AVELLEMY LIMITED
INVESTMENT FIRM PRUDENTIAL REGIME (IFPR) DISCLOSURE

SEPTEMBER 2024

Investment Firm Prudential Regime (IFPR) Disclosure

1. Introduction and Overview

The Investment Firm Prudential Regime ("IFPR") is the prudential regime which applies to MiFID (Markets in Financial Instruments Directive) investment firms in the UK. IFPR requirements set out to reflect the risk profiles of investment firms and how this impacts capital and liquidity requirements, risk management frameworks and remuneration which is communicated to stakeholders via an IFPR Disclosure ("Disclosure"), replacing the former Pillar III document.

This document forms the Disclosure for Avellemy Limited ("Avellemy", "the firm"), and has been prepared following the disclosure requirements set out in MIFIDPRU 8.

Avellemy is classified as a Non-Small and Non-Interconnected ("non-SNI") MIFIDPRU investment firm and the Disclosure is made on an individual entity basis.

The Disclosure has been prepared as at 31 December 2023, the firm's financial year end and approved by relevant governance bodies described in section 3, however is not subject to audit. The Disclosure is reviewed on an annual basis as a minimum and has been published on the firm's website at http://www.avellemy.co.uk.

1.1 Summary of business activities

Avellemy was established in 2012 and is authorised and regulated by the FCA as a discretionary fund manager that provides investment solutions and services to retail clients. As at 31 December 2023, Avellemy manages approximately £2.5 billion of assets through one of the following propositions:

- Range of Multi Asset funds and Multi-Manager funds ("OEICs")
- Discretionary Model Portfolio Service ("MPS") – focusing on active, passive and income focused investment solutions
- Avellemy Private Wealth ("APW"), which is a bespoke Discretionary Fund Management ("DFM") service.

Avellemy's Multi-Asset OEICs invest in other collective investment schemes and Avellemy's Multi-Manager funds delegate discretionary investment management to third-party managers. APW invests in direct equities, investments trusts and collective investment schemes. Avellemy does not trade in complex securities or derivatives.

The OEICs managed by Avellemy and MPS are distributed through several different adviser led platforms servicing retail clients. Investment into one of Avellemy's propositions is made through advice led recommendations from financial advisers who may recommend one of Avellemy's propositions based on a client's objectives and attitude to risk, amongst other factors.

2. Risk Management objectives and policies (MIFIDPRU 8.2)

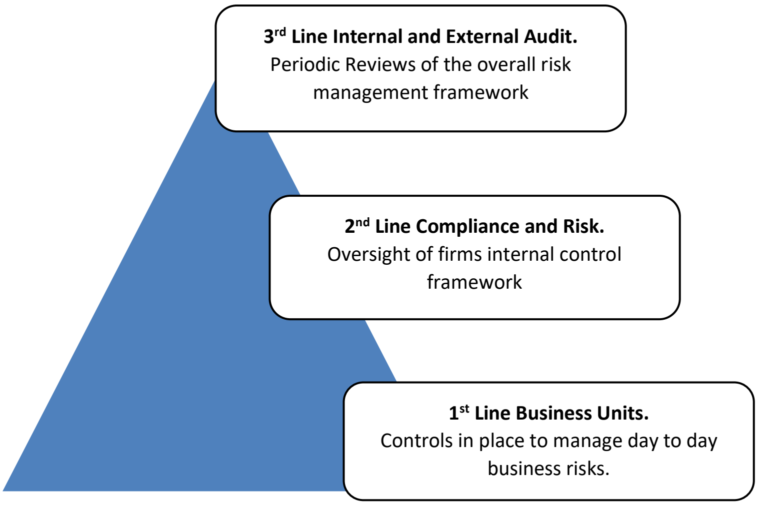
Avellemy's risk management objectives and requirements are implemented through a set of processes and policies which are defined in the Enterprise Risk Management ("ERM") Framework. This framework is specifically supported by the ERM and Operational risk policies, procedures and standards.

2.1 Enterprise risk management framework

Avellemy's ERM Framework is applicable to all employees and enables Avellemy to identify and manage the material risks to which it is exposed and the resulting harm it can cause. The ERM Framework supports the effective management of risks taking account of legal and regulatory requirements to ensure that the firm remains within risk appetite, contributing to the achievement of objectives and is supported by a Three Lines of Defence model in line with Senior Manager and Certification Regime ("SMCR") accountabilities to ensure effective escalation of material risks and issues.

2.2 Three Lines of Defence

The Risk Management Framework operates under a three Lines of Defence ("LOD") model as follows:



The context of a three LOD model of governance and risk management is to provide reasonable assurance that the firm is safeguarding the interests of all stakeholders.

- The first line requires each business unit to identify and mitigate the risks and to implement an adequate control environment to manage the risks and relevant impact of harm in their area of operation. The first line is formed of business executives, management and all employees.

- The second line is that of control oversight managed by the compliance and risk team who oversee compliance with regulatory and legal requirements as well as the monitoring of risks.
- The third line is designed to provide independent assurance through independent external and internal audit. The third line supports the Board and senior manager in protecting the assets, reputation and sustainability of the business by providing objective assurance activity.

