

IK Investment Partners Limited

MIFIDPRU 8 Disclosure

December 2023

Introduction

The Financial Conduct Authority (“FCA” or “regulator”) sets out the detailed prudential requirements that apply to IK Investment Partners Limited (“IK Ltd” or the “Firm”) in the Prudential sourcebook for MiFID Investment Firms in the FCA Handbook (“MIFIDPRU”). Chapter 8 of MIFIDPRU (“MIFIDPRU 8”) sets out public disclosure rules and guidance with which the Firm must comply, further to those prudential requirements.

IK Ltd is classified under MIFIDPRU as a non-small and non-interconnected MIFIDPRU investment firm (“Non-SNI MIFIDPRU Investment Firm”). As such, the Firm is required by MIFIDPRU 8 to disclose information on the following areas:

- Risk management objectives and policies;
- Governance arrangements;
- Own funds;
- Own funds requirements; and
- Remuneration policy and practices.

The purpose of these disclosures is to give stakeholders and market participants an insight into the Firm’s culture and data on the Firm’s own funds and own funds requirements.

This document has been prepared by IK Ltd in accordance with the requirements of MIFIDPRU 8 and is verified by the Board of Directors. Unless otherwise stated, all figures are as at the Firm’s financial year-end, e.g., 31 December.

Risk Management Objectives and Policies

This section describes IK Ltd’s risk management objectives and policies for the categories of risk addressed by the requirements of the Firm in the following areas:

- Own funds
- Concentration risk
- Liquidity

Business Strategy

IK Ltd is an investment advisory firm focused on Private Equity investments in Europe. As at 31 December 2023 the Firm advises several funds with approximately €7 billion assets under management (“AUM”).

The Firm’s clients are the funds, with the underlying investors typically being institutional investors, such as pension funds, insurance companies, and other professional investors.

Given the Firm’s business model, controls, and controls assessment, it is the conclusion of the Firm that its overall potential for harm to clients and markets is low.

Own Funds Requirement

IK Ltd is required to maintain own funds that are at least equal to the Firm’s own funds requirement. The own funds requirement is the higher of the Firm’s:

- **Permanent minimum capital requirement (“PMR”):** The level of own funds required to operate at all times. Based on the MiFID investment services and activities that the Firm currently has permission to undertake this is set at £75,000;
- **Fixed overhead requirement (“FOR”):** The minimum amount of capital that IK Ltd would need to have to absorb losses if the Firm has cause to wind down. This is equal to one quarter of the Firm’s relevant expenditure; and
- **K-factor requirement (“KFR”):** The KFR is intended to calculate a minimum amount of capital that IK Ltd would need for the ongoing operation of its business. The K-factors that apply to the Firm’s business is K-AUM (calculated on the basis of the Firm’s assets under management/advise (“AUM”).

IK Ltd’s own funds requirement is currently set by its FOR, as this is the highest of the three metrics. The potential for harm associated with IK Ltd’s business strategy, based on the Firm’s own funds requirement, is low. This is due to the consistent and stable growth in the Firm’s revenues and asset base.

A method adopted by the Firm to manage the risk of breach of the Firm’s own funds requirement is the maintenance of a healthy own funds surplus above the own funds requirement. In the event that the Firm’s own funds drop to an amount equal to 110% of the Firm’s own funds threshold requirement, the Firm will immediately notify its Board of Directors, as well as the regulator. The Board of Directors will consider the necessary steps required in order to increase the own funds buffer.

Concentration Risk

The Firm monitors and controls its concentration risk using sound administrative and accounting procedures and robust internal control mechanisms. This includes any concentration in assets (for

example, trade debtors), location of the Firm's own cash deposits, earnings, and any other relevant factors.

The potential for harm associated with IK Ltd's business strategy, based on the Firm's concentration risk, is low.

The Firm currently advises several funds, with the underlying investors typically being institutional investors, such as pension funds, insurance companies and other professional investors. The Firm therefore considers that its revenue base is 'sticky' and not prone to substantial fluctuations, including during stressed market conditions.

