MIFIDPRU 8 Disclosure and Policy

Updated at 6th September 2024

INTRODUCTION

Regulatory Context

Hathaway Investment Management Limited ("Hathaway"/"the Firm") is a non-SNI MIFIDPRU Investment Firm which was regulated under the Investment Firms Prudential Regime (IFPR) with effect from 1 January 2022. The Disclosures replace the previous Pillar 3 Disclosures.

The document is informed by the Internal Capital and Risk Assessment (ICARA) document and process therein. The ICARA document is kept under review and subject to annual formal revision and approval.

The Firm is a specialist provider of discretionary investment management and corresponding consolidated reporting and investment administration.

Incorporated as a Limited Company in England and Wales (No. 03849924) on 29th September 1999, the Firm became duly authorised and regulated by the FCA (No. 191751) and its predecessor since 1st December 2001.

The Firm does not make investments on its own behalf and does not operate its own trading book.

Scope and Application of MIFIDPRU Disclosure Requirements

This document has been produced by the Firm to meet the disclosure requirements under chapter 8 of MIFIDPRU of the FCA Handbook. The Disclosures relate to the year ending 30th April 2024.

Frequency of Disclosure

The Firm will be making MIFIDPRU disclosures at least annually on the date it publishes its annual financial statements. The Disclosures are as at the Accounting Reference Date which is the last day of the calendar year, and any figures included in this document will be based on the management or audited accounts as at that date.

Location of Disclosure

These Disclosures are published on our website.

Verification

The Disclosure below is made for the purpose of the Firm complying with the applicable MIFDIPRU 8 disclosure requirements and should not be used for any other purpose.

Materiality & Confidentiality

The Firm regards information as material in disclosures if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. If the Firm deems a certain disclosure to be immaterial, it may be omitted from this Disclosure.

Investment firms may omit required disclosures where they believe that the information is proprietary or confidential. The Firm regards information as proprietary if sharing that information with the public would undermine its competitive position. Proprietary information may include information on products or systems which, if shared with competitors, would render the Firm's investments therein less valuable. Further, the Firm must regard information as confidential if there are obligations to customers or other counterparty relationships binding the Firm to confidentiality.

The Firm has made no omissions on the grounds that it is immaterial, proprietary or confidential other than as may be disclosed in the statutory accounts.

Proportionality

In complying with the rules in MIFIDPRU 8, the Firm has adhered to a level of disclosure that is appropriate to its size and internal organisation, and to the nature, scope, and complexity of its activities.

Governance Structure

The Firm is committed to good risk management and prioritises risk management through its functional structure, governance processes, monitoring and reporting activities and its emphasis on the Firm's general vision and values.

Governance Bodies

1. The Board

From the Board down, the Firm considers its risk appetite in its strategy, business plans and risk management process. Overall, the Board monitors and oversees the Firm's operations, ensuring competent and prudent management, sound planning, proper procedures for the maintenance of adequate accounting and other records and systems of internal control, and for compliance with statutory and regulatory obligations.

Essentially, the Board (either individual members or collectively) takes responsibility for all of the incoming issues: client contacts, FCA communications and filings etc., etc.

2. The Audit and Risk Committee

The Board has an informal Audit and Risk Committee (ARC) and has delegated responsibilities to it *per* the flow of business etc. The ARC advises the management body on the Firm's overall current and future risks and strategy and assists the management body in overseeing the implementation of that strategy by Senior Management. Overall responsibility for management of risks remains with the CEO and the Board.

3. The Remuneration Committee

The Firm is not required to have in place a remuneration committee.

However, the Firm has an informal Remuneration Committee which has responsibility for oversight of remuneration across the entire firm. The Remuneration Policy is risk-focused, helping to identify and manage risks and promoting a strong risk culture within the Firm.

Governance Bodies – Operational Level

The firm has a number of informal committees and arrangements which, effectively, form the three bodies noted above and, discretely, also address:

1. Risk in all its forms (see below).

2. CASS/ICARA/CMAR filing and their governance and administration etc.

Certain directors are contacted individually by the FCA/the firm's auditors etc., in accordance with long-standing practises/filings etc. and the individuals immediately share such communications as appropriate.

Directors

As at 6th September 2024:

Stuart Englefield, Graham Englefield and James Pearce.

Diversity and Inclusion

The Company is committed to being an equal opportunities employer.

Although the firm has clearly demonstrated diversity by virtue of its client list, the fact that it can communicate in 10 languages involving 6 alphabets, and because it has at times employed a man with one eye, a deaf man, a devout Christian, a devout Muslim, a devout Jew, members of the black, Asian and gay communities, *and* expected them all just to get along together, it also has a policy that:

A. Only the most suitable individuals are to perform any roles.

B. A diverse culture allows the Board and senior managers effectively to assess the direction of the Firm and each decision made.

C. The Firm is committed to maintaining a diverse blend of members across the business, including its collaborative general management body.

D. The Board has zero tolerance in respect of unfair treatment or any kind of discrimination, both internally as well as in relation to clients, customers and any third parties [with this expectation, the firm has never had even the slightest problem].

