PILLAR 3 DISCLOSURE
June 2021

The Capital Requirements Directive ("the Directive") of the European Union establishes 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 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 sets out the minimum capital amount that meets the firm's credit and market risk, and fixed overhead requirement;
- Pillar 2 requires the firm to assess whether its Pillar 1 capital is adequate by considering its enterprise risk in totality; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position.

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

We are permitted to omit required disclosures if we believe that the information is immaterial such that omission would be likely to change or influence the decision of a reader relying on that information.

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

We have made no omissions on the grounds that it is proprietary or confidential.

Scope and application of the requirements

RWC Partners Limited ("the Firm") is authorised and regulated by the Financial Conduct Authority and as such is subject to minimum regulatory capital requirements. The Firm is categorised as a limited licence firm by the FCA for capital purposes. It is an investment management firm and as such has no trading book exposures.

The Firm is a member of a group and so is required to prepare consolidated reporting for prudential purposes. We foresee no impediments to the prompt transfer of capital between group entities should the need arise and there are no differences in the basis of consolidation for accounting and prudential purposes.

Risk management

The Firm is governed by its Directors who delegate appropriate authority to the Chief Executive and senior management. The Directors determine the business strategy and risk appetite of the Firm. They are also responsible for establishing and maintaining the Firm's governance arrangements along with designing and implementing a risk management framework that recognises the risks that the business faces.

The Directors also determine how the risks our business faces may be mitigated and assess on an ongoing basis the arrangements to manage those risks. The Directors meet on a regular basis and discuss current projections for profitability, cash flow, regulatory capital management, and business planning and risk management. The Directors manage the Firm's risks though a framework of policy and procedures having regard to 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 Directors have identified that business, operational, market and credit risks are the main areas of risk to which the Firm is exposed. Annually, the Directors formally review their risks, controls and risk mitigation arrangements and assess their effectiveness. Where the Directors identify material risks they consider the financial impact of these risks as part of our business planning and capital management and conclude whether the amount of regulatory capital is adequate.

Risk exposure

In developing its risk appetite and determining the impact of the Internal Capital Adequacy Assessment Process ("ICAAP") the firm uses internal and external data and uses sensitivity analysis and stress testing to assess key risks and risk mitigation techniques.

Credit Risk
Credit risk reflects the risk that the Firm is unable to realise the cash value of its assets or has to pay out an off-balance sheet liability. The Firm calculates its exposure to credit risk using the standardised approach within BIPRU 3.4. The result of this approach results in the Firms Pillar 1 requirement for Credit Risk is £2,041k.

Market Risk
Market risk exposure is twofold; firstly foreign exchange risk on accounts receivable in foreign currency and secondly to the limited extent that the Firm is exposed to equity risk through its investment portfolio. The Firm has concluded that there is an element of risk sufficient to hold Pillar 1 capital in relation to Market Risk at £3,010k.

Fixed Overhead Requirement
The Firm is exposed to risk in relation to the element of its cost base which is fixed in nature and would result in exposure in a period of declining revenues. This requirement is calculated at 25% of the current annual fixed cost base and results in the Firm holding Pillar 1 capital of £8,776k.

Other Risks
As part of the ICAAP process we conduct a comprehensive risk assessment of the Group on at least an annual basis. Senior management take a conservative approach to quantifying the risks posed to the business but also believe that effective mitigation can be achieved through the enhancement of such tools as systems and control procedures, insurance, training and incentive structuring. In assessing the level of risk, management have concluded that no additional Pillar 2 capital is required above the Pillar 1 requirement. A breakdown of the capital held is shown in the second table in the regulatory capital section below.

Regulatory capital

The Firm is a private company incorporated in England and Wales with limited liability and its capital arrangements are as established under applicable law and are set out in the company's Articles. Its capital as calculated at the 30th June 2021 is summarised as follows:

Capital and Reserves	£'000
Share Capital	19,313
Audited reserves	30,958
less Dividends paid in the current year	(7,309)
Core Tier 1 Capital	**42,962**

The Firm 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 the firm is a limited licence firm and as such its Pillar 1 capital requirements are the greater of:

- Its base capital requirement of €50,000; or
- The sum of its market and credit risk requirements; or
- Its Fixed Overhead Requirement.

The Firm has assessed its regulatory capital requirements and the main features are set out below:

	Pillar 1	ICAAP
	Minimum Capital	Pillar 2 capital
	£'000	£'000
Credit risk	2,041	
Market risk	3,010	
Fixed Overhead Requirement	8,776	
Pillar 1 total *	**8,776**	
Pillar 2 – general risks		6,732
Pillar 2 total		6,732
ICAAP minimum capital	**8,776**	
Core tier one capital	42,962	
Less: Intangibles deduction	(1,080)	
Less: Material holdings deduction	(4,390)	
Less: Employee Benefit Trust holding	(1,694)	
Current total capital	**35,798**	
Surplus	**27,022**	

In taking the structured approach to Pillar 2 as outlined in the Committee of European Banking Supervisors Paper dated 27 March 2006 which takes the higher of Pillar 1 or Pillar 2 as the capital requirement, the

Firm has reviewed and assessed its risks and concluded that no additional capital in excess of Pillar 1 should be set aside to cover general risks inherent in the business.

Remuneration

SYSC 19A ''The FCA's Remuneration Code'' requires firms to apply remuneration policies, practices and procedures that are consistent with and promote effective risk management. Under SYSC 19A.33.R(2) the remuneration principles proportionality rule, the Firm has been categorised as a tier four firm and is required to identify Remuneration Code staff and make certain disclosures about their remuneration.

The Firm has established a remuneration committee and developed a remuneration code policy statement which has been approved by said committee. The remuneration policy statement has been developed through the consideration of existing policies and procedures against the risk appetite, objectives and strategy of the firm. The remuneration committee is responsible for ensuring that the Firm adheres to the policy on an ongoing basis.

The Firm operates a variable remuneration structure which is directly linked to the performance of the firm as a whole for non investment staff and to the performance of the relevant strategy for investment staff. Bonus payments to non investment staff are discretionary and linked to individual performance and assessed during the annual appraisal process. Variable remuneration for investment staff is formulaic and agreed at the point of joining the Firm.

Remuneration payments for the most recently completed performance year (year to 31 December 2020) are broken down as follows:

	Number of beneficiaries	Fixed remuneration (£ millions)	Variable remuneration (£ millions)
Senior management	18	0.7	17.9
Other	24	2.4	5.5

The Firm's remuneration policy is structured to ensure that employees are appropriately remunerated and incentivised without encouraging excessive risk taking.