Pillar 3 and Remuneration Disclosure

Background

BennBridge Ltd ("BennBridge" or the "Firm") is an investment manager incorporated in England and Wales. BennBridge is authorised and regulated by the Financial Conduct Authority ("FCA") as an Alternative Investment Fund Manager ("AIFM") and is categorised by the FCA as a Collective Portfolio Management Investment ("CPMI") firm.

Regulatory

The Capital Requirements Directive ("CRD") and the Alternative Investment Fund Management Directive ("AIFMD") of the European Union established 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 and AIFMD were implemented by the Financial Conduct Authority ('FCA') in its regulations through the General Prudential Sourcebook ("GENPRU"), the Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU"), the Interim Prudential Sourcebook for Investment Business ("IPRU (INV)").

The CRD consists of three 'Pillars':

- Pillar 1 sets out the minimum capital amount that meets the Firm's credit, market and operational risk capital requirement;
- Pillar 2 requires the 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 AIFMD adds further capital requirements based on the Alternative Investment Fund ("AIF") assets under management and professional liability risks.

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

The Pillar 3 disclosure document has been prepared by BennBridge in accordance with the requirements of BIPRU 11 and is verified by the board. Unless otherwise stated, all figures are as at the 30 June financial year-end.

Pillar 3 disclosures will be issued on an annual basis after the year end and published as soon as the audited annual accounts are finalised.

BennBridge is permitted to omit required disclosures if it believes that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions about the Firm.

In addition, BennBridge may omit required disclosures where it believes that the information is regarded as proprietary or confidential. In its view, proprietary information is that which, if it were shared, would undermine its competitive position. Information is considered to be confidential where there are obligations binding the Firm to confidentiality with its customers, suppliers and counterparties.

The Firm has not omitted any disclosures.

BennBridge is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. The Firm is categorised as a Collective Portfolio Management Investment Firm ('CPMI') Firm' by the FCA for capital purposes.

It is an agency investment management firm and as such has no trading book exposures.

Under the latest UK IFPR definitions, BennBridge is a member of a UK consolidation group and so would ordinarily be required to prepare consolidated reporting for prudential purposes. However, as a result of meeting the FCA's Group Capital Test, the Firm will continue to report and be managed on a "stand-alone" basis for prudential purposes and the Firm does not foresee any impediments to the prompt transfer of capital between group entities should the need arise. We can therefore confirm that no differences exist in the basis of consolidation for accounting and prudential purposes.

Risk management

BennBridge 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 a dedicated Risk Manager and Risk Analyst, with the Senior Management team taking overall responsibility for this process and the fundamental risk appetite of the Firm. The Compliance and Risk teams have 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 BennBridge'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. These policies and procedures are updated as required.

The Senior Management team has identified that business (including market and credit) and operational are the main areas of risk to which the Firm is exposed. At least annually the Firm formally reviews its risks, controls and other risk mitigation arrangements and assesses their effectiveness via an external AAF audit.

A formal update on operational matters is provided to the Board on a quarterly basis. Management accounts demonstrate continued adequacy of BennBridge's regulatory capital are 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 BennBridge's mitigating controls.

Risks

Specific risks applicable to the Firm come under the headings of business, operational, reputational, credit, professional liability and liquidity risks.

Business risk

BennBridge's revenue is reliant on the performance of the existing funds under management and its ability to launch new funds/obtain new mandates. As such, the risk posed to the Firm relates to underperformance resulting in a decline in revenue and adverse market conditions hindering the launch of new funds and ultimately the risk of redemptions from the funds managed by BennBridge. This risk is mitigated by for example.

- The continued support of the Firm by its Australian parent
- Weekly forecasting and budgeting processes
- Significant levels of capital held by the Firm which will continue to cover all the expenses of the business

- Choosing key investment personnel after rigorous due diligence and those with strong track records
- Controls and monitoring around portfolio management and performance

Operational risk

BennBridge places strong reliance on the operational procedures and controls that it has in place in order to mitigate risk and seeks to ensure that all members of staff are aware of their responsibilities in this respect. The monthly Risk and Valuation Committee documents all operational issues and remedial actions and escalates these as appropriate to the Board.

The Firm has identified a number of key operational risks to manage. These relate to system breakdowns, internal and operational control failures, failure of third party providers, staff fraud or misconduct, clerical errors, key man, regulatory breaches, market abuse and catastrophes. Appropriate polices are in place to mitigate against these risks, which includes taking out adequate professional indemnity insurance, ensuring internal resource resilience, disaster recovery planning/cyber security controls and post-trade compliance.

