

Principa Capital LLP

MIFIDPRU 8 Disclosure

September 2023

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 Principa Capital LLP (“Principa” 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.

Principa is classified under MIFIDPRU as a small and non-interconnected MIFIDPRU investment firm (“SNI MIFIDPRU Investment Firm”). As such, the Firm is required by MIFIDPRU 8 to disclose information regarding its remuneration policy and practices.

The purpose of these disclosures is to give stakeholders and market participants an insight into the Firm’s culture and to assist stakeholders in making more informed decisions about their relationship with the Firm.

This document has been prepared by Principa in accordance with the requirements of MIFIDPRU 8 and is verified by the Firm’s Executive Committee. Unless otherwise stated, all figures are as at the Firm’s 31 December 2022 financial year-end.

Remuneration Policy and Practices

Overview

As an SNI MIFIDPRU Investment Firm, Principa is subject to the basic 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”)). Principa, as an alternative investment fund manager, is also classified as a collective portfolio management investment firm, and as such, is also subject to the AIFM Remuneration Code (SYSC 19B). 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 Principa’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, Principa 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.

Principa 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 Principa is made up of fixed and variable components. The fixed component is set in line with market competitiveness at a level to attract and retain skilled staff. Variable remuneration is paid on a discretionary basis and takes into consideration the Firm's financial performance as well as the financial performance of each business unit, and the financial and non-financial performance of the individual in contributing to the Firm's success. All staff members are eligible to receive variable remuneration.

The determination on the variable remuneration to be awarded to staff members is made by the Firm taking into account its current profits and future capital required to be put aside for expansion plans or for regulatory capital purposes on the basis of forecasts. The amount allocated to each individual will be based on their contribution to the Firm as a whole, is fully discretionary and the decision rests with the Executive Committee. The bonus pool is always based on the profit of the Firm and not projected future income. The Executive Committee will also take into account the Firm's financial and capital position and any potential costs in the forthcoming year. The bonus pool is linked to the performance of the Firm as a whole. The key financial performance measures used to determine the total bonus pay-out is the Firm's net profit/loss after all expenses have been paid; this is supplemented by an assessment of other key performance measures and identified risks outlined within the Firm's Internal Capital Adequacy Risk Assessment ("ICARA").

Individual staff performance at Principa is determined using financial and non-financial criteria on a meritocratic basis which is gender neutral. Individuals are rewarded based on their contribution to the overall strategy of the business. 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.

The fixed and variable components of remuneration are appropriately balanced: the fixed component represents a sufficiently high proportion of the total remuneration to enable the operation of a fully flexible policy on variable remuneration. This allows for the possibility of paying no variable remuneration component, which the Firm would do in certain situations, such as where the Firm's profitability performance is 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 Executive Committee is responsible for setting and overseeing the implementation of Principa's remuneration policy and practices. In order to fulfil its responsibilities, the Executive Committee:

- 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 Firm's remuneration policy and practices take into account the public interest and the long-term interests of shareholders, investors and other stakeholders in 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.

Principa's remuneration policy and practices are reviewed annually by the Executive Committee.

Quantitative Remuneration Disclosure

For the financial year 1 January to 31 December 2022, the total amount of remuneration awarded to all staff was £93,118 of which £84,747 comprised the fixed component of remuneration and £8,371 comprised the variable component. For these purposes, 'staff' is defined broadly, and includes, for example, employees of the Firm itself, partners and secondees.

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