2.3 Risk appetite

Avellemy's Risk Appetite Framework ("RAF") is defined as the policies, processes, skills and systems that set out the way that employees talk about, think about and manage risk in relation to Avellemy's risk appetite. The RAF builds upon the existing planning, capital and risk management processes.

The RAF represents the firm's attitude to different types of risks and sets the context for the firm's risk appetite. Using the RAF the Board sets the overarching risk appetite which is reviewed and recalibrated at least annually in line with the business planning cycle or more frequently in the case of a material change in internal requirements or external factors. The Chief Executive Officer ("CEO") supported by the Chief Risk Officer ("CRO") is responsible for ensuring that the approved appetites are embedded through thresholds and policies and key committees, including the Board, have the responsibility to monitor the risk profile of the firm on an on-going basis to ensure that it is within the approved risk appetite limits. These measures are reported on an ongoing basis as part of the Risk report to the Risk and Governance Committee ("RGC"), and Board by the ERM team.

Capital and Liquid asset risk appetite measures have been set that will provide an early warning indicator if breached to ensure that adequate financial resources (capital and liquid assets) are maintained to enable Avellemy to remain financially viable, with the ability to address any potential material impacts of harm that may result from its ongoing activities.

2.4 Key risk indicators

Risk appetite metrics have been developed for all material risks. These key risk indicators ("KRIs") include thresholds and have been set to monitor and ensure that the firm's risk profile does not deviate from the risk appetite. Thresholds "within appetite", "action required" and "outside appetite" have been set and when the risks fall to a level with "action required", they are escalated to ensure appropriate remedial action are taken. Reaching a specific threshold necessitates an action plan. These thresholds have also been aligned to qualitatively reflect the potential harm it could cause.

2.5 Risk control self- assessment ("RCSA")

Risks to business operations and processes, including impacts of harm to clients, the firm and wider marker are identified through the regular refresh of the RCSA process in line with the RCSA procedure which is performed annually. The RCSA is performed by teams across the business. The assessment identifies and monitors material risks and associated key controls by considering the operating environment, processes, roles and responsibilities, as well as risk incidents. Risks are assessed on both an inherent and a residual basis, with ratings determined for potential impact of harm and likelihood of occurrence. Where processes or controls are identified as being insufficient, line management is required to take appropriate action to ensure they are improved in order to pose a minimal (or acceptable) level of risk.

Once the RCSAs have been completed, the content will be reviewed by the ERM team to ensure the framework has been correctly applied but also to provide challenge where assessments provided are not perceived to be correct / reflective of the firm's risk profile and potential impact of harm it could cause to clients, the firm itself and/ or the wider market.

2.6 Top-down assessment

The ERM team will provide a consolidated view of the RCSA data, which is reported to the Board. The RCSA process provides the initial (bottom-up) assessment for the population of 'top risks', within Avellemy which is supplemented by the Board discussion and debate (top-down), also referencing components such as business planning, risk strategy and strategic risks, emerging risks, industry trends and regulatory developments etc, as part of the wider framework to identify the risks/ potential impacts of harm that are relevant and material to the business as a whole and the activities undertaken. A top risk report highlighting the material risks to Avellemy is then created and updated by the ERM team on a quarterly basis and discussed at RGC and the Board as part of the overall risk profile of the business.

2.7 Scenario analysis

Scenario analysis is a forward-looking assessment of exposures as a result of severe but plausible operational risk events. It is developed as part of the Internal Capital and Risk assessment ("ICARA") process and is used to identify and quantify the material risks that have the potential to impact Avellemy, its clients or the broader market, based on the experience and opinions of internal subject matter experts. A variety of scenarios (differing in nature, severity and duration) are used to estimate the impact of events on capital and liquid asset requirements.

2.8 Incident recording

An incident is a failure of process, people or systems which results in an actual loss or potential impact. Incidents are reported, recorded and investigated to determine the root cause, financial impact, and to ensure that appropriate remediation work is completed as required. An incident reporting process continues to embed within the business and analysis of incidents are used to support the RCSA, scenario analysis and top risk profile of Avellemy.

2.9 Risk reporting and escalation

The Avellemy Board is responsible for the governance of the firm and a governance framework supported by a number of governance committees including financial delegated authorities, approval or notification of certain matters and specific policy requirements, have been established.

Risk reporting, which includes an update on the top risk profile of Avellemy is provided on a quarterly basis to the RGC and Avellemy Board.

2.10 Risk profile

Avellemy is exposed to a range of risks that could potentially cause harm to the firm's clients, the firm itself and/or the wider market in the execution of its business strategy and ongoing day to day activities. Risks mostly operational in nature are inherent in routine business actives and these exposures and harm impacts are minimised by the firms' control framework as far as possible.

Avellemy's risk taxonomy defines and describes these risks, providing a consistent methodology for assessment and reporting.

