CASTELLAIN CAPITAL

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Pillar 3 – Disclosure

The Capital Requirements Directive of the European Union (the 'Directive') establishes a revised regulatory capital framework across Europe governing the amount and nature of capital that must be maintained by credit institutions and investment firms. In the United Kingdom, the Directive has been implemented by the Financial Conduct Authority ('FCA') in its regulations through the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU').

The FCA framework consists of three 'Pillars'.

- Pillar 1 set out the minimum capital amount that meets the firms credit, market and operational risk;
- Pillar 2 requires firms, in this case Castellain Capital LLP, (the "Firm") to assess whether Pillar 1 capital is adequate to meet risks faced and is subject to annual review; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position.

The members of the Firm ("Partners") regard risk management as an inherent part of the Firm's business activities. The Firm has adopted risk management policies and procedures consistent with its size and complexity and the firm's management practices are intended to provide comprehensive controls and ongoing management of the major risks faced by the Firm. Mitigation of these risks is primarily the responsibility of the Partners.

In assessing the risk appetite of the business consideration has been given to identifying the key risk indicator applicable, which can be identified as loss of value at either the client level or the management entity level. This can comprise the loss of revenue, the loss of assets and higher costs. The two variables considered in defining the risk appetite are the likelihood of an occurrence and its likely impact level.

The primary risks that the Partners believe the Firm is exposed to are operational and reputational risks. All such risks are regarded as typical for a firm engaged in investment management.

Operational risk – is a focus of management's attention and covers the whole range of exposures from risk of clerical errors, to risk of breach of our clients' investment objectives. It is our policy to ensure that the Partners initiate and authorise all key activities in order to reduce these risks to acceptable levels.

Reputational risk – is relevant in terms of the risk of loss of reputation following adverse publicity and/or where confidential information enters the public domain. The business has specific policies and procedures to cover this type of exposure.

Pillar 3 - Capital resources disclosure

The Firm's capital resources comprise Tier 1 capital with no deductions and amounted to £162,000 at 31 March 2019 after making provisions for distributions of cumulative undistributed profits relating to earlier periods.

Pillar 3 – Capital resources requirement

Pillar 1 capital resources requirement

The business has calculated its Pillar 1 capital resources requirement as being the higher of its base capital requirement and its variable capital requirement; at 31 March 2019, the higher amount was £75,954, being the variable capital requirement.

Pillar 2 capital resources requirement

The Partners have considered the adequacy of the Firm's internal capital required to support the firm's current and future activities utilising the Internal Capital Adequacy Assessment Process (ICAAP). The Partners have completed a detailed risk assessment in order to compile the necessary information to support the ICAAP and risk evaluation exercise. It is the Partners' opinion that this approach addresses each area of potential risk and its likelihood of impact on operations, assesses controls and other risk mitigating factors and assesses the unmitigated impact of risk on the Firm.

After consideration of the Firm's planning horizon and the impact of potential risk areas, the Partners believe the Firm's total Pillar 1 & Pillar 2 capital resources requirement to be £122,002.

Pillar 3 - Disclosures on Remuneration

Castellain Capital is a Proportionality Tier Four firm. As such, it makes the following disclosures regarding remuneration:

BIPRU 11.5.18R (1) ("information concerning the decision-making process used for determining the remuneration policy, including if applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders")

Castellain's remuneration policy is set by the members of the LLP as a whole. Castellain has assessed its members and determined that all of the members, with the exception of the corporate member, should be designated as Code Staff. Castellain has no employees. The remuneration policy ensures, first and foremost, that Castellain has sufficient capital to run its business as determined in the first instance by the ICAAP. Profits in excess of the capital requirements are allocated between the members in proportions reflecting their overall contribution to the ongoing success of Castellain.

BIPRU 11.5.18R(2) (‘information on the link between pay and performance’)

Pay and performance are closely linked, as each of the members are entitled to a share of the profits of Castellain as a whole. The investment managers are entitled to a priority draw, akin to a fixed salary, to ensure that they are properly motivated to carry out their day to day tasks.

BIPRU 11.5.18R(6) (‘aggregate quantitative information on remuneration, broken down by business area’).

BIPRU 11.5.18R(7) (‘aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the firm …’)

Profit available for discretionary division among members for the period ended 31 March 2019 was £1,164,717. This includes members’ remuneration charged as an expense.