Reputational risk

Reputational risk is defined as the risk of damage to the Firm's reputation that could lead to negative publicity, costly litigation, a decline in the customer base or the exit of key staff members and therefore directly or indirectly leading to a loss of revenue. There is some overlap between reputational risk and business risk, since both can result in the loss of clients and a reduction in income. To guard against breaching regulatory rules, the Firm has an experienced Compliance team in both the UK and US and are supported by a regulatory consultancy firm (ACA Compliance). The Firm has also implemented a detailed compliance framework, which includes a risk-based compliance monitoring programme. The Firm endeavours to employ high quality staff who are professional in all their dealings and seeks to implement a culture of ethical behaviour in all areas of the business. Furthermore, the Firm is supported by an experienced Marketing and Communications Team and established PR agency who can assist with mitigating any reputational risks.

Credit risk

The Firm is exposed to credit risk in respect of its debtors, investment management fees billed and cash held on deposit, though it is not considered material.

The number of credit exposures relating to BennBridge's investment management clients is limited. Management fees are drawn either monthly or quarterly from the funds managed and performance fees are drawn annually where applicable. The Firm considers that there is little risk of default by its clients. All bank accounts are held with large international credit institutions.

Given the nature of the Firm's exposures, no specific policy for hedging and mitigating credit risk is in place. BennBridge uses the simplified standardised approach detailed in BIPRU 3.5.5 of the FCA Handbook when calculating risk weighted exposures of 8%.

Credit risk summary

Credit risk exposure	Risk weighting	Risk weighted exposure
Cash in the bank	8%	£9,213
Inter-company	8%	£
Trade Debtor	8%	£18,952
Prepayments and Accruals	8%	£116,906
Other debtors (<1 year)	8%	£
Other debtors (>1 year)	8%	£
Other assets	8%	£

Professional liability risk

The Firm has a legal responsibility for risks in relation to investors, products and business practices including, but not limited to; loss of documents evidencing title of assets of the AIF; misrepresentations and misleading statements made to the AIF or its investors; acts, errors or omissions; failure by the senior management to establish, implement and maintain appropriate procedures to prevent dishonest, fraudulent or malicious acts; improper valuation of assets and calculation of unit/share prices; and risks in relation to business disruption, system failures, process management. BennBridge is aware of, and monitors, a wide range of risks within its business operations and towards its investors. The Firm has in place appropriate internal operational risk policies and procedures to monitor and detect these risks.

BennBridge's holds additional own funds of £12k, equating to 0.01% of the total AIF assets under management.

Liquidity risk

BennBridge is required to maintain sufficient liquidity 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 retains an amount it considers suitable for providing sufficient liquidity to meet the working capital requirements under normal business conditions. BennBridge has always had sufficient liquidity within the business to meet its obligations and there are no perceived threats to this given the cash deposits it holds and support it receives from the parent company. Additionally, it has historically been the case that all management fee 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 Finance team on a weekly basis, and the Firm would be able to call on the parent for further capital if required.

Capital Resources Requirement

The Firm is a Private Limited Company and its capital arrangements are established in its Articles. Its capital is summarised as follows:

The main features of BennBridge's capital resources for regulatory purposes are as follows:

	30/06/2021 £000
Tier 1 capital*	1,435
Tier 2 capital	
Tier 3 capital**	
Deductions from Tiers 1 and 2	
Total capital resources	**1,435**
*No hybrid tier one capital is held	

The Firm is small with a simple operational infrastructure. Its market risk is limited to foreign exchange risk on its accounts receivable in foreign currency, and credit risk from management and performance fees receivable from the funds under its management. BennBridge follows the standardised approach to market risk and the simplified standard approach to credit risk.

The Firm is subject to the Fixed Overhead Requirement and is not required to calculate an operational risk capital charge though it considers this as part of its process to identify the level of risk based capital required.

As discussed above, BennBridge is a CPMI firm and as such, its capital requirements are the higher of:

- €125,000 + 0.02% of AIF AUM > €250m; and
- The sum of the market & credit risk requirements; or
- The fixed overheads requirement ("FOR") which is essentially 25% of the Firm's operating expenses less certain variable costs.

0.02% is taken on the absolute value of all assets of all funds managed by BennBridge (for which it is the appointed AIFM and / or UCITS operator) in excess of €250m, including assets acquired through the use of leverage, whereby derivative instruments shall be valued at their market value, including funds where the Firm has delegated the management function but excluding funds that it is managing as a delegate. The FOR is calculated, in accordance with FCA rules, based on the Firm's previous years audited expenditure. BennBridge has adopted the standardised approach to credit and market risk and the above figures have been produced on that basis. The Firm is not subject to an operational risk requirement.

It is BennBridge's experience that the Fixed Overhead Requirement establishes its capital requirements.

BennBridge's Pillar 1 capital requirement has been determined by reference to the Firm's Fixed Overheads Requirement ("FOR") and calculated in accordance with Article 95 and the EBA regulatory technical standards as referenced in IPRU(INV) 11.3.3A / base €125k plus 0.02% of AIF AUM. The requirement is based on the FOR since this exceeds the total of the credit and market risk capital requirements it faces and also exceeds its base capital requirement of €50,000.

