

Heptagon Capital LLP MIFIDPRU 8 Disclosure

For the year ending 30 April 2023

Introduction

Heptagon Capital LLP (the 'Firm') is authorised and regulated by the Financial Conduct Authority ("FCA") as a Markets in Financial Instruments ("MiFID") firm and subject to the rules and requirements of the FCA's Prudential Sourcebook for MiFID Investments Firms ("MIFIDPRU") handbook.

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

This document has been prepared by Heptagon Capital LLP in accordance with the requirements of MIFIDPRU 8 based on audited financial statements, covering the financial period 1st May 2022 to 30th April 2023.

Remuneration Policy and Practices

As an SNI MIFIDPRU Investment Firm, the Firm is subject to the basic requirements of the MIFIDPRU Remuneration Code (as laid down in Chapter 19G of the Senior Management Arrangements, Systems and Controls sourcebook in the FCA Handbook). 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 Firms 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 firm's risk profile and the services it provides to its clients.

In addition, the Firm recognises that remuneration is a key component in how the Firm attracts, motivates, and retains quality staff and consistently sustains high 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.

The Firm 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 the Firm 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 considers the Firm's financial performance as well as the financial performance of each business unit and the financial and non-financial performance of the individual in contributing to the Firm's success. All staff members are eligible to receive variable remuneration.

Company Performance - the allocation of the variable bonus pool shall be contingent upon the financial performance and profitability of both the Group and the Firm.

Individual Performance – the annual assessment of an individual's performance includes, where applicable, both financial and non-financial criteria. All assessments consider compliance with the firm's policies, procedures, and relevant regulations. The financial aspect of performance is determined by the individual's role within the firm, particularly for those in revenue-generating positions, where it incorporates interaction and client servicing. For staff members in non-revenue-generating roles, the annual review centres on assessing the individual's overall contributions to the Company, encompassing interactions both internally and with external parties.

The fixed and variable remuneration components are appropriately balanced: the fixed component represents a sufficiently high proportion of the total remuneration to enable the operation of a fully flexible policy on variable remuneration. This allows for the possibility of paying no variable remuneration component, which the Firm would do in certain situations, such as where the Firm's profitability performance is constrained or where there is a risk that the Firm may not meet its capital or liquidity regulatory requirements.

Governance and Oversight

The Managing Partners are responsible for setting and overseeing the implementation of the Firms remuneration policy and practices. In order to fulfil its responsibilities, the management body:

- 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 consider 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.

The Firms remuneration policy and practices are reviewed annually.

Quantitative Remuneration Disclosure

For the financial year 30th April 2023, the total amount of remuneration awarded to all partners, split into fixed and variable remuneration:

Total fixed remuneration	0
Total variable remuneration	£1,090,713
Total remuneration	£1,090,713

Own Funds

As at 30th April 2023, the Firm maintained own funds of £860,800 The below table provides a breakdown of the Firm's own funds:

Composition of Regulatory Own Funds

Own funds	£860,800
Tier 1 capital	£860,800
Common Equity Tier 1 capital	£860,800
Fully paid-up capital instruments.	£860,800
Total deductions from common equity Tier 1	0
Tier 2 Capital	0

Own Funds Requirements

The Firm 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 Permanent Minimum Capital Requirement and the Fixed Overhead Requirement. The below illustrates the core components of the Firms own funds requirements:

Permanent Minimum Capital Requirement ("PMR")	£75,000
Fixed Overhead Requirement ("FOR")	£846,700
Own Funds Requirement (Higher of PMR and FOR)	£846,700

The Firm is also required to comply with the overall financial adequacy rule. This is an obligation on the Firm 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 the Firm determines that the Fixed Overhead Requirement is insufficient to mitigate the risk of a disorderly wind-down, the Firm must maintain ‘additional own funds required for winding down’, above the Fixed Overhead Requirement, that are deemed necessary to mitigate the risks of a disorderly wind-down. Similarly, the Firm must maintain sufficient funds to mitigate the risk of harm from ongoing operations and ensure the viability of the Firm throughout economic cycles.

To determine the Firm’s own funds threshold requirement, the Firm identifies and measures the risk of harm faced by the Firm and considers these risks in light of its ongoing operations and 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 deduces the appropriate amount of additional own funds required to cover the residual risk.

This process is documented and presented to, and ratified by the Managing Partners on at least an annual basis.