



MIFIDPRU 8 Disclosure

Introduction

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

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

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

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

This document has been prepared by HCP in accordance with the requirements of MIFIDPRU 8 and is verified by the Partnership Board. Unless otherwise stated, all figures are as at the Firm’s 31 March 2024 financial year-end, are seen as complimentary to the LLP’s published financial statements for the same period, the LLP’s implementation of other areas of the MIFIDPRU rules and the LLP’s internal capital adequacy and risk assessment (“ICARA”) process.

Business Overview

HCP is an investment management and investment advisory firm which is part of an investment firm group that consists of HCP, a UK, FCA-regulated, Limited Liability Partnership and Hansa Capital Limited, its Capital Partner (collectively the “Group”). Hansa Capital Limited is a 100% owned subsidiary of Hanseatic Asset Management LBG, a Guernsey based and regulated investment management company. As the Firm is part of a group for regulatory purposes, it is supervised by the FCA on a standalone basis as well as a group basis at a UK consolidated group level. This assessment takes into account the regulatory requirements of the Firm on a standalone basis and at a UK Consolidation group level.

The Firm has two professional clients: its parent undertaking, Hanseatic Asset Management LBG (“HAML”), for which it provides investment advisory services, and Hansa Investment Company Limited (“HICL”) which is a Bermudan incorporated, UK listed, Investment Company, for which HAML is the Alternative Investment Fund Manager (“AIFM”) and HCP is the delegated portfolio manager.

HCP primarily seeks to protect and grow the capital of its underlying clients, through creating and maintaining portfolios that are diversified across asset classes and geographies, in accordance with specific client guidelines. In line with the investment advisory and portfolio management mandates,



HCP receives management and advisory fees for these services. Accordingly, HCP's revenue is largely reliant on the performance of the underlying client portfolio's assets under management and the Firm's profitability is aided and maintained through the careful control and consideration of costs. Given the Firm's business model, controls, and controls assessment, it is the conclusion of the Firm that its overall potential for harm is low.

Risk Management Objectives and Policies

In line with relevant requirements, this section describes HCP's risk management objectives and policies, which are used to assess resulting material harms and the potential impact on HCP's own funds, concentration risk and liquidity requirements. Resultantly, the material harms are categorised in the following areas:

- Risk to customer (RtC)
- Risk to markets (RtM)
- Risk to Firm (RtF)

Risk Management Structure

HCP has established a risk management framework to ensure that it has effective systems in place to identify inherent risks associated with the Firm's business and strategy, assess the impact and likelihood of these risks occurring, and implementing and maintain effective procedures to control, monitor and manage these risks.

As detailed within the Firm's ICARA process document, a key part of the risk management framework is the material harms risk assessment, in which HCP documents its findings in relation to the potential for harms arising to customers, markets and the Firm itself. As part of the Partnership Board's annual review and approval of the documented ICARA process, the identified harms are considered in additional detail in terms of their impact to the business strategy, to clients, on own funds, concentration risk and liquid assets.

Thus, the overall outcome of the material harms assessment is that the most material harms are those to the Firm itself. Where the Firm identifies a potential harm to customers or markets, it implements safeguards to minimise customers' and markets' exposure and, ultimately, transfer the risk to the LLP itself. Thus, the specific harms that HCP has identified as material (i.e. with a residual risk rating of medium or higher) and as such, conducts further detailed analysis on as part of the ICARA process, can be summarised as follows:

- **Risk to customers**
 - Conflict of interest;
- **Risk to firm**
 - The loss of, or inability to attract, high quality personnel;
 - Failure to follow investment guidelines or restrictions / Making an inappropriate investment / Failure to execute the approved investment.

The Partnership Board meets quarterly and discusses both its investment business for clients, as well as the Firm's current profitability projections, cash flow, business planning and risk management. Furthermore, within these meetings the Partnership Board are provided a formal update on compliance



and operational matters, which includes reviewing the continued adequacy of the Firm's regulatory capital.

The risk management process is implemented and operated by the Chief Financial Officer ("CFO"). The Partnership Board take overall responsibility for the process and for setting the fundamental risk appetite of the Firm. If risks that fall outside of the Firm's tolerance levels are identified or if weaknesses in controls or processes are identified, appropriate action is taken to remediate and strengthen controls.



