

# IFPR Disclosure

## For the year ended 31 March 2023

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### Introduction

As an FCA authorised MiFID Investment Firm, Findlay Park Partners LLP (“FPP” or “the Firm”) is subject to the FCA’s Investment Firms Prudential Regime (“IFPR”). The IFPR aims to streamline and simplify the prudential requirements for MiFID firms. In addition to consideration of minimum capital requirements, the rules encourage firms to consider and seek to manage the potential harm firms can pose to consumers and markets.

The Firm is categorised under IFPR as a non-small non interconnected MIFIDPRU Investment Firm (non-SNI MiFIDPRU) firm by the FCA for capital purposes.

This disclosure document has been prepared by the Firm in accordance with the requirements set out in the MIFIDPRU 8. Unless otherwise stated, all figures are as of 31<sup>st</sup> March 2023 financial year end.

This disclosure will be issued on an annual basis after the FPP year end and published as soon as practical thereafter, when the audited annual accounts are finalised.

### Business Strategy

The Firm’s strategy is to build on its reputation of providing consistent compound returns to its investors, developed over the last twenty-five years and to diversify and strengthen its investor base. It remains focussed on its purpose, delivering compelling compound returns and providing excellent service to its investors.

The Firm is authorised and regulated by the UK Financial Conduct Authority (“FCA”) to carry out discretionary investment management business for professional clients and eligible counterparties.

The Firm has AUM of USD 10,221,473,048 as of 31<sup>st</sup> March 2023.

The Firm has a focused business model, providing investment management services only, to one client, the Findlay Park Funds ICAV, an Irish domiciled UCITS, with one sub fund, the Findlay Park American Fund (the “Fund”). The investment universe consists of long only positions in the shares of companies that conduct business in the US, Canada, and Latin America. FPP is an active asset manager, and all investment management activity is conducted on an agency basis, FPP has no trading book exposures, and the Firm does not manage separate accounts. Equity trades are settled delivery versus payment which minimises counterparty risk. The Firm has a counterparty risk policy to monitor broker counterparty risk. This includes a minimum credit rating requirement for FX counterparties.

The Firm is not a member of a group and so is not required to prepare consolidated reporting for prudential purposes.

Given the Firm’s business model, controls and controls assessment, the Firm has concluded that it’s overall potential for harm is low.

### Risk Management Objectives and Policies (MIFIDPRU 8.2)

The FPP Risk Management framework exists to ensure that FPP accurately identifies, manages, monitors, and reports the risks the firm might be exposed to. The Board of FPP sets the firm’s Risk Appetite, which is then kept

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under review through the governance structure, with risk ownership clearly attributed across the senior management team, according to business and function.

The Board's appetite for risk is generally low. The risk management framework of the Firm is underpinned by a strong ethical culture founded on personal values and ethics which reflects the Board's zero tolerance to conduct risk arising from the actions of its partners and employees. The Board sets a tone that results in an individual's interests, values and ethics being aligned with FPP's risk strategy, appetite, tolerance, and approach. The Board recognises that it is not possible to eliminate all risks inherent in its activities and it accepts that some residual risk is necessary to facilitate its business.

FPP operates a three lines of defence risk management model. As a small firm, all employees across the business have responsibility for risk identification and escalation. Business line management are then responsible for managing the risks in that area, supported by policies, procedures, and other controls. Any new risks identified are then discussed with the second line of defence.

The second line of defence consists of Risk, Compliance, Information Security and Finance. The third line of defence consists of independent assurance, provided by an external compliance consultant.

Findlay Park maintains an operational risk register, which considers new and existing controls, allocates risk ownership, and uses agreed metrics for on-going review purposes. The risk register is maintained and updated in response to regulatory, industry and business developments. Operational incidents are reviewed and assessed as they occur, including consideration of new or improved controls. Risk policies and risk awareness training supports the framework.

The risk register and process is reviewed at least annually by the Board and updated to reflect any significant changes within FPP that may impact the risk assessment. In addition, any issues arising from monitoring during the previous year may result in revisions to the risk appetite and risk register on an ad hoc basis.

To facilitate effective risk management, management information is supplied through the firm's governance structure. Where an event occurs that is outside the firm's tolerance level, action is taken to correct this, monitored for resolution and, the results discussed appropriately.

As a relatively small Firm with a simple business model, FPP does not have an independent risk management function. The Firm is not required by the IFPR rules to establish a Risk Committee. Findlay Park considers that the key risks it is exposed to are Concentration Risk and Operational Risk (including Cyber, Regulatory and Technological change).

### **Concentration Risk**

The Board believes the potential for harm associated with the Firm's business strategy, based on concentration risk, is low.

The Firm's revenue is reliant on the performance of the existing fund under management and, to a lesser extent, its appetite to launch new funds. As part of the ICARA process, the Company considers scenarios to stress test its business model and resistance to unexpected shocks and changes, including levers that management can pull if the business model was under severe stress. The results under severe but plausible scenarios show that FPP can continue as a going concern.

