



Stoneware Capital LLP

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United Kingdom

MIFIDPRU 8 Disclosure

As at 30th April 2023

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1. Background

Stoneware Capital LLP (the “**Firm**” or “**Stoneware**”) is authorised and regulated in the UK by the Financial Conduct Authority (the “**FCA**”). The Firm has permission from the FCA to manage unauthorised Alternative Investment Funds (“**AIF**’s”) as a Small Authorised UK AIFM (Sub-Threshold) and has permissions to conduct Markets in Financial Instruments Directive (“**MiFID**”) activities as an investment manager, providing investment management services to collective investment funds.

The provisions for public disclosure of the Firm’s risk management objectives and policies, governance arrangements, own funds requirements and approach to remuneration are set out in [MIFIDPRU 8](#) of the FCA Handbook. Under the Investment Firms Prudential Regime (“**IFPR**”) and the MIFIDPRU section of the FCA Handbook, Stoneware is categorised as a small and non-interconnected investment firm (“**SNI**”) and this document has been produced in order to meet the MIFIDPRU 8 disclosure obligations as applicable to SNI firms.

The Firm may control but not hold client money & assets and has limited its activities to be unable to carry on the MiFID investment service and activity of placing of financial instruments without a firm commitment basis (Annex 1, Section A7 of MiFID).

This public disclosure has been prepared on an individual firm basis and is based on the audited financial statements as at 30th April 2023.

2. Governance Arrangements

The governing body of Stoneware is represented by the members of the partnership (the “**Board**”) which has the overall responsibility for the Firm and approves and oversees the implementation of Stoneware’s strategic objectives, risk strategy and internal governance. The Board comprise two executive directors both of whom perform senior management functions (“**SMF**”) under the Senior Managers and Certification Regime. SMFs are also allocated to Stoneware’s Compliance Officer. As a small firm with only two members of the Board, it is not possible to segregate the duties of these senior managers in the same way as a larger firm, however the Board is mindful of the need for effective and prudent management of the Firm. The Board has implemented procedures to identify potential conflicts of interest so that these can be appropriately disclosed and / or action taken to put the interests of clients first.

The Firm is not required to maintain remuneration, audit, risk or nomination committees and, given its nature, size and complexity, it does not consider it appropriate to do so.

One of the Board members holds two external non-executive advisory positions, two external executive directorships and one charitable non-executive director position, while the other Board member holds one external non-executive directorship.

Stoneware values the innovation and creativity that diversity of thought brings to the Firm and understands that diversity, equality and inclusion play a critical role in establishing strong governance and maintaining a healthy culture within the business. However, due to the size of the Firm, it has not implemented a formal Equality, Diversity and Inclusion Policy.

3. Risk Management Objectives and Policies

The governing body for the risk framework within the Firm is the Board, which is responsible for determining the Firm's business strategy and risk appetite, taking into account the risks that the Firm is likely to meet.

As discussed in the previous section, the Firm does not and is not required to maintain a risk committee. The Board is responsible for implementing the risk framework and ensuring on-going compliance.

The primary area of the Firm's business is investment management of which an understanding of risk is an inherent part of the process. We believe that risk management involves an ongoing learning process to address questions around evolving technologies, new regulations and unfamiliar or inadequate processes and procedures of our counterparties, each of which may create unintended consequences for our Firm. Stoneware's risk management framework incorporates an analysis of the impact of each material risk on the Firm, its clients and counterparties, and on the market, the probability of each risk occurring and the procedures in place for mitigation. The risk management process results in updates to the various components of the Internal Capital Adequacy and Risk Assessment ("ICARA") process and provides periodic management information to the Firm's board, focusing on business and operational risk management issues, including any notification that the Firm is likely to breach an early warning indicator regarding the Firm's own funds and liquid assets requirements under IFPR.

Stoneware considers that the potential for harm associated with its business strategy is low. Notably, the Firm does not engage in proprietary trading, underwriting, placing, clearing or settlement activities, hold significant on balance sheet exposures or provide custody services or services to retail clients. The Firm's business strategy reflects its low-risk appetite towards conduct risk; prudential risk; reputational risk; legal, compliance and regulatory risk; financial crime risk; data and cyber security risk; and sustainability risk. The Firm is remunerated by the investment funds under management. The fees are calculated by reference to assets under management (during the funds' investment period) and are therefore a predictable source of income. Furthermore, the investment strategies pursued by the Firm on behalf of clients do not employ the use of borrowing from third parties on a substantial basis.

