MARYLEBONE
PARTNERS LLP

PILLAR 3 AND REMUNERATION DISCLOSURE – AUGUST 2021

Marylebone Partners LLP (the "Firm")

Pillar 3 disclosure fulfils the Firm's obligation to disclose key information on its capital, risk exposures and risk assessment processes, and its remuneration arrangements.

The Firm is a full scope Alternative Investment Fund Manager ("AIFM") that is able to provide discretionary investment management services to Alternative Investment Funds ("AIFs") and segregated managed accounts. The Firm is categorised by the FCA as a collective portfolio management investment firm ("CPMI") and a BIPRU (Prudential sourcebook for Banks, Building Societies and Investment Firms) investment firm for regulatory capital purposes.

I. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Executive Committee of the Firm determines its business strategy, risk tolerance and risk management framework. It also assesses on an ongoing basis how applicable risks may be mitigated through controls and procedures as part of its Internal Capital Adequacy Assessment Process ("ICAAP"). The ICAAP is reviewed yearly or in the event of any material change to the Firm's business or risk profile.

The Firm's ICAAP assesses whether the Firm has sufficient capital to support its current and future activities, taking into account the specific risks which the Firm may face and the internal controls which the Firm has put in place to mitigate those risks. The appropriate amount of capital is stress-tested through financial forecasting, breakeven analysis and, in order to address the worst case scenario, the Firm's costs to close.

The Firm has identified the following key risks:

- Business risk includes insufficient assets under management, the loss of key staff and the failure of the Firm's control infrastructure.
- Operational risk comprises operational risks such as trading errors, breach of Clients' investment objectives, and compliance and legal risk.
- Credit risk is exposure arising from non-payment of fees by the Clients and counterparty exposure of the Firm to its bankers.
- Market risk (to the Firm) relates to foreign currency exposure arising from the Firm's revenue being denominated in currencies other than sterling.

II. CAPITAL ADEQUACY

As a CPMI firm the Company is subject to both the regulatory capital regimes of the Alternative Investment Fund Managers Directive ("AIFMD"), in respect of its AIFs, and relevant provisions applicable to investment firms contained in the Capital Requirements Directive ("CRD"), as amended.

Capital requirements arising from Pillar 1 and Pillar 2 of the CRD are compared to any higher requirements arising from the AIFMD asset-based capital calculation and professional indemnity insurance ("PII") elements to derive the total regulatory capital required by the Firm.

Pillar 1 capital requirement is the greatest of:

1. a base capital requirement of Euro 50,000;
2. the sum of market and credit risk requirements; and
3. the Fixed Overhead Requirement ("FOR"), representing a quarter of the Firm's audited fixed annual expenditure.

The Firm's capital requirement typically consists of the FOR, although market and credit risks are reviewed monthly. In accordance with FCA Rules, credit risk arising on outstanding investment fees and bank balances is calculated using a standardised approach, being 8% of the relevant risk weighted exposure amount.

Pillar 2 capital is any additional capital assessed by the Firm, or the FCA, that is needed to safeguard against risks not adequately covered under the Pillar 1 capital requirement. The Firm's ICAAP has confirmed that no additional Pillar 2 capital is required in excess of its Pillar 1 capital requirement.

As at 30 June 2021 the Firm's combined regulatory capital position is:

Capital item	**£000**
Tier 1 Capital: Members' Capital	705
Total Capital Resources Requirement: Fixed Overhead Requirement (and AIFMD PII capital requirement)	416

III. THE REMUNERATION CODE

The aim of the BIPRU Remuneration Code (the "Code") is to ensure that firms have remuneration policies which promote and are consistent with effective risk management, and do not expose firms to excessive risk. The Firm is classified as a Proportionality Level III firm, the lowest risk category as it does not manage or trade proprietary positions. As a result the Firm can dis-apply many of the technical requirements of the Code.

The Firm is also subject to the AIFMD Remuneration Code but, has taken into account the FCA's view that the application of the AIFM Remuneration Code should satisfy compliance with the BIPRU Remuneration Code insofar as the AIFM Code provisions are deemed equivalent. Having considered the application of both Remuneration Codes, the Firm is satisfied that its remuneration arrangements are not required to vary depending upon which Remuneration Code is applicable.

Under the FCA's BIPRU Rules firms are required to disclosure their remuneration policy and practices, as well as provide aggregate quantitative disclosure of remuneration for staff assessed as having a material impact on the Firm's risk profile, including senior management ("Code Staff"). Remuneration as defined by the Code includes all forms of fixed remuneration and variable remuneration but excludes return on equity (capital).

Remuneration Policies

The Firm's remuneration policy is determined by the Firm's Executive Committee. The Firm's remuneration policy addresses potential conflicts of interest which could arise as a result of staff being incentivised to take inappropriate levels of risk. The Firm is satisfied that the policies in place are appropriate to its size, internal organization and the nature, scope and complexity of its activities.

The Decision-Making Process

The Executive Committee consisting of the Founder Member and a member who is also the Risk Officer, determines remuneration arrangements and individual awards.

Code Staff and Senior Managers

Five individuals were assessed as Code Staff for the Firm during the year to 31 March 2021. Of these, the two members of the Executive Committee, which includes the Founder Member, and the Head of Operations are senior managers for the purpose of the Code. External members, who are not involved in the day-to-day operations of the Firm and are not members of the Executive Committee, are not considered to be Code Staff.

Link between Pay and Performance

The Firm's members involved in the day-to-day operations of the Firm receive fixed drawings and are eligible for a variable profit share based on the performance of the Firm and their own contribution to its development, which is subject to the discretion of the Executive Committee. In addition, all members are entitled to a share of profits after all other fixed and variable expenses, including their Priority Profit Share and Executive Committee discretionary awarded profit shares have been met which comprises their Residual Profit Share. Employees receive salary, an annual discretionary bonus and an employer pension contribution pursuant to statutory enrolment obligations, as determined by the Executive Committee.

Quantitative Remuneration Data

Aggregate remuneration disclosure requirements for Code Staff permits firms to take account of the provisions of the UK version of the General Data Protection Regulation (Regulation (EU) 2016/679) regarding the protection of individuals in relation to the processing of personal data.

Due to the low number of Code Staff receiving remuneration, as defined by the Code, during the year to 31 March 2021 reliance has been taken upon BIPRU 11.5.20R(2) in determining that aggregate quantitative disclosure for Code Staff is inappropriate.