Governance Arrangements

HCP's Partnership Board assumes responsibility for the Firm's arrangements and as such, takes reasonable care to organise and control its affairs responsibly and effectively with adequate risk management systems in place in a manner that promotes the integrity of the financial system and the best interests of its clients. The Firm's governance arrangements ultimately comprise every individual, business process and control within the business, however, the Firm has summarised its governance arrangements below.

Organisational and Management Structure – As the Firm's governing body, the Partnership Board maintains a clear organisational structure, which defines the Firm's culture by setting a tone of compliance from the top, and by seeking to achieve positive outcomes both for the Firm and its Clients. In line with HCP's nature, scope and complexity of activities, an individual may perform multiple functions, however, to the extent possible, the internal arrangements in place enables each function to be segregated and performed independently. In part, these internal arrangements include implementing controls to help identify and minimise any conflicts of interest that may arise, in combination with maintaining a number of other policies and procedures applicable to all personnel, including senior management.

As the management of conflicts of interest is of paramount importance, the Firm maintains a conflicts of interest policy, an inventory of potential conflicts and its management arrangements, and a conflicts of interest register containing the discussions and conclusions on live conflicts, which are reviewed on an ongoing basis.

There are four Members of the LLP, who are FCA registered as Senior Management Function ("SMF") 27 (Partner Function). One member is a Corporate Partner that sends two of its Directors as representatives to attend HCP's Partnership Board meetings.

The Firm maintains an up-to-date organisational chart which shows clear reporting lines and individual functions. All personnel have direct access to the Firm's Partners, SMF16 and SMF17.

Responsibilities, Oversight and Governance – The Partnership Board is responsible for the direction and strategy of the Firm, the management of the risks which the Firm faces from time to time and the oversight of all business activities. The Partnership Board meets on both a formal and informal basis to receive management information and discusses and assesses the Firm's performance against its governance objectives as well as its performance against key business targets in general. Formal meetings are minuted and take place on approximately a quarterly basis.

All SMF holders in the Firm maintain a Statement of Responsibilities ("SoR"), which clearly identifies the Firm's key business processes and defines the associated areas of accountability for which the senior manager has oversight and control. All SoR's are reviewed individually and collectively on an annual basis, and the outcome of these reviews are documented within the minutes of the relevant Partnership Board meeting.

The Partnership Board is composed of experienced professionals who individually, and collectively, possess the knowledge, skills and experience to undertake their duties and understand the Firm's activities and main risks. They reflect a range of experiences, are of sufficiently good repute and act with honesty, integrity and independence of mind to effectively oversee and monitor decision-making. Additionally, as part of the Firm's evaluation of whether members of the Partnership Board commit sufficient time to perform their functions, the Partnership Board periodically discuss the number and



nature of directorships held by each attending member, in order to consider time commitments as well as whether conflicts could arise. The Firm continually evaluates the composition and appropriateness of the Partnership Board and currently remains satisfied with the Board composition and the arrangements in place.

Risk Committee – The Firm has not established a Risk Committee, and in line with MIFIDPRU 7.1.4R, is not required to do so. This will be kept under review for any changes to FCA requirements, or the conditions met in MIFIDPRU 7.1.4R. The Partnership Board is responsible for the management of risk within the Firm and the individual responsibilities of the Partnership Board members are clearly defined within each SoR. The CFO reports to the Partnership Board on a frequent basis regarding the Firm's risks, and where relevant, actions that may need to be taken to address those risks. HCP has clearly documented policies and procedures, which are designed to minimise risks to the Firm and all personnel are required to attest that they have read, understood and abided by these annually.

Management Information, Reporting and Monitoring arrangements – The Firm recognises the importance of receiving accurate and reliable management information as a governance tool, as it can enhance both the quality and effectiveness of its business whilst enabling it to manage risks and detect areas of weakness and failure. Accordingly, a monthly meeting is held between the CFO, Business Operations Manager and the Firm's outsourced accounting and prudential specialists, in which the Firm's financial performance and position, operational developments and evolving matter pertaining to the adequacy of financial resources are discussed and actions noted. Further, each formal Partnership Board meeting has a set agenda which both reports on a fixed range of areas across the Firm as well as ad hoc matters arising within the period. On an annual basis, the Partnership Board undertake a processes review of the Firm's policies and procedures prior to approving them for implementation. Furthermore, on an annual basis, Compliance presents the Partnership Board with a report summarising how the Firm's compliance, risk management and oversight arrangements have met the FCA's Senior Management Systems and Controls ('SYSC') requirements within the year, and any potential changes that may need to be actioned.