The Firm has engaged a number of Appointed Representatives, the activities of whom may extend to raising finance for third-party funds or corporates, undertaking corporate advisory work, undertaking and distributing investment research, providing advice to suitably classified investors and acting as an intermediary for illiquid or hard-to-value assets. These activities are within the expertise and core skills of Senior Management of investment management and investment analysis across a wide range of asset classes. Appointed Representatives are not permitted to manage client assets.

Senior Management maintains a regular dialog with each Appointed Representative to discuss their activities and enable an assessment of the risk profile of the business being conducted. Senior Management works with the Firm's Appointed Representatives to ensure that clients are appropriately classified (as having sufficient knowledge, experience and wealth) and that investment risks are appropriately communicated. Each individual monitors and reports any external interests so that potential conflicts of interest with other activities of the Firm can be appropriately reviewed, disclosed and action taken if deemed necessary. A detailed review is conducted at least annually of each Appointed Representative's financial accounts, sales invoices and expenses.

The Firm has applied a three-stage approach to dealing with material harms:

- (1) *Identification*: the Firm's business model was assessed to identify all material harms that could result from:
 - a. the ongoing operation of the Firm's business; and
 - b. the winding down of the Firm's business.

- (2) *Systems and controls*: the Firm considered each material harm identified and determined whether it is appropriately mitigated by the Firm's systems and controls.
- (3) *Additional own funds or liquid assets*: for those material harms which were not appropriately mitigated by the Firm's systems and controls, the Firm assessed whether it should hold additional own funds and/or liquid assets to mitigate the harm appropriately.

The Firm's assessment of harms is dynamic and forward-looking and seeks to take into account the potential for harms to evolve through the course of an economic cycle. In carrying out this process the Firm has referred specifically to the FCA guidance on identifying and assessing the risk of harm.

The Firm is committed to managing risks applicable to the business and maintaining an effective internal control structure including proper monitoring and reporting of such risks. Risk monitoring and reporting processes involve reviews at least annually and give consideration to the amount and type of risk that is deemed appropriate in order to fulfil the Firm's business objectives and operate within regulatory constraints. The Firm's Board discusses and reviews risk issues from time to time with external service providers and advisors such as the Firm's accountants (Hartley Fowler LLP), external compliance consultants and fund Administrators – whenever applicable. Formal external compliance reviews have been undertaken by our compliance consultants from time to time on an ad-hoc basis, during which no material adverse comments or deficiencies were noted.

4. Remuneration Policy and Practices

Qualitative Disclosure

MiFID investment firms which are prudentially regulated by the FCA in the UK (FCA investment firms) are within scope of the MIFIDPRU Remuneration Code (“**the Code**”) in the FCA Handbook at SYSC 19G. As part of the Code, firms are expected to ensure that their remuneration policies and practices (including performance assessment processes and decisions) are clear and documented, which the Board does via the Firm's Remuneration Policy Statement.

All MIFIDPRU investment firms should disclose qualitative and quantitative information about their remuneration policies, practices and outcomes (see [MIFIDPRU 8.6](#)). These are tailored to the remuneration requirements of SYSC 19G, with SNI MIFIDPRU investment firms being required to disclose less information than non-SNI MIFIDPRU investment firms.

The remuneration requirements can be characterised as basic, standard and extended. SNI MIFIDPRU investment firms are subject only to the basic requirements of the Code and are not within the scope of the more complex standard and extended remuneration rules.

The remuneration policies and terms of each Appointed Representative of the Firm are also reviewed by the Board for appropriateness to ensure that such terms do not conflict with the Firm's own policy and practices.

The Code applies to performance periods starting on or after 1st January 2022 and the requirements in the Code, as it applies to SNI MIFIDPRU investment firms, are set out in [SYSC 19G.1.6R](#).

Remuneration Policy Statement

The Firm's remuneration policy is documented within its Remuneration Policy Statement, an internal document, which is based on an optional [template, provided by the FCA](#) specifically for the purpose. The template has been designed to cover the full range of FCA investment firms and, as such, not all questions in the template apply to Stoneware.