As an investment management firm, Avellemy's most material risk exposures are considered to be in the Strategic, Business (reputation and conduct risks), Investment and Operational risk (including legal and regulatory risk) categories.

In addition, capital adequacy, liquidity, market and credit / counterparty risks are monitored and managed on a prudent basis to ensure they remain within the regulatory requirements and risk appetite limits.

2.11 Potential impacts of harm

Through the firm's business operations, potential material harms that could be caused by Avellemy would largely be the result of:

Harm to Clients: Operational incidents or errors impacting investment management activities; if these were to crystallise the firm will look to compensate clients through redress, however this may still result in reputational damage and/or loss of clients.

Harm to Firm: Having to compensate clients due to operational incidents and or a material regulatory breach could undermine and damage the reputation of the firm and potentially limit the ability of the firm to attract new clients.

Harm to Market: The harm that the firm can cause to the markets in which it operates is considered limited due to its size, market share and the nature and complexity of its activities.

2.12. Approach to assessing own funds requirements, concentration risk and liquid assets

The assessment of harm relating to Avellemy, as documented in section 2.11, is incorporated within the ICARA process. The ICARA supports Avellemy in its ongoing assessment of the risk of harm to clients, the firm itself and wider markets. The ICARA is used to support the Board in determining whether Avellemy has adequate financial resources (capital and liquid assets) to enable Avellemy:

- to remain financially viable across the projected period, with the ability to address any potential material harms that may result from its ongoing activities; and
- if it became necessary, to conduct an orderly wind-down while minimising harm to clients or other market participants and without threatening the integrity of the wider UK financial system.

This is done by identifying the most material risks of harm to the business model and strategy, including activities undertaken by using the assessment of the bottom-up functional RCSA process overlayed with a top-down view from the Executive team and Board. As part of this process the inherent position of each risk is assessed along with the overall control framework and residual risk exposure, including potential material harms to clients, the firm or markets. In conducting the ICARA, Avellemy have:

- identified risks that may result in material harms to the firms' clients and counterparties, the markets in which the firms operate and the firms themselves;
- ensured they have appropriate systems and controls in place to identify, monitor and, where proportionate, reduce all potential material harms that may result from the ongoing operation of their business or winding down their business;
- considered on a forward-looking basis the own funds and liquid assets that will be required to meet the overall financial adequacy rule, taking into account any planned future growth; and
- considered relevant severe but plausible stresses that could affect the firms' business model and considered whether the firm would still have sufficient own funds and liquid assets to meet the overall financial adequacy rule.

The table below provides a summary of Avellemy's level 1 risk categories (which as part of the risk taxonomy are further subdivided into level 2 and 3 sub-categories); the impact of harm these risks pose; how these risks are managed and the associated policies in place to support the management of the risk:

Level 1 risks	Impact of harm	Risk description	How the risk is managed	Risk policy
Strategic risk	Harm to firm	The risk that the strategy is unsound due to poor decision making, incorrect information or assumptions, or that the activities supporting the delivery of the strategy are inadequate or poorly designed.	The Board approves the strategic plan and reviews progress against it on a regular basis.	n/a

Level 1 risks	Impact of harm	Risk description	How the risk is managed	Risk policy
Business risk	Harm to firm and client	The risk of discretionary decisions adversely affecting future earnings and the sustainability of the business. It also includes risks arising from the firm's remuneration policy and maintaining sufficient capital adequacy to meet regulatory requirements.	To mitigate business risk, we regularly analyse various different economic scenarios to model the impact of economic downturns on our financial position, including our capital and liquid assets. The firm's remuneration policy is designed in accordance with the principles of SYSC 19A and the Remuneration Code, seeking to mitigate the risk of remuneration adversely affecting the outcomes to investors. Capital adequacy is monitored on a regular basis and steps are taken to increase the capital available should the need arise.	• Enterprise risk policy • Remuneration policy, including malus and clawback • Conflicts of interest • Whistleblowing • Training and competency • Fit and Proper Policy • Gifts and entertainment • Personal account dealing • Complaints policy

Level 1 risks	Impact of harm	Risk description	How the risk is managed	Risk policy
Investment solution risk	Harm to client	The risk of incomplete, inaccurate, inappropriate, untimely assessment of a clients' needs, markets and investment risks associated with funds and portfolios leading to poor customer outcomes, customer detriment, financial loss, reputation damage and/or regulatory fines/censures.	The firm has identified where poor client outcomes can derive from by interrogating the client journey and through its service offering. Further to this the business operates a simple business model offering a selection of risk aligned model portfolios to its clients.	• Product Governance policy
Liquidity risk	Harm to firm	The risk that the company does not have sufficient liquid resources to meet their obligations as they fall due or can secure them only at excessive cost.	This is supported by a robust budgeting and forecasting process which has the full involvement of the senior management team. Liquid assets threshold requirements and cash flow forecasts are monitored on a regular basis and where required will work with its investors to ensure that appropriate funding is in place.	Dividend Policy