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Findlay Park is the appointed investment manager to the Findlay Park Funds ICAV which has separately appointed an independent Fund Management Company, Administrator and Custodian. Findlay Park does not hold any client money or assets.

The Firm holds its cash with a bank holding an A+ credit rating and makes use of UK treasury bills for savings deposits. Cash positions are monitored regularly and are available on demand.

The Firm is not exposed to open positions on its balance sheet: an FX for the USD denominated management fee is executed the same day the fee is determined.

### Liquidity Risk

The Board believes the potential for harm associated with the Firm's liquidity is low. This is the risk that the Firm either does not have available sufficient resources to enable it to meet its obligations as they fall due, or can only secure such resources at excessive cost. The rules require firms to calculate their liquid assets requirements and then hold sufficient liquid resources to ensure there is no significant risk to its financial viability, in the event of a stress scenario.

The Firm has a simple business strategy and maintains a liquidity surplus on an on-going basis. The firm holds in excess of three months of fixed overheads in cash or near cash (Treasury Bills). The Firm's capital requirements are met through equity.

Stress testing has confirmed that FPP retains sufficient liquidity within the business to meet its obligations. There are no perceived threats to this given the cash deposits it holds. The Firm's cash position is monitored by the senior management on a monthly basis.

Costs are controlled carefully to ensure long-term profitability and the Firm aims to continuously improve its control environment.

### Governance Arrangements (MIFIDPRU 8.3)

The Partnership has delegated authority to the Board of Directors (the "Board"), who are responsible for the direction and strategy of the Firm, the management of the risks which the Firm faces and the oversight of all business activities. The Board meets on a regular basis to receive management information and discusses and assesses the Firm's performance against its governance objectives as well as its performance against key business targets in general.

The Board is supported by a governance structure that provides appropriate oversight and challenge of any risk metrics and material. FPP has established an Executive Committee, Risk and Compliance Committee, Operating Committee, Responsible Investment Committee and Remuneration Committee to support its oversight of the Firm's business, risk framework and internal controls.

- The **Executive Committee** meets quarterly, is chaired by the CEO and is comprised of senior members of the Firm. The Committee is responsible for the day-to-day management of FPP, including the risk profile and exposure of the Firm. The Executive Committee reports directly to the Board. Both the Risk and Compliance Committee and the Operating Committee can escalate issues to the Executive Committee for consideration and determining the appropriate action.

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- The **Risk and Compliance Committee** meets quarterly and is responsible for the oversight of FPP's governance, risk and control frameworks and investment risk monitoring. The RCC is chaired by the Head of Compliance and has membership across the business. The RCC reports to the Executive Committee.
- The **Operating Committee** meets monthly and is responsible for the effective execution of business strategy, as it impacts the operational functions of FPP. The Operating Committee escalates issues to the Executive Committee.
- The **Remuneration Committee** acts under delegated authority from the Board and the partners of the Firm and oversees remuneration policies and procedures.

Additional sub-committees in the Firm's governance structure add additional oversight over areas of the business:

- The **Responsible Investment Committee** is responsible for approving and overseeing the implementation of the Responsible Investment Policy, monitors portfolio ESG characteristics and reviews and approves ESG related policies and reporting. The RIC is chaired by the Responsible Investment Lead and reports to the Executive Committee. The RIC meets quarterly.
- The **Execution Oversight Committee** meets quarterly and is responsible for overseeing the efficient function of trade execution, and oversight of the Firm's performance in line with its best execution obligations.
- The **Product Governance Committee** approves new products or significant adaptations to products.
- Our **Social Responsibility Committee** co-ordinates the Firm's charitable giving.

This governance structure aims to focus risk management activity on the strategic aims of the business and seeks to ensure that unexpected risk events do not impact FPP's overall business strategy. It also seeks to provide assurance to the Board that risks are taken within the articulated risk tolerances, managed effectively and internal control processes are operating as required. Formal meeting packs are circulated ahead of each committee and minutes and action lists are maintained.

These governance arrangements are supported by Terms of Reference and job descriptions which set out managers' individual responsibilities, accountabilities, reporting lines and authority levels. The Senior Managers and Certification Regime ("SMCR") further formalises individual accountability and responsibility.

Information detailing the number of directorships held by each member of the Board can be found in Appendix 1.

Severe but plausible scenarios and stress tests are used to assess tail risks, including both financial and non-financial harm, as part of the ICARA process.

### Diversity of Board Members

Our culture fosters inclusivity by welcoming diverse views and perspectives. This is reflected in the composition of our Board. Findlay Park is committed to providing an environment where individuals can feel valued and included and we believe that individuals with diverse perspectives working collaboratively can help produce better outcomes for our investors.

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We believe that an inclusive culture where everyone is encouraged to speak up can help support diversity of thought, better decision making, and allow team members to perform at their best.

**Conflicts of Interest**

The Board is responsible for identifying and considering the balance of interests between all stakeholders and manages conflicts of interest appropriately.