The remuneration policy is reviewed, amended if necessary, and adopted at least annually by the Board in its supervisory function with responsibility for overseeing the implementation of remuneration policies.

Proportionality

The proportionality principle in [SYSC 19G.2.4 R](#) requires that a firm's remuneration policies and practices must be appropriate and proportionate to the nature, scale and complexity of the risks inherent in the business model and the activities of the firm.

The FCA acknowledges in its guidance contained within [SYSC 19G.2.5G](#) that the content and level of detail of a remuneration policy may depend on many factors. These include the number of staff the firm employs, the different types of roles and activities carried out by the firm and whether the firm is part of a group with a group-wide remuneration policy.

The Decision-Making Process and Oversight of remuneration policies and practices

In formalising our Remuneration Policy, we relied on the processes and controls already established and in use by the Firm. The size and complexity of the Firm are such that it does not operate a Remuneration Committee but has a small Senior Management team comprising two individuals, who can be expected to exert significant influence in taking decisions about aggregate remuneration. There is an annual review process, though decisions can be taken more frequently if there is a significant change to the business plan.

The link between pay and performance

Remuneration is based on competitive market-based wages and / or profit shares that fairly compensate employees, partners and service providers in view of skills provided, work performed and responsibilities undertaken. Overall remuneration may include an annual incentive compensation reflecting individual performance and responsibility, both short-term and long-term, as well as the Firm's overall performance.

Gender neutral remuneration policies and practices

The Firm comprises a small senior management team of two individuals, who are the designated partners of the Firm, one of whom is a woman. The Firm does not currently have any employees, but were it to do so, senior management are collectively and individually supportive of a gender-neutral remuneration policy, meaning that the Firm has a remuneration policy based on equal or equivalent remuneration of male and female employees for equal or equivalent work.

Risk Management

The Firm's remuneration policy is designed to:

- facilitate common, uniform and consistent application of relevant regulatory provisions on remuneration;
- ensure remuneration practices do not encourage risk-taking (including sustainability risks), which is inconsistent with the firm's risk appetite or the risk profile of the funds; and
- develop, implement and maintain a culture of ensuring that we meet our clients' best interests.

Incentives are discretionary and there is no culture of excessive risk-taking in either the management of the business or client portfolios.

Investment decisions are taken in a team environment without reliance on a star manager.

Performance adjustment

Performance adjustment refers to the process and mechanisms by which a firm adjusts an individual's variable remuneration, including the deferred portion. The adjustments take account of the financial situation of the firm as a whole and the performance of the firm, the business unit and the individual concerned. This may be in response to a specific crystallised risk or adverse performance outcome, including those relating to misconduct.

The FCA has published guidance which provides further detail of their expectations on malus and clawback, including how these should be used in an effective, timely, consistent and transparent way.

Conflicts of Interest

The Firm recognises that individuals may have outside interests. Disclosure and transparency about such interests is considered fundamental to fostering an approach to ensure the interests of clients are treated above those of the Firm or any individual.

The Firm feels that its Remuneration Policy appropriately addresses potential conflicts of interest and that the Firm's authorised persons are not rewarded for taking inappropriate levels of risk.

Categorising fixed and variable remuneration and the balance of fixed and variable components of total remuneration

For the two members of the Firm, there is no fixed remuneration. Remuneration is expected to comprise a split of the LLP's profits, which are dependent on the financial success of the business, and to a lesser extent on the extent on the success of the Firm's Appointed Representatives.

Remuneration and capital

There are no guarantees in respect of variable remuneration, which can therefore be adjusted to facilitate the protection of the capital base if so required.

Assessment of performance

Assessment is undertaken individually, normally on an annual basis, though can be more often if considered desirable by the Senior Management team.

Quantitative Disclosure

Under [MIFIDPRU 8.6.8\(2\)R](#), an SNI MIFIDPRU Investment firm such as Stoneware must disclose the total amount of remuneration awarded to all staff, split into:

- (a) fixed remuneration; and
- (b) variable remuneration.

For the year ended 30th April 2023, the audited accounts of the Firm showed a net profit of £144k, which is variable remuneration allocated across the Firm's members. The Firm does not currently pay fixed remuneration.

There were no severance payments or guaranteed variable remuneration awards awarded during the financial year.

The small size and lack of complexity of the Firm mean that it is not meaningful to provide analyses of the aggregate remuneration by business segment.