Level 1 risks	Impact of harm	Risk description	How the risk is managed	Risk policy
Operational risk	Harm to firm and client	The risk of loss (or unexpected gain /profit) resulting from inadequate or failed internal processes, people and systems or from external events, including the risk of financial or reputational loss as a result of lack of awareness or misunderstanding of, ambiguity in, the way law and regulation apply to the business; including change in regulation /new regulation materially affecting the business/market we operate in.	Sources of operational risk include outsourcing of operations, IT security and implementation of strategic and regulatory change. Avellemy has robust operational systems and controls which seeks to minimise operational failures. Frameworks have been developed to help in the monitoring of material outsources and the implementation of regulatory change and strategic initiatives. Progress continues in building out and enhancing its current cyber security capability to help mitigate threats. The firm continues to enhance its GDPR controls. Oversight is provided via the RGC on a quarterly basis.	• Enterprise risk policy • Operational risk policy • Third-party outsourcing • Data protection policy • Data retention and erasure policy • Operational resilience • Financial promotions • Incident reporting policy

Level 1 risks	Impact of harm	Risk description	How the risk is managed	Risk policy
Legal and Regulatory risk	Harm to firm and client	The risk of financial or reputational loss as a result of lack of awareness or misunderstanding of, ambiguity in the way law and regulation apply to the business; including change in regulations /new regulations materially affecting the business and or market we operate in.	Avellemy complies with all relevant rules and regulations and has no appetite for material regulatory breaches. The firm has policies and procedures in place to ensure compliance and robust oversight and monitoring to evidence compliance. The firm ensures all regulatory initiative and changes are identified, tracked and appropriate action taken to ensure implement the required changes by the relevant deadlines. Working groups and formal projects are established as part of the change process with regular reporting and escalation to Governance fora.	• Compliance manual • Best execution policy • Financial crime (Anti-bribery and corruption, Fraud, AML, Sanctions) policies

Level 1 risks	Impact of harm	Risk description	How the risk is managed	Risk policy
Credit risk	Harm to firm	The risk of financial loss arising from a customer or other counterparty failing to meet its obligations to repay outstanding amounts as they fall due.	The firm's revenues include annual management charges received from clients based on a percentage of client assets under management. These charges are made directly from client portfolios, and therefore the credit risk relating to this income is minimal. Credit risk is managed by regular monitoring of debtors and ensuring current fee agreements are effective.	n/a
Market risk	Harm to firm	The current or prospective risk to earnings or value arising from adverse movements in equity and commodity prices, interest and/or foreign exchange rates.	The business undertakes modelling and stress testing which models the core expected future financial position and the potential impact of an economic downturn on its financial position as a result of falling markets. The firm does not trade on its own account and has no exposure to foreign currency transactions.	n/a

2.12.1 Own Funds

Under the new regime, the Own Funds Requirements are driven by the highest assessments of the K Factor Requirement ("KFR"), the Fixed Overheads Requirement ("FOR"), and the permanent minimum capital requirement. The KFR is calculated based on the sum of each K-Factor that applies to the firm.

In terms of MIFIDPRU 4.6 and the permissions of Avellemy, it has assessed its K-factor requirement to be based solely on K-AUM. See section 5 for further detail.

2.12.2 Concentration risk

Avellemy is potentially exposed to concentration risk with banking counterparties with which it has deposited funds and could be subject to a financial loss should the bank suspend withdrawals from accounts or go into administration, leading to either Liquidity risk, where Avellemy has insufficient funds to meet liabilities as they fall due; own funds risk where Avellemy is unable to recover its funds and suffers losses, or both. Avellemy is in the process of opening an alternative bank account to manage any potential counterparty concentration risk in Avellemy's corporate cash reserves.

Avellemy regularly monitors the credit rating of the bank with which it has a relationship and will take action, if required, to minimise credit risk exposure.

2.12.3 Liquid asset requirement

When assessing the amount of liquid assets required to fund Avellemy's ongoing business operations, management have assessed a basic level of liquid assets that would typically be required to operate the firm's underlying business. Short term liquidity needs have been assessed with reference to a forward looking 12-month period, based on the monthly cash flow cycle plus any items that may impact cash flows during the period, for example significant expenses such as annual bonus expense are considered. Avellemy has also considered the impact of stress scenarios on the short-term liquidity requirement.

2.13 Effectiveness of the ERM framework

With the onboarding of an independent Internal Audit function during 2021, the ERM framework which sets out to identify, manage, monitor and mitigate material risks and associated impacts of harm will also form part of Internal Audit's remit when the annual Audit planning cycle takes place.

3. Governance Framework and Structure (MIFIDPRU 8.3)

3.1 Governing Objectives and Principles

The following principles govern risk management in Avellemy:

- The Avellemy Board is accountable for risk management and delegates responsibility of certain tasks and responsibilities to its sub committees or members of senior management. The risk strategy and appetite will be reviewed annually and presented to the Board, the timing will align with the business planning process.