Directorships – In line with the requirements of MIFIDPRU 8.3.1R(2) and MIFIDPRU 8.3.2R, the below table summarises the number of executive and non-executive directorships held by the four members of the Partnership Board registered as SMF27.

Partnership Board Member	Position & Senior Management Function ("SMF")	Number of Directorships Held	
		Executive	Non-Executive
William Salomon	Senior Partner SMF1 (Chief Executive) SMF27 (Partner)	0	4
Alec Letchfield	Chief Investment Officer SMF27 (Partner)	0	0
Stephen Thomas	Chief Financial and Compliance Officer SM27 (Partner) SMF16 (Compliance Oversight) SMF17 (Money Laundering Reporting Officer (MLRO))	0	0
Hansa Capital Limited	Corporate Partner SMF27 (Partner)	0	0



Diversity – Approach to promoting diversity on the Partnership Board

As a matter of principle, the Firm is committed to the fair and equal treatment of both its clients and its personnel, and accordingly believes it is important to create and operate an open working environment which personnel feel is inclusive, respectful, and treats all individuals fairly. It is this commitment that drives HCP's approach to promoting diversity not only within the Partnership Board, but also firm wide.

HCP recognises the benefits of promoting diversity beyond the Partnership Board, to foster a healthy workplace culture that is free from discrimination and harassment, and to drive success through the willingness to continually learn and develop our knowledge and understanding from each other.

In order to encourage and integrate diversity in the workplace, the Firm places emphasis on embracing a wide range of diversity components, combining both physical aspects and diversity of thought. Examples of these diversity components include gender, race, age, sexual orientation, and disability, in addition to socio-economic and educational background.

On an annual basis, the Partnership Board considers its size, structure and composition, in addition to reviewing the performance, knowledge and experience of the Partnership Board members both collectively and as individuals. This assessment is documented annually within the Partnership Board meeting minutes. In line with Hansa's small size and nature, the Firm does not set formalised diversity focused quantitative targets or metrics for the Partnership Board, as this is not currently deemed proportionate to the business. This stance will be reviewed annually and upon any changes to the size and structure of the Firm.

Own Funds

As at 31 March 2024, HCP maintained own funds of £760,000. The Partnership Board elected to increase its own funds by £250,000 to £1,010,000, anticipating its annual expense to increase over time, mainly due to the likely increase in costs related to the Firm's office space. This increase only became eligible for own funds in April 2024 once it was fully paid up and met MIFIDPRU 3.3.4 in giving the FCA 20 business days' notice of the subsequent issuance of an existing form of common equity tier 1 capital instrument. The below regulator-prescribed tables provide a breakdown of the Firm's own funds:



Composition of Regulatory Own Funds			
	Item	Amount (GBP Thousands)	Source Based on Reference Numbers/Letters of the Balance Sheet in the Audited Financial Statements
1	OWN FUNDS	760	
2	TIER 1 CAPITAL	760	
3	COMMON EQUITY TIER 1 CAPITAL	760	
4	Fully paid up capital instruments	760	14
5	Share premium	-	n/a
6	Retained earnings	-	n/a
7	Accumulated other comprehensive income	-	n/a
8	Other reserves	-	n/a
9	Accumulated other comprehensive income	-	n/a
10	Accumulated other comprehensive income	-	n/a
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-	n/a
19	CET1: Other capital elements, deductions and adjustments	-	n/a
20	ADDITIONAL TIER 1 CAPITAL	-	
21	Fully paid up, directly issued capital instruments	-	n/a
22	Share premium	-	n/a
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	n/a
24	Additional Tier 1: Other capital elements, deductions and adjustments	-	n/a
25	TIER 2 CAPITAL	-	



26	Fully paid up, directly issued capital instruments	-	n/a
27	Share premium	-	n/a
28	(-) TOTAL DEDUCTIONS FROM TIER 2	-	n/a
29	Tier 2: Other capital elements, deductions and adjustments	-	n/a