The Firm deposits its cash with a number of well-established multinational institutions.

Liquidity

The Firm is required to maintain sufficient liquidity to ensure that there is no significant risk that its liabilities cannot be met as they fall due and to ensure that it has appropriate (liquid) resources in the event of a stress scenario.

The potential for harm associated with IK Ltd's business strategy, based on the Firm's basic liquid assets requirement, is low. As with regard to its own funds requirement, this is due to the relatively stable and consistent growth in the Firm's revenues and maintenance of a healthy core liquid assets surplus above the basic liquid assets requirement. The Firm retains an amount it considers suitable for providing sufficient liquidity to meet the working capital requirements under various conditions. IK Ltd 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. Additionally, it has historically been the case that all debtors are settled promptly, thus ensuring further liquidity resources are available to the Firm on a timely basis. The cash position of the Firm is monitored by the Treasurer and CFO on at least a weekly basis.

Risk Management Structure

IK Ltd 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 operational risk management process is overseen by the Compliance Officer with input from the CFO, with Senior Management taking overall responsibility for this process and the fundamental risk appetite of the Firm.

Senior Management meet on a regular basis and discuss current projections for profitability, cash flow, regulatory capital management, business planning and risk management. The Board of Directors engages in IK Ltd's risks through 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 Firm formally reviews its risks, controls, and other risk mitigation arrangements and assesses their effectiveness; the conclusions to this review inform the overall risk appetite of the Firm.

A formal update on operational matters is provided on a regular basis. Management accounts demonstrating the continued adequacy of IK Ltd's regulatory capital are also reviewed on a regular basis.

Appropriate action is taken where risks are identified that fall outside of the Firm's tolerance levels or where the need for remedial action is required in respect of identified weaknesses in IK Ltd's mitigating controls.

Governance Arrangements

Overview

IK Ltd believes that effective governance arrangements help the Firm to achieve its strategic objectives while also ensuring that the risks to the Firm, its stakeholders, and the wider market are identified, managed, and mitigated.

The Board of Directors has overall responsibility for IK Ltd and is therefore responsible for defining and overseeing the governance arrangements at the Firm.

In order to fulfil its responsibilities, the Board of Directors meet on a quarterly basis. Amongst other things, the Board of Directors approves and oversees the implementation of the Firm's strategic objectives and risk appetite, ensures the integrity of the Firm's accounting and financial reporting systems, including financial and operational controls, ensures compliance with the requirements of the regulatory system, assesses the adequacy of policies relating to the provision of services to clients, and provides oversight of the Firm's senior management.

A key document that is reviewed, discussed, and ratified by the Board of Directors at least annually is the Senior Management Systems and Controls Document ("SYSC Document"), as this demonstrates how the Firm has met its obligations with regard to its governance arrangements. The SYSC Document provides the Board of Directors with information on the functioning and performance of all aspects of the Firm, including the following areas:

- General organisational requirements, including steps taken by the Firm to ensure continuity and regularity in the performance of its regulated activities, and the Firm's accounting policies.
- Employees, including steps taken by the Firm to ensure that employees have the necessary skills, knowledge, and expertise for the discharge of the responsibilities allocated to them, and to ensure that they are fit and proper persons.
- Policies, procedures, and controls for meeting its compliance and financial crime requirements.
- Internal capital adequacy and risk assessment process.
- Outsourcing of critical or material operating functions or activities.

- Record-keeping controls and arrangements.
- Conflicts of interest management.
- Remuneration policies and practices; and
- Whistleblowing controls.

The Management Body

IK Ltd's management body is the Board of Directors. The below table provides the number of directorships held by each member of the management body (excluding directorships held within the IK Partners group as well as within organisations which do not pursue predominantly commercial objectives):

Management Body Member	Position at IK Ltd	Number of Directorships Held	
		Executive	Non-Executive
Christopher Masek	CEO	-	1
James Yates	Managing Partner, CFO	-	-
Alice Langley	Partner	-	-
Tom Salmon	Partner	-	3

Diversity of the Management Body

The Firm has in place a policy promoting diversity including in the management body, in accordance with SYSC 4.3A.10R.