- The Board sets Avellemy's risk appetite in line with the business strategy. Risk appetite is defined in Risk appetite statements ("RAS") which are approved by the Board and reviewed at least annually.
- An ERM framework sets out how risk is managed across all risk categories. Avellemy operates a three LOD risk governance model as set out in section 2.2. There is a clear allocation of responsibilities and duties to senior managers, which is documented within the "senior manager statement of responsibilities".
- All functional areas are responsible and accountable for the identification, assessment, management, monitoring and reporting of individual risks, including impacts of potential harm, associated controls and incidents within their areas of responsibility. These risks are managed within the risk appetite limits and tolerance and in accordance with the ERM framework.
- Avellemy monitors its capital and liquid asset requirement against its risks and business strategy on an on-going basis. This is documented at least annually in the ICARA.

3.2 Avellemy Board

The Avellemy Board is responsible for the implementation of the firm's strategic aims and objectives and oversight of its business performance, including operating and capital expenditure budgets, in line with all regulatory and client expectations in line with the group's Governance Manual. The Avellemy Board is responsible for the approval of the ICARA.

The Avellemy Board have documented board instructions, which ensure that it has appropriate procedures and delegations in place to fulfil its responsibilities for:

- Ensuring that the firm operates in accordance with the approved Governance Manual;
- Ensuring that the firm has the appropriate resourcing levels to deliver the group strategy and business plans;
- Ensuring the firm maintains sound and prudent internal control systems; and
- Ensuring the firm complies with its statutory and regulatory obligations.

3.2.1 Directorships

The Avellemy Board is comprised of seven members – one non-executive director (who is also the chair of the Board) and six executive directors (the CEO, Managing Director, Chief Financial Operations Officer ("CFOO"), Group Finance Director ("GFD"), CRO and Chief Investment Officer ("CIO")) all of whom are senior managers under the FCA's SMCR.

None of the Directors of Avellemy hold external directorships which require disclosure under MIFIDPRU 8.3.1R(2).

3.2.2 Board diversity

A diverse Board brings a broad range of perspectives, insights and challenges which supports sound decision making. The Board sets the tone for inclusion and diversity across the business, supported by a diverse leadership team and an open and inclusive culture. The Board of Avellemy is constituted by a number of executive directors from senior roles across the business with responsibility for key areas relevant to the business, but also include a non-executive Director, independent to the business. The Avellemy Board consists of six executive directors, 33% of whom are female.

3.3 Investment committee ("IC")

The IC is a delegated committee of the Avellemy Board and provides oversight of the investment performance and risk limits of all Avellemy portfolios, OEICs and strategies to ensure they are effectively implemented and complied with in line with their stated risk profile and customers' expectations. The IC will review information that allows it to monitor and challenge the investment performance, risk and liquidity of all Avellemy portfolio, OEICs and strategies. The IC meets quarterly or more frequently where required and is chaired by the CIO. The IC reports to the Avellemy Board on a quarterly basis or more frequently if required.

3.4 Risk and Governance Committee ("RGC")

The RGC is responsible for the effectiveness of the systems of governance, risk management and internal controls of the firm, including the structure and implementation of the risk and compliance framework and capital management process (which includes the approval, review and oversight of the ICARA). The RGC meets quarterly or more frequently where required and is chaired by the CRO. The RGC reports to the Avellemy Board on a quarterly basis or more frequently if required.

3.5. Product Governance Committee ("PGC")

The PGC will assist the Board in ensuring that Avellemy has effective governance, risk management, and internal controls, specifically in the area of product governance. This includes overseeing compliance with the Avellemy product governance policy which aims to assist Avellemy in meeting the FCA's PROD handbook's description of good product governance. The PGC will also be responsible for how Avellemy complies with the requirements of Consumer Duty. The PGC meets quarterly and is chaired by the Product Governance Manager. The PGC reports to the Avellemy Board on a quarterly basis or more frequent if required.

3.6 Approach to Diversity

An Equality, Diversity and Inclusion ("ED&I") statement setting out Avellemy's approach to promoting a culture of ED&I has been developed and is underpinned by an ED&I programme that continues to translate awareness into positive actions. Numerous activities have been rolled out via our "WeDo" banner and enhanced focus on inclusivity and wellbeing via our Values and Knowledge Hub. Our aim is to achieve a truly inclusive workplace culture by 2025 and our ED&I strategy forms part of our ESG strategy with aims and actions owned by Senior Management.

Some key successes during 2023, included:

- Exceeded target of at least 40% female representation of all board and senior leadership posts by 3%. A further 6% increase in female representation at Senior Leadership level since mid-year to 56%.
- Improvements of 4% in our median gender pay gap and a 61% in our median gender bonus gap.
- Implementation of baseline Ethnicity Pay Gap reporting to continue annually.
- Implementation of focus groups for neurodiversity and LGBTQ+ with associated, rolling action plans including the development of training on neurodiversity awareness and use of pronouns.
- Implementation of Mental Health First Aiders focus group leading to the development of mental wellbeing resources including a dedicated email address which was launched in January 2024.
- Enhanced ethnicity reporting to benchmark regional differences in place for 2024.
- Continued participation in the 10,000 Black Interns Programme which again led to consideration for a permanent role within the organisation.
- Enhanced engagement with WeDo initiatives via lunch and learn sessions.
- Promotion of community opportunities resulting in a 50% increase in volunteering days taken and a three-fold increase in blood donations, evidence of which feeds into our Employer Brand and Employee Value Proposition activity.

