures relative to each other and the efficient application of resources within the Group.

- **Risk appetite, tolerance and limits** - the Boards sets the Group risk appetite which supports the corporate strategy and determines the threshold of risks considered acceptable. This approach aims to enhance our decision-making capacity and to reflect the agreed business strategy, the business operational systems and controls, risk appetite and tolerance, capital resources and threshold limits needed to provide early warning signs of a possible approach of our risk appetite limits.

- **Risk management and mitigation controls -** as part of the risk assessment process, controls and mitigation strategies are documented for each material risk, with risk owners taking ownership of the maintenance and operation of designed mitigation controls. The second line risk function supports the risk and control self-assessment programme performed by risk owners to capture risks, oversee and challenge scenario analysis (where combinations of risk factors are assumed to vary) and stress testing outputs (where one risk factor, such as equity returns, is assumed to vary).

  Risk models are an important tool in our measurement of risks. They are used to support the monitoring and reporting of risk and when evaluating actions deciding what mitigation controls are to be implemented. Risk velocity management also forms part of our processes and seeks

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to measure how fast an exposure can impact our business units and the point at which the organisation first feels its effects.

- **Risk ownership** - as part of our SMCR responsibilities, we have allocated risk ownership responsibilities to our senior management team and appropriate delegation of the identified risks cascades down to risk owners across our business units as to ensure risks identified are effectively monitored and reported. We also ensure that risk owners have the skills, resources, knowledge and expertise to manage our business risks.

- **Risk reporting** - risk reporting is an integral part of the ERM Framework and takes place at different levels throughout the business units, including corporate and portfolio management functions.

  Each regulated entity and investment fund systematically identifies their material, relevant risks and have in place a limit monitoring and reporting framework. Fund level risk reporting is aggregated at the regulated manager level, which in turn reports to the Group Audit Committee and the GHE plc Board, providing the GHE plc Board members with information necessary to assess the management of risks in line with strategic objectives, agreed risk tolerances and the effectiveness of the control environment.

  The GHE plc Board and the Audit Committee meet at least bi-annually to review and, where required, challenge the Group's management of risks and any significant changes to the profile of risks including actions being taken to mitigate or control key risk exposures.

- **ESG risk management** - our approach to sustainability is a key part of our strategy and our ability to deliver sustainable investment considerations is applied across the investment process for all asset classes. It involves the integration of ESG factors through due diligence screening, engagement, governance and risk management, therefore helping to formulate a granular picture of the asset, informing a coherent engagement strategy which is agreed by each of our investment committees.

  Our in-house developed ESG Decision Tool is integrated into product governance and investment decision-making processes, taking both a top-down and bottom-up risk management approach to selecting and assessing our business and investment risks and opportunities over the short, medium and long-term.

## 3.3 Risk Appetite

The GHE plc  Board have identified the following core risks within the business and put in place the internal controls described:

Each risk appetite statement has been evaluated using a combination of qualitative and quantitative assessments proportionate to the risk identified and aim to manage each risk from a strategic, financial, operational, regulatory, reputational and ESG perspective.

| Principal Risks | Risk Appetite Statement | Mitigation Controls |
| --- | --- | --- |
| **Strategic Risk** | | |
| The Board pursue a strategy that fails to meet shareholder objectives or | The Group has low tolerance to strategic risk failures. The Group reviews the business plan and strategy at the start of the new financial year and communicates the strategy to all | The Gresham House five-year plan, GH25, was communicated to shareholders and stakeholders in 2020 as reviewed and approved by the Board. |