The policy supports the aim to create an environment that embraces diversity and inclusion as we want colleagues to prosper and thrive in their working life. IK Ltd supports differences in age, race, religion, gender and other characteristics that makes us unique.

The CEO with support from Senior Management is responsible for the policy and its implementation.

Risk Committee

Due to the nature, size, and complexity of the Firm, IK Ltd does not have an independent risk management function. The Board of Directors is responsible for the management of risk within the Firm and the individual responsibilities of the Board of Directors members are clearly defined. Senior management reports to the Firm's Board of Directors on a frequent basis regarding the Firm's risks. IK Ltd has clearly documented policies and procedures, which are designed to minimise risks to the Firm and all staff members are required to confirm that they have read and understood these. IK Ltd is not required by MIFIDPRU to establish a risk committee.

Own Funds

As at 31 December, IK Ltd maintained own funds of €25,890 thousands. The below regulator-prescribed tables provide a breakdown of the Firm's own funds:

Composition of Regulatory Own Funds			
	Item	Amount (€ Thousands)	Source Based on Reference Numbers/Letters of the Balance Sheet in the Audited Financial Statements
1	OWN FUNDS	25,890	
2	TIER 1 CAPITAL	25,960	Balance sheet p. 23
3	COMMON EQUITY TIER 1 CAPITAL	25,960	Balance sheet p. 23
4	Fully paid up capital instruments	3,715	Balance sheet p. 22
5	Share premium		
6	Retained earnings	22,245	Balance sheet p. 23
7	Accumulated other comprehensive income		
8	Other reserves		
9	Adjustments to CET1 due to prudential filters	(70)	Balance sheet p. 21
10	Other funds		
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(70)	Balance sheet p. 21
19	CET1: Other capital elements, deductions and adjustments		
20	ADDITIONAL TIER 1 CAPITAL		
21	Fully paid up, directly issued capital instruments		
22	Share premium		
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1		
24	Additional Tier 1: Other capital elements, deductions and adjustments		
25	TIER 2 CAPITAL		
26	Fully paid up, directly issued capital instruments		
27	Share premium		
28	(-) TOTAL DEDUCTIONS FROM TIER 2		
29	Tier 2: Other capital elements, deductions and adjustments		

		Balance Sheet as in Published/Audited Financial Statements	Cross-Reference to Above Template
	€ Thousands	As at 31.12.23	
1	Fixed Assets	2,731	
2	Current Assets	40,853	
	Total Assets	43,584	
1	Current Liabilities	17,624	
	Total Liabilities	17,624	
1	Capital and Reserves	25,960	
	Total Shareholders' Equity	25,960	Item 3

Own Funds: Main Features of Own Instruments Issued by the Firm

IK Ltd's own funds consist of Common Equity Tier 1 Capital.

The share capital consists of 2,500,000 allotted called up and fully paid shares of GBP 1 each.

Own Funds Requirements

IK Ltd is required to at all times maintain own funds that are at least equal to the Firm's own funds requirement. The own funds requirement is the minimum requirement of capital the Firm is required to hold, taken as the higher of the PMR and FOR.

The below illustrates the core components of IK Ltd's own funds requirements:

Requirement	£ Thousands	Transitional Requirement
(A) Permanent Minimum Capital Requirement ("PMR")	75	55
(B) Fixed Overhead Requirement ("FOR")	17,180	1,718
(C) K-Factor Requirements ("KFR")		
K-AUM – <i>Risk arising from managing and advising on investments</i>	1,252	125
K-COH – <i>Risk arising from order execution and reception and transmission of orders</i>		
(D) Own Funds Requirement (Max. A, B, C)	17,180	1,718