4. Own funds (MIFIDPRU 8.4)

Under MIFIDPRU 8.4.1R, Avellemy is required to disclose:

1. a reconciliation of common equity tier 1 items, additional tier 1 items, tier 2 items, and the specific instruments and deductions applied in order to calculate Avellemy's own funds – see section 4.1 below;
2. a reconciliation of 4.1 with the capital in the balance sheet in the audited financial statements - see section 4.2; and
3. a description of the main features of the common equity tier 1 instruments, additional tier 1 instruments and tier 2 instruments issued – see section 4.3 below. Own funds

(i.e. capital resources) for Avellemy comprise exclusively of common equity tier 1 capital.

4.1 Breakdown of own funds reconciled to specific instruments and deductions

The table below shows the breakdown of the own funds reconciled to specific instruments and deductions in 31 December 2023 financial statements.

Composition of Regulatory Own Funds			
No.	Item	31 December 2023	Note reference in the audited financial statements
1	**OWN FUNDS**		
2	**TIER 1 CAPITAL**	**18,392,055**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**18,409,077**	
4	Fully paid up capital instruments	125,000	12
5	Share premium	-	
6	Retained earnings	18,284,077	13
7	Accumulated other comprehensive income	-	
8	Other reserves	-	
9	Adjustments to CET1 due to prudential filters	-	
10	Other funds	-	
11	**(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1**	**(17,022)**	
12	CET1: Other capital elements, deductions and adjustments	(17,022)	8
13	**ADDITIONAL TIER 1 CAPITAL**	-	
14	Fully paid up, directly issued capital instruments	-	
15	Share premium	-	
16	**(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1**	-	
17	Additional Tier 1: Other capital elements, deductions and adjustments	-	
18	**TIER 2 CAPITAL**	-	
19	Fully paid up, directly issued capital instruments	-	
20	Share premium	-	
21	**(-) TOTAL DEDUCTIONS FROM TIER 2**	-	
22	Tier 2: Other capital elements, deductions, and adjustments	-	

4.2 Reconciliation of the firm’s own funds to the audited financial statements

The table below sets out the own funds’ reconciliation to the balance sheet in the financial statements.

Own Funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements				
		a	b	c
		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross[1]reference to template OF1
		31 December 2023	31 December 2023	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Trade and Other receivables	21,157,570		N/A
2	Cash and cash equivalents	3,396,158		N/A
3	Intangible Assets	17,022		12
4	Deferred tax asset (timing difference)	3,962		
	Total Assets	**24,574,712**		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Creditors : amounts falling due within one year	(196,723)		N/A
2	Deferred tax liability (timing difference)	(4,256)		N/A
	Total Liabilities	**(200,979)**		
Shareholders' Equity				
1	Called up share capital	125,000		4
2	Retained Earnings: Audited	18,284,077		6
3	Retained Earnings: Unaudited	5,964,656		N/A
	Total Shareholders' equity	**24,373,733**		

4.3 Own funds features and instruments issued

The share capital consists solely of fully paid-up ordinary shares of £1 each.

Retained earnings consists of audited profits only.

4.4 Deductions from common equity tier 1 capital

The deductions consist of intangible software assets capitalised.

5. Own funds requirement (MIFIDPRU 8.5)

5.1 Calculation of Own Funds Requirement

As a MIFIDPRU entity, Avellemy is required at all times to maintain own funds at least equal to the highest of:

- Permanent minimum requirement of £75k;
- KFR; and/or
- FOR.

5.2 K-factor assessment

The K-factors are a way of calculating the ongoing capital requirements based on measuring risks posed by a firm to clients, to the market and to the firm itself. Avellemy has assessed its KFR to be based solely on K-AUM. In assessing the K-AUM Avellemy has considered all the funds under management from the different lines of business; management portfolio services, segregated mandates, and private wealth, but excluding any fund of fund investments to avoid double counting. The K-AUM is assessed at 0.02% of the average month end AUM of the entity for the past 15 months, excluding the last 3 months and totals £502k at 31 December 2023.

5.3 Fixed overhead requirement (“FOR”)

Avellemy has assessed it’s FOR in line with the methodology outlined in MIFIDPRU 4.5, and the FOR has been calculated based on the audited 2023 expenditure.

The FOR is calculated based on the relevant expenditure that Avellemy incurs to continue operations less certain permitted deductions. The FOR determines the amount of capital required to cover 3 months of Avellemy’s relevant expenditure cost base.