| Principal Risks | Risk Appetite Statement | Mitigation Controls |
|---|---|---|
| fails to execute the stated business strategy. | stakeholders through the annual report, website content, RNS announcements and other marketing materials. Ongoing review of the business strategy is performed via regular board meetings. | An annual business plan is defined at the start of the new financial year, which includes the approval of the Group budget for the upcoming year.<br><br>Regular Board meetings are used as a forum to review the set strategy against performance and forecasts being achieved by the Management Committee and Divisional Heads.<br><br>Proactive engagement with new and existing shareholders to understand their key drivers and needs for investing in the Group.<br><br>During the pandemic regular and open communications took place between the Board, Management Committee, shareholders and stakeholders to manage strategic risk during 2020 and 2021. |
| | | |
| **Loss of Key Personnel Risk** | | |
| The Group's development and prospects are dependent upon the service and performance of the directors and senior management. The loss of the services of any of the directors or senior management could cause disruption to the strategic objectives and day-to-day operations of the Group. | The Group is committed to hiring and retaining top talent and has low tolerance to loss of key personnel risk. Our people are integral to all that Gresham House achieves. We assess and evaluate our teams' needs at least annually by requesting feedback, conducting employment surveys, engaging via professional social media and take onboard all feedback received when reviewing our company culture, recruitment, and retention management strategies. Our culture of empowerment, encourages individual flair and entrepreneurial thinking, enables us to design and implement innovative investment solutions capable of building a sustainable future. | Remuneration levels are regularly reviewed to ensure they remain competitive and align key individuals with the long-term success of the company through deferred awards. The Remuneration Policy discourages excessive risk taking and strikes an appropriate balance between fixed and variable pay. Minimum notice periods are included in key persons' contracts of employment to ensure any departures are efficiently managed to minimise disruption.<br><br>Succession planning is in place to ensure there is cover for key roles in the event of loss of services of any of the directors or senior management. |
| **Acquisition risk** | | |
| As the Group pursues an acquisition growth strategy as well as organic growth, there is the risk that the synergies and other benefits envisaged prior to | The Group has medium tolerance to acquisition risk. The GH25 five year strategy incorporates both organic and acquisition growth and acquisitions form a part of delivering the business strategy | Acquisitions follow a structured process involving senior management and consultations with significant external stakeholders. Dedicated resources assigned to design and implement detailed integration plans for the acquired |

| Principal Risks | Risk Appetite Statement | Mitigation Controls |
| --- | --- | --- |
| the acquisition do not materialise. | | entities' people, processes and systems. All acquisitions involve a thorough due diligence exercise involving professional advisers as necessary to minimise uncertainty, concluding in an approval requirement from the Gresham House Investment Committee and the Board. |
| | | |
| **Regulatory and governance risks** | | |
| **Conduct Risk**<br>The risk of poor outcomes to stakeholders arising from deliberate or negligent actions by the Group or its employees.<br><br>**Breaches Risk**<br>The risk that the Group breaches its obligations under the various regulations. The Group operates in a heavily regulated environment where legal and regulatory requirements are frequently updated. | The Group has no tolerance to conduct risk that could cause client detriment or weaken the integrity of the markets in which we operate. The Group is committed to observing its obligations under the various regulations | Conduct risk management is lead from the top by the Board. The FCA regulated entities in the Group have a Board made up of division leaders and the Management Committee. Quarterly Board meetings are used to review breaches, updates in the compliance environment, capital adequacy, FCA reporting (GABRIEL) and other regulatory matters. Regular training and communications across the Group on applicable regulatory obligations.<br>With the introduction of the Senior Managers and Certification Regime, this has been further embedded through specific conduct rules training. There is an independent compliance department to regularly monitor, identify and report any actual or potential breaches using our compliance monitoring programme. Robust whistleblowing arrangements are also in place. |
| | | |
| **Macroeconomic Risk** | | |
| This is the risk of an adverse impact on the Group's revenue and profitability from an economic downturn. The pandemic is impacting economic activities which may result in slow recovery for many sectors. The Group has significant exposure to the UK economy. The Brexit deal agreed with the EU at the end 2020 impacts the | The Group manages and advises a number of funds, which have varying degrees of macroeconomic exposure. The mix of exposure is considered as part of the Group's strategy to grow as an asset manager, therefore the risk tolerance to macroeconomic risk is medium. | The Group manages investments in reasonably uncorrelated asset classes such as Forestry and Renewables which have remained attractive to investors in the event of an economic downturn, such as the pandemic. The investor base of the Group is also growing, enabling diversification and mitigation of concentration risk. The Group has a robust capital position which is stress tested regularly, concluding that the Group is able to manage challenging periods of market instability. We closely monitor the management of |

