Pillar 3, Stewardship Code and Remuneration Disclosure

30 June 2021

FitzWalter Capital Limited

("FitzWalter" / the "Firm")

These disclosures will be updated in due course to reflect those disclosures required following the introduction by the Financial Conduct Authority ("FCA") of the Investment Firms Prudential Regime on 1 January 2022

The Capital Requirements Directive ("CRD") and the Alternative Investment Fund Management Directive ("AIFMD") of the European Union establish 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 have been 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 the Firm's Pillar 3 obligations.

The Pillar 3 disclosure document has been prepared by FitzWalter in accordance with the requirements of BIPRU 11 and is verified by the Board of Directors . Unless otherwise stated, all figures are as at the 31 March 2021 financial year-end.

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

FitzWalter 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, FitzWalter 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 omitted certain data on the grounds of materiality.

Where FitzWalter has chosen to omit information because it is proprietary or confidential, it has explained the omission and provided its reason.

Scope and application of the requirements

FitzWalter 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') by the FCA for capital purposes.

FitzWalter is not a member of a group and so is not required to prepare consolidated reporting for prudential purposes.

Fitzwalter is the Investment Manager of Fitzwalter Capital Partners I LP ("the Fund").

Risk management

FitzWalter 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 the Chief Operating Officer, with the Board of Directors taking overall responsibility for this process and the fundamental risk appetite of the firm. The Chief Operating Officer has responsibility for the implementation and enforcement of the Firm's risk principles.

Senior Management (including the Board of Directors) 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 FitzWalter'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, operational, market and credit are the main areas of risk to which the Firm is exposed. Annually the Senior Management team formally review their risks, controls and other risk mitigation arrangements and assess their effectiveness.

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

Business Risks

Specific risks applicable to the Firm come under the headings of business, operational, credit and market risks

Business risk

FitzWalter's revenue is reliant on the level of Commitments to the Fund and more importantly the amount of Invested Capital. The performance of the Fund will not impact on the revenue of the Firm but may impact on its ability to launch new funds/obtain new mandates. In addition poor performance could lead to Investors forfeiting their Commitments which could reduce revenue of the Company. As such, the risk posed to the Firm relates to underperformance resulting in a decline in Investor Commitments and the ability to raise a follow up Fun. This risk is mitigated by:-

- The structure of the Fund in that Investors who forfeit their Commitment lose their unrealised poistion;
- The Senior Management of the Firm have significant personal Commitments to the Fund and therefore have a strong vested interest in ensuring good Fund performance;
- The continued support of the Firm by its Jersey parent and ultimate beneficial owners; and
- The Firm holds significant levels of capital held by the Firm which will continue to cover all the expenses of the business.

Operational risk

FitzWalter 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 Firm has identified a number of key operational risks to manage. These relate to the Loss of Key staff and Trade Dealing Errors. Appropriate polices are in place to mitigate against these risks, which includes taking out adequate professional indemnity insurance which covers all relevant entities.

The risk of Key Staff leaving the firm is mitigated by the structure of carried interest in that it will not be received by staff who are Bad Leavers. In addition all key investment staff members have a significant personal stake in the Fund and have a vested interest in remaining to protect their investment.

All staff undergo regular compliance and regulatory training. Similarly all staff are required to evidence having read the Compliance Manual. The Firm separates the execution of trades and the settlement of trades. The Firm performs tri party reconciliations with administrator, custodian and broker statements.

Credit risk

The Firm is exposed to credit risk in respect of its investment management fees billed and cash held on deposit.

The number of credit exposures relating to FitzWalter's investment management clients is limited. Management fees are drawn quarterly from the Fund. The Firm considers that there is little risk of default by its clients (ie Investors forfeiting their Commitments). All surplus cash is 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. FitzWalter uses the simplified standardised approach detailed in BIPRU 3.5.5 of the FCA Handbook when calculating risk weighted exposures of 1.6% (Cash in Bank) and 8% in respect of its other assets.

Credit risk summary

Credit risk exposure	Risk weighting	Risk weighted exposure
Cash in the bank	1.6% or 8% subject to institution and FCA rules	£1,955
Fund I LP	8%	£21,401
Fund General Partner	8%	£619
Prepayments and Deposits	8%	£17,079
Other debtors (<1 year)	8%	£1,880

Market risk

Since FitzWalter takes no trading book positions on its balance sheet the Firm's only risk is connected to it's Management fee being denominated in US Dollars whilst the majority of expenses are incurred in GBP.

No specific strategies are adopted in order to mitigate the risk of currency fluctuations.

FitzWalter calculates its foreign exchange risk by reference to the rules in BIPRU 7.5.1 of the FCA Handbook and applies an 8% risk factor to its foreign exchange exposure. At 31 March 2021 the Firm had a US Dollar bank account with a balance of £278.