The starting point for the FOR is the total expenditure within the 2023 audited accounts less the following allowable deductions:

- Discretionary staff bonuses and other variable remuneration.
- Employees’ and directors’ shares in profits, except to the extent that they are guaranteed.
- Other appropriations of profits.
- Fees, brokerage, or other charges paid to central counterparties, exchanges or other trading venues and intermediate brokers for purposes of executing, registering, and clearing transactions that are directly passed onto customers excluding membership fees or charges to meet loss sharing obligations to central counterparties, exchanges, or other trading venues.
- Non-recurring expenses from non-ordinary activities.
- Taxes in relation to profits of the firm.

Avellemy’s 2024 FOR is calculated at £804k.

5.4 Approach to assessing the adequacy of its own funds

The ICARA is an ongoing process that is performed through a number of separate but inter-linked internal activities executed throughout the year that have enabled Avellemy to identify the potential material harms that could be caused during its ongoing and wind-down activities, as set out below:

- ERM and other relevant policies and processes, including the completion of the RCSA;
- Quarterly reporting of capital and liquid asset positions;
- Annual stress testing and monthly monitoring of liquidity risk; and
- Wind-down planning.

Analysis undertaken under the ICARA process ensures that Avellemy always meets the Overall Financial Adequacy Rule (“OFAR”). The analysis of the OFAR is consistent with the potential impact of the material harms that the firm has identified that could result from its ongoing operations. This was identified via scenario analysis based upon material risks identified via the RCSA process. In addition, risk appetite statements have been developed that provide an early warning trigger / escalation point whereby any potential breaches of OFAR will be identified and escalated.

The methodology used enables Avellemy to assess the capital adequacy under both normal and stressed conditions to ensure that it holds sufficient liquid assets to remain within its internal and regulatory requirements.

6. Remuneration Policy and Practices (MIFIDPRU 8.6)

6.1 Introduction

This section sets out remuneration related disclosures for Avellemy and captures the disclosure requirements as set out in 'MIFIDPRU 8.6 Remuneration policy and practices' under the IFPR for UK regulated entities. Avellemy is subject to the "standard" remuneration requirements of the MIFIDPRU Remuneration Code and this disclosure has been undertaken in line with the provisions for non-SNI firms. This section provides further information on Avellemy's remuneration policy and the information is provided as at 31 December 2023.

6.2 Approach to remuneration and incentives

6.2.1 Decision making and governance: Remuneration Committee

The Remuneration Policy is overseen and implemented by the Group Remuneration Committee ("RemCom"), which has delegated authority from the Avellemy Board. The RemCom comprising of two non-Executive Directors, sets and recommends to the Board for approval, the overarching objectives, principles and parameters of the remuneration policy. The Avellemy Board is responsible for the complete process of risk management, which includes the risks which emanate from the way the firm compensates its staff. The Avellemy Board, in liaison with all executives and senior management, sets the risk profile of the firm and its related practices and procedures and takes into consideration all relevant risks as well as assesses the impact of pay arrangements on the culture and the outcomes delivered for Avellemy clients. The RemCom's responsibilities include approving the level and structure of remuneration of the senior executives of control functions, material risk takers, directors, independent non-executive directors and any other senior executives specified by it. The Remuneration Policy is reviewed by the Avellemy Board at least annually taking into account the current and future risks (after seeking advice from the Risk and Compliance functions) and the cost and quantity of capital and liquid assets required, having regard to the firm's financial forecasts.

During 2023 the RemCom met twice.

6.2.2 Remuneration policy and practices

The Remuneration Policy is designed to encourage alignment with effective risk management to ensure that no Avellemy staff member is incentivised to act in a way which would undermine effective risk management. The policy is linked to the achievement of business objectives to deliver performance in the best interests of clients and in line with all regulatory requirements and individual performance is measured in employees' annual appraisals.

The Firm's aim is to have remuneration arrangements which attract, motivate and retain staff of an exceptional caliber needed to lead the Firms development. The firm's culture and values have clear client and employee outcomes, and all employees are rewarded for how they demonstrate the values through key behaviour indicators.

The HR Director and the CRO will monitor this Policy and are responsible for ensuring the Policy complies with the relevant legislation and regulations. Any changes made will be presented and approved at the RemCom.

6.2.3 Link between pay and performance

The performance of staff (which also include Material Risk Takers ("MRTs")) is managed through performance objectives and assessed annually through an appraisal process. These objectives cover both financial and non-financial metrics specific to the role, their business unit and the business as a whole. Individual performance appraisals incorporate an overlay of expected values and behaviours and are used to support incentive outcomes within a discretionary framework.

6.2.4 Remuneration composition

Remuneration is comprised of fixed pay and variable performance–related pay. Fixed pay includes base salary, benefits and pension. Variable pay includes short-term incentive and a long-term incentive, specifically in relation to APW investment management team.

6.2.4.1 Fixed pay

Remuneration comprises of fixed compensation set at market competitive levels (salary and benefits). Fixed remuneration includes:

- base salary,
- employer pension contributions,
- car allowance (if applicable) and
- benefits such as health insurance.

Base salaries are set at a competitive and sustainable level taking into account a range of factors including, but not limited to the individual's:

- skills;
- performance and experience;
- wider workforce salary levels;
- external benchmark data;
- the size and responsibility of the role.