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| Principal Risks | Risk Appetite Statement | Mitigation Controls |
|---|---|---|
| Group's ability to expand into Europe as well as impact certain portfolio companies within the funds the Group manages. | | macroeconomic risks and the impact on our investment strategies and stakeholders. The Group has limited exposure to Europe as managed assets are primarily domiciled in the UK. The Group has acquired Appian Asset Management Limited, a full scope EU AIFM, which enables the Group to continue its international expansion ambitions. |
| **Investment Risk** | | |
| The risk that actual performance by funds managed by the Group deviate from expected performance due to systematic and/or unsystematic factors, including insufficient pipeline | The Group has low tolerance to investment risk and monitors the investments of its underlying funds in order to ensure any deviations from expectation is promptly addressed. | Each fund has a dedicated fund manager which ensures performance is closely monitored and action can be proactively taken if necessary.<br><br>Investment Committees made up of leading independent industry experts who provide robust review and challenge of proposed new investments by the funds<br><br>During periods of market volatility, the Group increases its monitoring activities, especially across portfolios which may be impacted by the effects of the pandemic<br><br>Appointment of internal persons to board seats in private investee companies which will ensure the Group has up to date and appropriate information on the performance of those entities<br><br>Group AIFM Portfolio Risk Committee maintains oversight through the quarterly AIF fund review process. |
| **Tax Efficient Product Risk** | | |
| Some of the Group's products are in tax efficient products, which could be subject to a change in government policy. | The Group has low tolerance to tax efficiency product risk and conducts regulatory horizon scanning and clear disclosures to investors. | Clear disclosure in promotional materials on risks and status of investment assets and that independent professional advice should be sought when investing.<br><br>The investment thesis on forestry is not predicated on the tax regime, hence investors' objectives are likely to still be met in the event of a tax law change should for example inheritance tax considerations be removed for forestry.<br><br>The VCT funds promote investment in early-stage companies and at a time when the government wants to promote growth in the economy it is considered |

| Principal Risks | Risk Appetite Statement | Mitigation Controls |
|---|---|---|
| | | unlikely that these tax advantages would be removed. Regulatory scanning is conducted regularly. |
| **Operational Risk** | | |
| **Failure of processes and systems** | | |
| The risk of significant failures to internal processes and systems.<br><br>**Cyber risk**<br>The risk that the Group's systems are accessed by unauthorised persons and client data is breached. | The Group has low tolerance to failure of processes and systems and has put in place appropriate systems and controls including robust business continuity arrangements to ensure operational stability and effectiveness. | The Operations Committee addresses operational matters with regular reporting to the Board.<br><br>The Group engages suitably qualified third parties in all outsourcing arrangements and carries out regular due diligence on these third parties.<br><br>Annual IT audits are conducted by independent third-party IT security providers, including phishing and penetration testing. Restricted access to systems is in place.<br><br>Refresher training on data protection and cyber security, including cyber fraud prevention.<br><br>Annual business continuity plan maintenance and testing to ensure resilience of the Group's and critical third-party systems.<br><br>Achievement of ISO9001 certification ensuring documentation and consistent application of processes across the Group. With teams working from home for a large part of 2020 and part of 2021, the threat of cyber risk to systems has increased; with appropriate controls and training to employees this risk was mitigated to normal levels. We manage cyber risk as part of our operational resilience. |
| **Health and safety risk** | | |
| The Group's management of alternative assets including forestry and energy, means there is the risk of injury or ill health to employees arising in the course of the execution of day to-day responsibilities. During 2020 and 2021, the | The Group has low tolerance to health and safety risk and has in place policies, systems and controls designed to mitigate this risk. | Engagement of suitable, authorised third parties to manage operational assets of the managed funds.<br><br>Maintenance of appropriate Group wide and funds insurance covering personal injury. |