Own Funds: Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements				
		Balance Sheet as in Published/ Audited Financial Statements	Under Regulatory Scope of Consolidation	Cross-Reference to Above Template
		As at 31 March 2024	As at 31 March 2024	
Assets - Breakdown by Asset Classes According to the Balance Sheet in the Audited Financial Statements (in £'000)				
1	Tangible assets	45	45	n/a
2	Debtors	1,789	1,878	n/a
3	Cash at bank and in hand	3,562	3,821	n/a
4	Total Assets	5,396	5,744	n/a
Liabilities - Breakdown by Liability Classes According to the Balance Sheet in the Audited Financial Statements (in £'000)				
5	Creditors: Amounts falling due within one year	944	1,291	n/a
6	Creditors: Amounts falling due after more than one year	74	74	n/a
7	Members' other interests – other reserves classified as equity	3,364	3,364	n/a
8	Loans and other debts due to members	4	4	n/a
9	Total Liabilities	4,386	4,733	n/a
Shareholders' Equity (in £'000)				
10	Members' capital classified as equity	1,010	20	4
11	Ordinary share capital	-	745	n/a
12	Retained earnings	-	246	n/a
13	Total Shareholders' Equity	1,010	1,011	n/a



Own Funds: Main Features of Own Instruments Issued by the Firm

HCP's own funds consist of common equity tier 1 capital and additional tier 1 capital. The main features of the own funds issued by the Firm are highlighted below:

Public or private placement	Private
Instrument type	Eligible LLP Members' Capital
Amount recognised in regulatory capital	£760,000
Nominal amount of instrument	£760,000
Accounting classification	Equity
Perpetual or dated	Perpetual



Own Funds Requirements

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

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

The below illustrates the core components of HCP's own funds requirements, as at 31 March 2024:

Requirement	£'000
(A) Permanent Minimum Capital Requirement ("PMR")	75
(B) Fixed Overhead Requirement ("FOR")	664
(C) K-Factor Requirements ("KFR")	
- K-AUM – <i>Risk arising from managing and advising on investments</i>	244
- K-COH – <i>Risk arising from order execution and reception and transmission of orders</i>	
(D) Own Funds Requirement (Max. [A, B, C])	664

HCP's own funds requirement is currently set by its FOR, as this is the highest of the three metrics. 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. A method adopted by the Firm to manage the risk of breaching the Firm's own funds requirement is the maintenance of a healthy own funds surplus above the own funds requirement. This is all monitored by the CFO with the assistance of external accounting and prudential specialists, and is reported to the Partnership Board on a regular basis.



In the event that the Firm's own funds drop to an amount equal to or less than 110% of the Firm's own funds threshold requirement, the Firm will immediately notify its Partnership Board, and consider the necessary steps required in order to increase the own funds buffer.

HCP undertakes an Internal Capital Adequacy and Risk Assessment (ICARA) process throughout the year and maintains adequate own funds to ensure it satisfies the overall financial adequacy rule ("OFAR") in accordance with MIFIDPRU 7.4.7. The ICARA process also includes financial planning, identification and assessment of material harms, stress and scenario testing and recovery and wind-down planning.

To determine the Firm's own funds threshold requirement, HCP identifies and measures the risk of harm faced by the Firm and considers these risks in light of its ongoing operations and also from a wind-down planning perspective. The Firm then determines the degree to which systems and controls alone mitigate the risk of harm and the risk of a disorderly wind-down, and thereby deduces the appropriate amount of additional own funds required to cover the residual risk. Where HCP determines that the FOR is insufficient to mitigate the risk of a disorderly wind-down, the Firm must maintain 'additional own funds required for winding down', above the FOR, that are deemed necessary to mitigate the risks of a disorderly wind-down.

HCP undertakes a formal review of these processes annually and documents the findings in its ICARA process document, which is reviewed and approved by the Board annually. This process has concluded that the Firm does, at all times, hold own funds and liquid assets which are adequate, both as to their amount and their quality, to ensure that:

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



Remuneration Policy and Practices

Overview

As a Non-SNI MIFIDPRU Investment Firm, HCP is subject to the basic and standard requirements of the MIFIDPRU Remuneration Code (as laid down in Chapter 19G of the Senior management arrangements, Systems and Controls sourcebook in the FCA Handbook ("SYSC")). The purpose of the remuneration requirements is to:

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

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

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

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

Characteristics of the Firm's Remuneration Policy and Practices

Remuneration at HCP is made up of both a fixed and variable component.

HCP's fixed remuneration component is set in line with market competitiveness at a level to attract and retain skilled personnel. It is paid in the form of a monthly salary for employees, and monthly partnership drawings for Partners, both of which are paid out in cash form. It is noted that monthly partnership drawings are only categorised as fixed remuneration by the Firm for the purposes of the MIFIDPRU remuneration code, as dictated by the FCA's guidance in SYSC 19G 4.4(b). For all other purposes aside from the MIFIDPRU remuneration code, in line with their relevant requirements, monthly partnership drawings may be categorised as variable remuneration (e.g. within the fixed overheads requirement calculations, or general accounting practises) coming, as they do, from the annual profit of the Partnership which is, intrinsically, volatile.