The FOR is based on annual expenses net of variable costs deducted. The Firm monitors its expenditure on a monthly basis and takes into account any material fluctuations in order to determine whether the FOR remains appropriate to the size and nature of the business or whether any adjustment needs to be made intra-year.

This is monitored by the Finance team and reported to the Board on a quarterly basis.

Remuneration disclosure

BennBridge is authorised and regulated by the Financial Conduct Authority as a Collective Portfolio Management Investment ('CPMI') Firm and, so, it 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.

CPMI Firms are required to make a remuneration disclosure in respect of the whole of their business, I.e. MIFID and AIFMD. The specific requirements of the AIFMD remuneration disclosure are set out in the Annual Report of the AIF(s).

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

The Firm's business is to provide portfolio management services to its clients / a manager of alternative investment funds / UCITS funds.

BennBridge's policy is designed to ensure that it complies with the RemCode and its compensation arrangements:

1. Are consistent with and promotes sound and effective risk management;
2. Do not encourage excessive risk taking/risk-taking which is inconsistent with the risk profiles or instruments of incorporation of the AIFs they manage;
3. Include measures to avoid conflicts of interest;
4. Are in line with the Firm's business strategy, objectives, values and long-term interests.

The Firm sets the following financial and non-financial criteria to incentivise staff;

a. All staff are paid a fixed, base salary which is commensurate with market rates for those of their seniority, experience and qualifications
b. Any variable element of remuneration will be largely based on profits generated by the Firm (over and above all expenses), but will also take account of individual performance and contribution to the Firm as a whole
c. No individual will be rewarded for the success of a specific transaction and whether a bonus is paid is determined by the success of the Firm as a whole, not by the performance of a specific strategy or client

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.

BennBridge is not 'significant' (that is to say has relevant total assets <£50bn*) and so makes this disclosure in accordance with the second test (BIPRU 11.5.20R(2)).

* average total assets on the last three accounting dates.

Application of the requirements

The Firm is required to disclose certain information on at least an annual basis regarding its Remuneration Policy and practices for those staff whose professional activities have a material impact on the risk profile of the Firm. BennBridge's disclosure is made in accordance with its size, internal organisation and the nature, scope and complexity of its activities.

1. Summary of information on the decision-making process used for determining the Firm's Remuneration Policy.

   - BennBridge'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 complexity of the Firm, BennBridge is not required to appoint an independent remuneration committee.
   - The Firm's policy will be reviewed as part of its annual process and procedures, or following a significant change to the business requiring an update to its internal capital adequacy assessment.
   - Investment Management Firm - BennBridge's ability to pay bonuses is based on the performance of the Firm overall and derived after its fund's managed returns have been calculated by client appointed third party administrators.
   - There is limited involvement of the Firm in deriving asset prices as the majority of assets held are in liquid securities.

2. Summary of how the Firm links between pay and performance.

   - Individuals are rewarded based on their contribution to the overall strategy of the business.

   - Other factors such as performance, reliability, effectiveness of controls, business development and contribution to the business are taken into account when assessing the performance of the senior staff responsible for the infrastructure of the Firm.

3. Aggregate quantitative information on remuneration broken down by significant business division (where such business divisions exist).

Business Area	Fixed compensation expense in FY21	Variable compensation expense in FY21
Investment Management and Trading	£2,560,000	£540,000
Non-Trading	£3,125,004	£400,549

Based on general proportionality, firms with distinct business divisions should provide this disaggregated information but may exclude this where no such divisions exist. For the purposes of alternate investment management firms, it is normally deemed appropriate to consider the functions of investment management and trading as being within the same business division.

4. 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 involved in the activities of the AIF.

Code Staff	Fixed compensation expense in FY21	Variable compensation expense in FY21
Senior Management:	£450,000	£283,188
Others/ (If applicable):	£3,216,667	£645,000

The number of code staff at 30 June 2021 was 28.

The Firm may omit required disclosures where it believes that the information could be regarded as prejudicial to the UK or other national transposition of Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data.

The Firm has made no omissions on the grounds of data protection.

A firm must regard information as material in disclosures if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purposes of making economic decisions.

A firm must regard information as proprietary information if the sharing of that information with the public would undermine its competitive position.

Proprietary information may include information on products or systems which, if shared with competitors would render the firm's investment in them less valuable.

A firm must regard information as confidential if there are obligations to customers or other counterparty relationships binding the firm to confidentiality.

It is unlikely that the disclosure of information relating to remuneration would be confidential or proprietary for firms that have been allowed to aggregate the information due to proportionality. Where there is a limited number of Code Staff, then the firm may consider such omissions.

Disclaimer

The information contained set out in this disclosure has not been audited by BennBridge's external auditors and does not constitute any form of financial statement and should not be relied upon in making any judgement about the Firm.