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| Principal Risks | Risk Appetite Statement | Mitigation Controls |
|---|---|---|
| risk to employees' health and safety at work increased due to the effects of the pandemic. | | Safety training to operational staff and establishment of clear operational procedures.<br><br>Our operational management of health and safety has been tested in 2021.<br><br>AIFM portfolio risk management committee review any health and safety issues on a quarterly basis.<br><br>Training is provided to the Board of Directors, employees and contractors on appropriate conduct at these sites as well as when working from home. |
| **Financial risk** | | |
| **Capital and Liquidity Risk** | | |
| The risk of insufficient liquidity within the Group to meet its financial obligations as they fall due. Liquidity risk in relation to funds is the risk that redemptions or other obligations as they arise cannot be met. | The Group has low tolerance to capital and liquidity risk and will have sufficient and accessible financial resources to meet any financial obligations as they fall due. | The Group ensures it exceeds minimum levels of liquidity at all times to support working capital and regulatory minimum requirements through monthly reviews by Finance, the CFO and Compliance.<br><br>An ICAAP is prepared for regulated entities within the Group to assess capital requirements and ensure sufficient capital is maintained to cover those risks under normal and stressed market conditions. This will be updated to the ICARA in 2022.<br><br>Liquidity forecasts are prepared across the Group with adequate measures put in place to ensure future cash flows are appropriately provided for. The Group has a revolving credit facility available to cover short term liquidity needs.<br><br>Liquidity is actively managed across funds by ensuring the funds do not invest outside of their mandate in unlisted assets, do not have a concentrated exposure to single security and hold a reasonable level of cash. |
| **ESG Risk**<br><br>The risk of inappropriate ESG risk management at Group level and adverse impact on climate change. | The Group has low tolerance to capital and liquidity risk and has implemented sustainable investment policies across all its investments strategies | The Group has a dedicated Sustainable Investment team in place to drive the ESG investment integration across all our business lines. As the UK transitions towards a net zero economy, we are planning to enhance our climate data metrics and governance for the disclosure of our investment solutions' |

| Principal Risks | Risk Appetite Statement | Mitigation Controls |
|---|---|---|
| | | exposures and performance of climate-related risks and opportunities.<br><br>As a financial market participant, we recognise our responsibility to contribute to a resilient financial market system. We have in place a Sustainable Investment Framework (SIF) which explains how we integrate Environmental, Social and Governance considerations into our selection, evaluation, governance and engagement processes across the lifecycle of each investment.<br><br>Our Sustainability Risk Management Model will be integrated into our ERM Framework taking both a top-down and bottom-up risk management approach. The ten ESG themes in our SIF represent our sustainable investment risks and will form part of our quarterly risk monitoring and reporting activities.<br><br>The Group is a signatory of the Principles for Responsible Investment which requires the submission of an annual responsible investment activities report. In 2021, the Group achieved A+ for Strategy and Governance, A+ for Infrastructure and A for Strategic Equity.<br><br>The Group was also awarded the Green Economy Mark by the London Stock Exchange in recognition of its contribution in driving the global green economy.<br><br>The Group is also a signatory of the UK Sustainable Investment and Finance Association, the Financial Reporting Council and Pensions for Purpose and continually strive to deliver our sustainability commitments to the above organisations. |

The Group's profile of these risks is continually evolving and is generally driven by:

- Changes to the market in which it operates;
- The Group's strategies and business objectives; and
- The Group's business/operating models

The Group seeks to generate positive returns through carefully considered risk taking and robust risk management.

# 4. Pillar II Capital Adequacy assessment

The regulated entities within the Group undergo an annual capital adequacy risk assessment exercise that ensures identified risks are quantified and the adequate capital maintained to cover the identified risks. This exercise considers but it is not limited to:

- current and forward-looking assessment of the risks and financial position of the entities over a multi-year horizon;
- applicable financial and non-financial risks and the effectiveness of internal controls to manage the likelihood and/or impact of those risks; and
- capital requirements to ensure the financial stability of the entities under base case and stressed scenarios.

Following the introduction of the FCA's Investment Firm Prudential Regime (IFPR), the UK regulated investment managers are subject to a new prudential regime. Under the new Investment Firms Prudential Regime, GHAM prepared an Internal Capital Adequacy and Risk Assessment (ICARA) as a replacement for the Internal Capital Adequacy Assessment Process (ICAAP).

Similar to the previous Internal Capital Adequacy Assessment Process (ICAAP), the Internal Capital Adequacy and Risk Assessment (ICARA) requires regulated investment firms to demonstrate that adequate risk management has been undertaken. Under the new ICARA process, greater emphasis is placed on the investment firm's business model, capturing potential harms from both the market and our clients.

The Group regulated entities' Pillar II outputs are submitted to their respective regulators, and outline the harm scenarios considered and the output of our liquidity, capital adequacy, and operational resilience stress testing.

GHAM's overall approach to assessing the adequacy of its internal capital is documented in the ICARA. Whilst the ICARA is formally reviewed by the GHAM Board once a year, Senior Management review risks and the required capital more frequently and will particularly do so when there is a planned change to business activity that impacts risks and capital or when changes are expected in the business environment potentially impacting the ability to generate income.