Variable remuneration is paid in cash form on a discretionary basis and is awarded on an annual basis, following an individual's annual performance review. The variable remuneration awarded to employees is in the form of a discretionary bonus, and for Partners it is in the form of profit share allocation. This variable component of remuneration is firstly dictated by the Firm's financial performance and profitability within the performance year, in order to understand the total amount available for



distribution as variable

remuneration. Further to this, both the financial and non-financial performance of the individual is taken into consideration, in relation to their role and to contributing to the success of the Firm. All personnel are eligible to receive variable remuneration.

The Firm uses a combination of financial and non-financial criteria when assessing an individual's performance and the level of variable remuneration they should be awarded, if any.

The most important criteria in assessing the payment of variable remuneration is the level of the Firm's net profitability within the performance year. If HCP has not made a net profit, then the Partnership Board have the discretion to decide not to pay any variable remuneration.

Once the amount of net profit has been determined, the Partnership Board takes various areas and non-financial criteria into consideration when determining an individual's bonus payments, which include, an assessment of the individual's performance within their role, the wider team, and the company; any previous objectives met; any conduct issues; and the individual's compliance with policies and procedures.

HCP's policy includes a framework for assessing the level of remuneration to be paid to personnel, and where necessary, any performance risk adjustments that may need to be applied. In general, the Firm focuses ex-post risk-adjustments on an individual basis, however if there were material widespread failings across the Firm which significantly impacted the net profitability, then collective ex-post risk-adjustments will be considered. Specifically for material risk takers, clawback provisions have been applied and may be triggered where an MRT has participated in or was responsible for conduct which resulted in significant loss to the Firm.

HCP has set maximum ratios between the fixed and variable components of the total remuneration, ensuring that both components are relatively balanced and appropriate to the relevant category of personnel. In general, the fixed component represents a sufficiently high proportion of the total remuneration, in order to enable the operation of a fully flexible policy on variable remuneration. This allows for the possibility of paying no variable remuneration, which the Firm would do in certain situations, such as where the Firm's profitability is particularly constrained, or where there is a risk that the Firm may not be able to meet its capital or liquidity regulatory requirements.

Governance and Oversight

The Partnership Board is responsible for setting and overseeing the implementation of HCP's remuneration policy and practices. In order to fulfil its responsibilities, the Partnership Board:

- Is appropriately staffed to enable it to exercise competent and independent judgment on remuneration policies and practices and the incentives created for managing risk, capital, and liquidity.
- Prepares decisions regarding remuneration, including decisions that have implications for the risk and risk management of the Firm.
- Ensures that the overall remuneration policy is consistent with the business strategy, objectives, values, and interests of the Firm and of its clients.

HCP's remuneration policy and practices are considered annually by the Partnership Board.



Material Risk Takers

HCP is required to identify its material risk takers, who are the personnel whose professional activities have a material impact on the risk profile of the Firm (and of the assets that the Firm manages). Accordingly, HCP have identified the three members of the Partnership Board who are natural persons and hold a senior management function as the Firm's material risk takers. Proportionate to the small size and nature of the Firm, there are no further material risk takers identified within the Firm.

Quantitative Remuneration Disclosure

Where relevant, MIFIDPRU investment firms are typically required to disclose the quantitative remuneration data, split into categories for senior management and other material risk takers. Further to this, where appropriate, the regulator allows firms to aggregate or altogether omit the information to be disclosed for senior management and other material risk takers, where splitting the information between these two categories would lead to the disclosure of information about only one or two individuals.

As detailed above, HCP have identified the three natural persons holding senior management functions as the material risk takers of the Firm. Due to the small size and nature of the Firm, there are no further individuals who would be split into the "senior managers" category for the purpose of this quantitative disclosure.

As such, in line with MIFIDPRU 8.6.8R(4), the below table discloses the remuneration paid to HCP's material risk takers and other staff, for the performance period of 01 April 2023 – 31 March 2024.

Remuneration Awarded (£)	Material Risk Takers	Other Staff
Fixed	686,000	1,066,719
Variable	3,276,506	517,293
Total	3,962,506	1,584,013

HCP did not award any of the following to material risk takers during the performance year:

- Guaranteed variable remuneration; or
- Severance payments.