IK Ltd is also required to comply with the overall financial adequacy rule ("OFAR"). This is an obligation on IK Ltd to hold own funds and liquid assets which are adequate, both as to their amount and quality, to ensure that:

- The Firm is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
- The Firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

Where IK Ltd determines that the FOR is insufficient to mitigate the risk of a disorderly wind-down, the Firm must maintain 'additional own funds required for winding down', above the FOR, that are deemed necessary to mitigate the risks of a disorderly wind-down. Similarly, where the Firm determines that the KFR is insufficient to mitigate the risk of harm from ongoing operations, the Firm must maintain an amount of 'own funds required for ongoing operations', above the KFR, that is deemed sufficient to ensure the viability of the Firm throughout economic cycles.

The Firm's own funds threshold requirement is the higher of:

- The Firm's PMR;
- The sum of the Firm's FOR and its additional own funds required for winding down; and
- The sum of the Firm's KFR and its additional own funds required for ongoing operations.

This is the amount of own funds that IK Ltd is required to maintain at any given time to comply with the OFAR.

To determine the Firm's own funds threshold requirement, IK Ltd identifies and measures the risk of harm faced by the Firm and considers these risks in light of its ongoing operations and also from a wind-down planning perspective. The Firm then determines the degree to which systems and controls alone mitigate the risk of harm and the risk of a disorderly wind-down, and thereby reduces the appropriate amount of additional own funds required to cover the residual risk.

This process is documented and presented to, and ratified by, the Board of Directors on at least an annual basis.

Remuneration Policy and Practices

Overview

As a Non-SNI MIFIDPRU Investment Firm, IK Ltd is subject to the basic and standard 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")). 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 IK Ltd'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, IK Ltd 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.

IK Ltd 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 IK Ltd 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 and qualitative performance as well as the individual performance, both financial and non-financial, in contributing to the Firm's success. All staff members are eligible to receive variable remuneration.

IK Ltd's policy includes a framework for assessing the level of remuneration to be paid to staff members. The framework applies risk adjustment criteria to the level of remuneration paid. Factors considered include:

- How the Firm takes into account current and future risks when determining remuneration;
- How malus and clawback are applied;
- The policies and criteria applied for the award of guaranteed variable remuneration;
- The policies and criteria applied for the award of severance pay.

IK Ltd has set a ratio between the variable and fixed components of the total remuneration, by way of ensuring that the components are appropriately balanced and that 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 particularly 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 HR Steering Committee (HRSC), consisting of the CEO, the CFO and the HR Director, is responsible for setting and overseeing the implementation of IK Ltd's remuneration policy and practices. In order to fulfil its responsibilities, the HRSC:

- 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.

IK Ltd's remuneration policy and practices are reviewed annually by the HRSC.

Material Risk Takers

IK Ltd is required to identify its material risk takers - those members of staff whose professional activities have a material impact on the risk profile of the Firm (and of the assets that the Firm manages). The types of staff that have been identified as material risk takers at IK Ltd are:

- Members of the management body in its management function;
- Members of the senior management team;
- Those with managerial responsibilities for the prevention of money laundering and terrorist financing;
- Those that are responsible for managing a material risk within the Firm;

Quantitative Remuneration Disclosure

The below table quantifies the remuneration paid to staff in the financial year e.g., 1 January 2023 to 31 December 2023. For these purposes, 'staff' is defined broadly, and includes, for example, employees of the Firm itself and MRTs who are employees of other entities in the group:

Period: 2023				
		Senior Management	Other Material Risk Takers	Other Staff
Total Number of Material Risk Takers		36		
Remuneration Awarded	Fixed (€)	1,811,529	11,822,214	6,168,405
	Variable (€)	1,032,552	10,220,460	3,746,995
	Total (€)	2,844,081	22,042,674	9,915,400
Guaranteed Variable Remuneration	Amount (€)	0	0	
	# Staff Awarded	0	0	
Severance Payments	Amount (€)	0	0	
	# Staff Awarded	0	0	