In addition to assessing the financial resources required to mitigate the harms posed by the firm, management has also considered the adequacy of the firm's broader risk management processes and the Pillar II process itself. The Group is satisfied that these processes are operating as intended.

## 4.1 Capital Resources

The Group has no innovative Tier 1 capital instruments or deductions.

Disclosures under MIFIDPRU 8 shall take effect for reference dates falling after 30 December 2022.
For the year ended 31 December 2021, GHAM's capital resources were as follows:

| Own Funds Resources | FY21 (£'000s) |
|---|---|
| Ordinary Share Capital | 43,199 |
| Audited Retained earnings | 13,195 |
| Less: Deductions from CET1 - Intangibles | (42,060) |
| **Common Equity Tier 1 Capital** | |
| **Total Own Funds Resources** | 14,334 |
| | |
| Total Pillar 1 Requirement | 4,112 |

GHAM maintained at all times capital resources equal to or in excess of the Pillar 1 requirement. During the 12-month accounting period to 31 December 2021, the Company complied fully with all capital requirements and operated well within regulatory requirements. At the accounting reference date

The GHAM Board is therefore comfortable that GHAM is, and has been throughout the financial year, adequately capitalised for Pillar 1 purposes. GHAM held approximately £9.14mn in cash and cash equivalents as at year end. The GHAM Board is comfortable that this will ensure prudent capitalisation and cover for market downturns and other risks that may materialise in the short to medium term.

The GHAM Board constantly monitors the performance of GHAM and capital adequacy is regularly assessed. The Group will also monitor risks throughout the year and decide if additional capital should be held against these risks.

## 4.2 Credit and Market risk

GHAM uses the standardised approach for computing Credit and Market risk. Consequently, the capital requirement is computed as 8% of the total risk weighted exposure amounts. GHAM had no market risk exposures as of 31 December 2021. Credit risk exposures are as summarised in the table below:

| | Risk weighting | (£'000s) |
|---|---|---|
| **Exposure to rated institutions** | | |
| Bank balance | 20% | 9,141 |
| *Risk weighted amount* | | *1,828* |
| **Other exposures to corporates** | | |
| Other debtors | 100% | 10,729 |
| *Risk weighted amount* | | 10,729 |
| **Total credit risk weighted amount** | | 19,870 |
| **Credit risk requirement (standardised approach) @ 8%** | | **1,005** |

## 4.3 Pillar II Capital Adequacy

Basic own funds requirement under the IFPR is calculated as the higher of the:

- PMR – the PMR is the minimum own funds a firm must hold based on the firm's permissions and services
- FOR – the FOR is calculated as one quarter of the firm's annual fixed expenditure less allowable deductions (as set out under MIFIDPRU 4.5.3)

- KFR – the KFR has been introduced to calibrate the own funds needed to meet the risks of an investment firm. K-Factors are quantitative indicators or factors which represent the risks that an investment firm can pose to customers, market and the firm itself. The total KFR is calculated as the sum of the Risk to Client, Risk to Market and Risk to Firm K-Factors.

| **Own Funds Threshold Requirement** | |
|---|---|
| **Total Own Funds Resources** | **14,334** |
| **Minus: Own Funds Threshold requirement** | **5,065** |
| **Own Funds Surplus** | **9,269** |

# 5. Remuneration Policy

The Group's Remuneration Policy complies with the Remuneration Code in relation to its size, nature, scope and complexity of our activities.

The Policy is aligned to the Groups' business strategy, objectives, values and long-term interests in respect of performance and effective risk management in line with the Group's risk appetite.
Remuneration policies within the Gresham House Group are determined by the Remuneration Committee of Gresham House Plc.

Remuneration comprises Basic and Variable remuneration. Variable pay is made up of bonuses and pension contributions. It is determined on the basis of the employee's individual performance, Group's overall results, financial and non-financial criteria, and is awarded to align the long-term interests of the employee with that of the Group.

# 6. Breaches of Pillar III

Any breaches of the Capital Adequacy rules will be recorded on the Group's breach log in conjunction with its Regulatory Breach procedure. There have been no breaches of BIPRU rules in the year to 31 December 2021.