

Pillar 3 Disclosure Statement and Remuneration Code Disclosure

North Capital Management Ltd (NCM) is authorised and regulated by the UK Financial Conduct Authority (FCA). NCM is authorised to provide investment management services as well as financial planning and advice. As such, NCM is subject to the capital adequacy rules set out in the FCA BIPRU sourcebook and is categorised as a BIPRU €50K firm. As a BIPRU firm, NCM is subject to rules set out in the European Capital Requirements Directive (CRD) which detail the standard regulatory capital framework for the financial services industry.

The regulatory capital framework consists of three Pillars:

- > Pillar 1 sets out the minimum capital amount that meets the Firm's credit, market and operational risk;
- > Pillar 2 requires the Firm to undertake an Internal Capital Adequacy Process (ICAAP) to ensure that it meets its regulatory capital requirements and manage risk not captured in Pillar 1; and
- > Pillar 3 requires disclosure of specified information about the underlying risk management controls, capital position and remuneration.

The FCA has responsibility for implementing the CRD in the UK and has set out minimum disclosure requirements in the FCA Handbook under BIPRU 11.

As required by the FCA rules, NCM has undertaken an ICAAP assessment, which is reviewed at least annually or whenever there is a material change to the business. The most recent ICAAP review was undertaken as at 31st December 2020. The ICAAP process considered the risks that NCM is exposed to and the controls that exist to mitigate those risks. It further considered whether additional capital was required to meet the risks that NCM faces including, as required by the FCA rules.

In accordance with GENPRU 2.1.45R, NCM's Pillar 1 capital requirement is the higher of the base capital requirement of €50,000, the sum of the credit risk and market risk requirements and the fixed overhead requirement. Currently the fixed overhead requirement is the highest of these three requirements. NCM has assessed its capital requirement under Pillar 2 as £189,370

The Pillar 2 capital requirement, which is our assessment of the minimum amount of capital that we believe is adequate against the risks identified, has been assessed as greater than our Pillar 1 requirement. There is considerable surplus of reserves above the capital resource required deemed necessary to cover the risks identified.

Capital

The capital of NCM is in the form of eligible members' capital plus retained earnings. All of the capital of the company is Tier 1 capital. As at 31st December 2020 NCM had Tier 1 capital of £406,855.

Risk Management

NCM's compliance monitoring procedures are designed around risks considered to be relevant to the firm. These will be updated annually through a process taking input from senior management and from the board. The compliance monitoring process also highlights the processes in place which are designed to mitigate any identified risks.

Risk management and mitigation measures are reviewed and where appropriate modified according to need. The firm's risk position is monitored through the Investment Committee and Operations Committee which holding monthly meetings. Issues arising are reported to the Board which meets quarterly. The Board regularly reviews the compliance framework in order to ensure that it remains appropriate to the scale and complexity of the business.

The risks facing the firm are identified and considered both from the perspective of the likelihood of their occurring and from the perspective of their potential impact on the firm should they occur.

The firm also considers risks relevant to the ICAAP process and the implications of the firm's risk management process are fed into the firm's ICAAP report. Our risk management approach reflects the FCA requirement that we must manage several different categories of risk. These will be reviewed at every Board meeting and during any review of risks but as a minimum as part of the periodic ICAAP reports.

Principle Risks

Market risk

For the purposes of these disclosures, market risk is the risk value of, or income arising from, NCM's assets and liabilities varying as a result of changes in the market price of financial assets, changes in exchange rates or changes in interest rates.

NCM does not take proprietary trading risk and the risk management activities are on behalf of clients. NCM's own money is not at risk.

Credit risk

Credit risk refers to the potential risk that NCM's bankers or customers fail to meet their obligations as they fall due.

NCM has appropriate policies to assess this risk and monitor it on an ongoing basis.

Liquidity risk

NCM's liquidity policy is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in fees received/receivable. NCM maintains cash balances at its bankers to cover liquidity risk.

Operational risk

Operational risk is the risk of loss arising from failed or inadequate internal processes or systems. Major sources of operational risk include, human error, outsourcing of operations, IT security, fraud, and implementation of strategic change. The firm has a robust risk management process which is regularly reviewed with details being communicated to all employees. Risk is managed by the Board who have responsibility for putting in place appropriate controls for the business. The firm is aware that operational risk can never be eliminated but seeks to minimise the probability and impact of operational events.

Business risk

Business risk is the risk that NCM may not be able to carry out its business plan and could therefore suffer losses if its income falls. This is a risk that all businesses face. The Board continuously monitor income and expenditure levels and adjust their plans accordingly.

Concentration risk

Concentration risk is the risk that NCM is overly dependent upon any one customer or any one group of connected customers either in terms of income dependency or in terms of credit risk. NCM has a diversified income source and is not subject to concentration risk.

Pension obligation risk

NCM has no pension obligation risk.



NORTH CAPITAL

Interest rate risk

NCM is not exposed to interest rate risk.

Residual risk

Residual risk is any risk not covered by the specific risk categories outlined above.

The Board do not consider that there are any residual risks that require the Company to maintain any additional capital.

Remuneration Code Disclosure

NCM is subject to the BIPRU Remuneration Code. The Board have identified and maintain a record of employees to whom the BIPRU Remuneration Code applies. This includes senior management and team members whose actions may have material impact on the firm's risk profile.

NCM's Board are responsible for the remuneration policy and as such give due regard to best practice and any relevant legal or regulatory requirements including the BIPRU Remuneration Code.