Risk Management Objectives and policies

Framework

Risk management within the Firm is based on a 'three lines of defence' model, as follows:

1. First line of defence (business management and staff) - responsible for identifying and assessing any risks faced in the business, including new ones, as they arise and ensuring that appropriate controls are established and maintained and that any due escalation occurs. This is overseen and strengthened by the Board.

2. Second line of defence (Risk & Compliance) - responsible for establishing an effective policy framework for the business and conducting compliance monitoring.

3. Third line of defence (internal and external audit) - provides independent and objective assurance (statutory where external) on the effectiveness of risk management, control and governance processes.

The Firm's Board meets at least quarterly with additional calls as and when required. The Board pack contains relevant and timely information in sufficient detail to enable the Board to understand the business and assess the risks, including the on-going assessment of the adequacy and quality of capital and liquidity. The management accounts are included in the Board pack and presented compared to budget after each month end.

On-going risk reporting provides the Board, it's delegations and senior management with risk management information concerning the Firm's risk exposure. This information also forms part of the Firm's ICARA document.

The Firm has always been committed to managing the applicable risks to the business and maintaining an effective internal control structure which includes oversight, monitoring and reporting of risks. Through independent lines of reporting for risk oversight and operations, our risk governance policies are designed to provide objective assessments and monitoring of risks. Management regularly reviews the level of risk it regards as appropriate in order to operate within its regulatory obligations and achieve it business objectives.

Risk Appetite

The Firm aims to develop systems and controls to mitigate risk to ensure they remain within the documented risk appetite.

The Firm sets its risk appetite by considering the material risks in the business and then evaluates the level of acceptable risk, either subjective or objective, and the related measurements. Any risk exceeding the risk appetite is reported to the Board members/delegates along with the action plans to bring the risk back within tolerance.

The last time this latter procedure proved necessary was in 2003, when there was considerable market volatility and the Board considered prospective capital adequacy one, two, three months out etc., against a number of possible scenarios.

For those key risks which cannot be managed, the residual financial risk is quantified and included in the ICARA document through the Firm's assessment of its own funds threshold requirement and additional capital may be held against it.

Key Risk Categories

The Firm considers its operations to be prudent and risk averse, with the business objective of achieving client satisfaction and the financial strength of the company. The Firm is exposed to risks inherent in the Firm's business and activities. The Firm has risk management policies, practises and reporting in place, for each category of risk it is exposed to. All of the Firm's risks are addressed via the ICARA document and the Firm's Risk Management and Governance Framework.

Through the ICARA process, the Firm has applied the relevant K-Factors which are relevant to its business model.

A number of key risks associated with the Firm's activities, which have been assessed via the ICARA process, are listed below:

CAPITAL RESOURCES AND REQUIREMENTS

Own Funds

This disclosure has been made in accordance with the MIFIDPRU 8.4 requirements using the MIFIDPRU 8 Annex 1R template as required. The information contained within this section is as of 30^{TH} March 2024.

Composition of regulatory own funds

Composition of regulatory own funds			
	Item	**Amount (GBP thousands)**	**Source based on reference numbers / letters of the balance sheet in the audited financial statements**
1	**OWN FUNDS**		
2	**TIER 1 CAPITAL**		
3	**COMMON EQUITY TIER 1 CAPITAL**		
4	Fully paid-up capital instruments		
5	Share premium	300	Note 15, pages 11, 20
6	Retained earnings	47	Note 15, pages 11, 20
7	Accumulated other comprehensive income		
8	Other reserves	1	Note 14, pages 11, 20
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1		
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	300	Note 15, pages 11, 20
28	(-) TOTAL DEDUCTIONS FROM TIER 2		
29	Tier 2: Other capital elements, deductions and adjustments		

<u>Own Funds Requirements</u>

An a non-SNI MIFIDPRU Investment Firm, the Firm’s own funds requirement

In line with MIFIDPRU 8.5.1R, the Firm’s own funds requirements as at 30th March 2024 are:

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements				
Flexible template - rows to be reported in line with the balance sheet included in the audited financial statements of the investment firm. Columns should be kept fixed, unless the investment firm has the same accounting and regulatory scope of consolidation, in which case the volumes should be entered in column (a) only. Figures should be given in GBP thousands unless noted otherwise.				
		a	b	c
		Balance sheet as in published/audited financial statements	**Under regulatory scope of consolidation**	**Cross reference to template OF1**
		As at period end	**As at period end**	
Assets - *Breakdown by asset classes according to the balance sheet in the audited financial statements*				
1	Fixed Assets	12	12	Note 14,15
2	Current Assets	395	395	Note 16
xxx	**Total Assets**	407	407	
Liabilities - *Breakdown by liability classes according to the balance sheet in the audited financial statements*				
1	Creditors	60	60	Note 17
2	Deferred taxation			Note 18
xxx	**Total Liabilities**	60	60	
Shareholders' Equity				
1	Equity	347	347	
xxx	**Total Shareholders' equity**	347	347	

Own funds: main features of own instruments issued by the firm

Additional disclosures required under MIFIDPRU 8.5	
K-AUM + K-CMH + K-ASA requirement is	43
K-COH requirement	-
Fixed Overheads requirement	188
We assess the adequacy of our own funds and report to the FCA on a quarterly basis using the MIF001 report.	