Base salaries are reviewed annually within an approved budget aligned with the business plan.

6.2.4.2 Variable pay

All staff are eligible to be considered for a variable remuneration reward.

Variable remuneration pay is comprised of annual short-term incentives reflecting staff performance in excess of their job descriptions. This includes financial and non-financial conduct KPIs, behaviours, project milestones which contribute to company strategy. The variable remuneration pool structures are designed to share a portion of value created with staff. In addition to this the APW Investment Management Team scheme has also been created that looks to longer term financial performance and deferral periods for APW linked to new business and client retention. This scheme is subject to a Malus and Clawback policy and scheme terms and conditions.

All variable schemes have an element of discretion where Avellemy has the ability to pay nil if it believes that a staff member has taken excessive risk. The opinion of the CRO will be considered by the RemCom as necessary. Variable remuneration awards made are subject to the approval of the RemCom either individually, where appropriate, and in total quantum.

6.2.4.3 Guaranteed variable remuneration

Guaranteed variable remuneration is paid only in exceptional circumstances which will be limited to new joiners and only paid in the first year of service.

6.2.4.4 Severance pay

Severance pay is paid in exceptional circumstances. Any payment on termination is made in accordance with the Firm's policies to ensure failure is not rewarded and would typically exclude variable pay. The HR Director, CEO and CFOO are required to sign off on the payment and if the payment is in excess of certain level; sign off will be by the RemCom.

6.2.4.5 Risk adjustment

Risk adjustment measures are in place and monitored and consideration is given to qualitative and not just quantitative criteria when calculating variable remuneration, including individual, team and Firm performance. Compliance with applicable regulations, in particular the fair treatment of clients and the quality of service provided are some example criteria that are used.

All short-term incentive arrangements operated include a provision whereby the RemCom has complete discretion to apply an uncapped downward risk adjustment either to the funding of the plan or on an individual outcome basis. The RemCom retains the discretion to reduce unvested variable remuneration (malus) and to clawback vested variable remuneration (clawback) in specific circumstances.

The circumstances include but are not limited to a material misstatement of published accounts; an error in the calculation of performance outcomes or such calculation being based on inaccurate information; reasonable evidence of individual misconduct or material error; breach of an applicable law or regulation and/or failure by the individual to meet standards of fitness and propriety; actions or responsibility for conduct leading to significant loss(es) and/or reputational harm to the company.

6.2.5 Remuneration Policy: Material Risk Takers ("MRTs")

Under the MIFIDPRU Remuneration code, certain rules apply to staff whose professional activities have a material impact on the risk profile of Avellemy. These staff are referred to as MRTs. MRTs are identified in accordance with the MIFDPRU Remuneration code (SYSC 19G.5.3R) using the FCA guidance, as:

- Senior Management (those holding a significant management function in line with the requirements of SMCR);
- Risk takers, such as staff whose professional activities can exert influence on the Firm's risk profile;
- Staff engaged in certified functions, for example, investment management; and
- Any member of staff receiving total remuneration that takes them into the same remuneration bracket as Senior Management and risk takers whose professional activities have a material impact on the firm's risk profile.

For Avellemy this includes:

- Directors;
- Heads of investment teams and any individual in their team who have a material impact on the firm's risk profile; and
- Heads of control functions and other individuals within their control who have a material impact on the firm's risk profile.

Avellemy applies the remuneration requirements of MIFIDPRU 8.6 in a way that is proportionate to its size, nature and complexity.

6.2.6 Conflict of Interest

The Firm has adopted policies and procedures aimed at mitigating any potential conflict that may arise between staff members and the Firm, and staff members and the portfolios they manage and between one portfolio and another/others. The Firm maintains a Conflict of Interest Register which includes potential conflicts and the controls/ remediating actions the

Firm has implemented to mitigate these conflicts. In circumstances where the Firm is unable to mitigate a conflict, the conflict will be avoided. The Conflicts of Interest Register is reviewed by the RGC on a regular basis.

The Firm has trained all staff in business conduct and staff have set KPIs to ensure that client needs are met at all times. Regular conflicts training is carried out followed by a test that is completed by all staff.

6.3 Quantitative Information on Remuneration

Eleven individuals were identified as MRTs for 2023 of which seven were senior managers (Directors and Senior Management). The aggregate quantitative information on remuneration shown below is remuneration related to Avellemy for MRTs for the performance year 31 December 2023. The firm only has one business area - investment management.

Fixed remuneration includes base salary and benefits received between 1 January 2023 and 31 December 2023. Variable remuneration included 2023 annual bonus awards which were paid in February 2024.

Remuneration related to Avellemy, awarded to senior management, other material risk takers and other staff:

2023	Fixed remuneration	Variable remuneration
Senior management	£684,278	£72,668
Other material risk takers	£330,707	£85,935
Other staff	£1,104,075	£85,634
Total	**£2,119,061**	**£244,237**

There were no guaranteed variable remuneration or severance pay awards made to Avellemy MRTs during 2023.