Market risk summary

Market risk exposure	Risk weighting	Risk weighted exposure
Foreign currency assets and liabilities	8%	£22

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 net asset value; and risks in relation to business disruption, system failures, process management. FitzWalter 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. These procedures and risks are documented, in the Firm's ICAAP, demonstrating how the Firm aims to mitigate these risks. This is reviewed annually.

FitzWalter has in place appropriate coverage of professional indemnity insurance, where single claims are covered for up to £75,000, exceeding the Professional Indemnity Requirement of 1bp of total AIF assets under management, and aggregate cover is £7,500,000. The excess of £75,000 is held in cash and form part of Own Funds.

Liquidity risk

FitzWalter 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. FitzWalter 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 the support from the ultimate Shareholders. Additionally, management fees are received quarterly in advance whereas expenses are largely monthly in arrears, thus ensuring further liquidity resources are available to the Firm on a timely basis. The cash position of the Firm is monitored by the Chief Operating Officer on a regular basis, and the Firm would be able to call on the ultimate shareholders for further capital as required.

Fitzwalter ensures that it maintains a minimum cash balance of £2,000,000 at all times.

Regulatory capital

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

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

	30 June 2021 £000
Tier 1 capital*	4,670
Tier 2 capital	0
Tier 3 capital	0
Deductions from Tiers 1 and 2	(1,099)
Total capital resources	**3,571**

*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 management fees receivable in foreign currency, and credit risk from management fees receivable from the funds under its management. FitzWalter follows the standardised approach to market risk and the simplified standard approach to credit risk.

Deductions are year to date losses to 30 June 2021.

BIPRU - 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, FitzWalter 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 the fund managed by FitzWalter (for which it is the appointed AIFM) in excess of €250m, including assets acquired through the use of leverage, whereby derivative instruments shall be valued at their market value. The FOR is calculated, in accordance with FCA rules, based on the Firm's previous years audited expenditure. FitzWalter 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 FitzWalter's experience that the Fixed Overhead Requirement establishes its capital requirements.

Capital requirement

FitzWalter's Pillar 1 capital requirement has been determined by reference to the Firm's Fixed Overheads Requirement ("FOR"). 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 the Firm's base capital requirement of €125,000.

The FOR is based on forecast annual expenses. 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 Financial Controller / Chief Operating Officer and reported to senior management on a regular basis.

UK Financial Reporting Council's Stewardship Code

Under Rule 2.2.3R of the FCA's Conduct of Business Sourcebook, the Firm is required to include on this website a disclosure about the nature of its commitment to the UK Financial Reporting Council's

Stewardship Code (the “Code”) or, where it does not commit to the Code, its alternative investment strategy.

FitzWalter’s business strategy is focused on distressed credit assets and in other situations of material financial stress and, as a result, does not currently invest in single equities. Consequently, while the Firm supports the objectives that underlie the Code, the provisions of the Code are not relevant to the type of trading currently undertaken by the Firm.

If the Firm investment strategy changes in such a manner that the provisions of the Code become relevant, FitzWalter will amend this disclosure accordingly.

Remuneration disclosure

FitzWalter 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 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.

FitzWalter’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 by restricting outside business interests; and
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. Basic Salary and bonus;
   b. Healthcare, Dentalcare and Life Insurance.

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.

FitzWalter 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. FitzWalter's disclosure is made in accordance with its size, internal organisation and the nature, scope and complexity of its activities. The Firm's full AIFM Remuneration Policy (dated January 2021) is available at the request of investors.

1. Summary of information on the decision-making process used for determining the Firm's Remuneration Policy including use of external benchmarking consultants where relevant.

   This is contained in the Firms AIFM Remuneration Policy. The following points were considered when devising the Remuneration Policy.

   - FitzWalter'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, FitzWalter 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.
   - FitzWalter's ability to pay bonuses is based on the performance of the Firm overall and derived after the Fund's managed returns have been calculated by client appointed third party administrators. The Fund is independently audited.
   - There is some involvement of the Firm in deriving asset prices in the Fund. However the level of asset prices does not in itself cause Investment Management fees to increase or decrease..

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

   This is contained in the Firms AIFM Remuneration Policy.

   - Individuals are rewarded based on their contribution to the overall strategy of the business.
     a) Investment Generation
     b) Investment Trading
     c) Fundraising & Marketing
     d) Operations.

   - 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 between Investment and non Investment staff.

Business Area	Aggregate compensation expense for fiscal year ended 31 March 2021
Investment staff	592,000

Non Investment staff	381,000

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.

Code Staff	**Aggregate compensation expense in year ended 31 March 2021**
Senior Management:	345,000
Others	628,000

Senior Management include Senior Investment team members (Co-Founders and Partners and the Chief Operating Officer).

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.