Information on dealing with conflicts of interest is set out in the Firm's Conflicts of Interest Policy which sets out how the Firm seeks to prevent and deal with conflicts of interest if they arise and controls to mitigate them e.g., internal segregation of functions such as dealing and portfolio management. The Policy is approved by the Executive Committee on an annual basis. A Code of Conduct and Compliance Manual sets out detailed staff policies on potential personal conflicts including limits on gifts and hospitality, declarations of outside business interests and restrictions on personal account dealing.

**OWN FUNDS (MIFIDPRU 8.4)****Composition of Regulatory Own Funds**

The Firm is a Limited Liability Partnership, and its capital arrangements are established in its Partnership deed.

Tier 1 capital consisted of partners' capital, satisfying all the criteria for a Tier 1 instrument as set out in MIFIDPRU 3.3.17.

The main features of the Firm's own funds at 31<sup>st</sup> March 2023 for regulatory purposes are as follows:

<b>Composition of regulatory own funds</b>			
	<b>Item</b>	<b>Amount (GBP thousands)</b>	<b>Source based on the balance sheet in the audited financial statements</b>
1	<b>OWN FUNDS</b>		
2	<b>TIER 1 CAPITAL</b>	6,011	Members' capital classified as equity.
3	<b>COMMON EQUITY TIER 1 CAPITAL</b>		
4	Fully paid-up capital instruments	6,011	Members' capital classified as equity.
5	Share premium		
6	Retained earnings		
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	(330)	Intangible assets
19	CET1: Other capital elements, deductions and adjustments		

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<b>20</b>	<b>ADDITIONAL TIER 1 CAPITAL</b>		
21	Fully paid up, directly issued capital instruments		
22	Share premium		
<b>23</b>	<b>(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1</b>		
24	Additional Tier 1: Other capital elements, deductions and adjustments		
<b>25</b>	<b>TIER 2 CAPITAL</b>		
26	Fully paid up, directly issued capital instruments		
27	Share premium		
<b>28</b>	<b>(-) TOTAL DEDUCTIONS FROM TIER 2</b>		
29	Tier 2: Other capital elements, deductions and adjustments		

**Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements**

The table below shows a reconciliation with own funds in the balance sheet where assets and liabilities have been broken down by asset and liabilities classes respectively. The information in the table below reflects the balance sheet in the audited financial statements.

		Balance sheet as in published/audited financial statements as at period end
1	Intangible assets	330
2	Tangible assets	274
3	Debtors	7,070
4	Cash	1,603
5	Investments	21,372
<b>5</b>	<b>Total Assets</b>	<b>30,649</b>
1	Creditors: amounts falling due within one year	417
2	Provisions for liabilities	291
<b>4</b>	<b>Total Liabilities</b>	<b>708</b>
1	Members' capital classified as equity	6,011
2	Members' other interests	23,930
<b>4</b>	<b>Total Members' Interests</b>	<b>29,941</b>

**MAIN FEATURES OF OWN INSTRUMENTS ISSUED BY THE FIRM**

The table below provides information on the CET 1, AT1 and Tier 2 instruments issued by the Firm. There have been no changes since the last financial year.

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

A member's account meets the conditions stated in MIFIDPRU 3.3.17:

- (1) capital contributed by the members is paid into the account; and
- (2) under the terms of the limited liability partnership agreement, an amount representing capital may be withdrawn from the account by a partner only if:
- (a) such repayment would not result in a breach of the Firm's regulatory requirements
- (b) the limited liability partnership is wound up or dissolved.

**Own Funds Requirements (MIFIDPRU 8.5)**

The FCA requires FPP to hold more regulatory capital resources than the total capital resource requirement as defined in the IFPR. The total capital requirement for FPP is made up of the Own Funds Requirement (the regulatory minimum) and any Additional Own Funds Requirement identified during the Internal Capital Adequacy and Risk Assessment (ICARA) process.

The Own Funds Requirement for FPP is the higher of:

- A) the IFPR K-Factor Requirement
- B) the Fixed Overhead Requirement (FOR)

A summary of the Own Funds Requirement for FPP is shown in the table below:

Own Funds Requirement	£000's
<b>(A) K-Factor Requirement (Total)</b>	<b>2,009</b>
- Risk-to-Client (sum of K-AUM, K-CMH and K-ASA)	2,009
- Risk-to-Market (sum of K-NPR, K-CMG, K-TCD, and K-CON)	-
- Risk-to-Firm (sum of K-COH and K-DTF)	-
<b>(B) Fixed Overhead Requirement (FOR)</b>	<b>3,853</b>
<b>Own Funds (Capital) Requirement – Higher of (A) and (B)</b>	<b>3,853</b>

Under IFPR, the Firm must assess its own funds and liquidity requirements set out in the ICARA process and ensure sufficient own funds and liquidity resources are held at all times to meet the Overall Financial Adequacy Rule ("OFAR"). This rule requires sufficient capital requirements to be identified both for ongoing operational requirements to ensure the firm is financially viable throughout economic cycles, and capital requirements for an orderly wind down. The capital retained must be the higher of the two assessments. The adequacy of the ICARA process will be reviewed on an annual basis thereafter, or more frequently, should there be any material changes to the business risk profile or business model.

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The ICARA process encompasses various aspects of internal governance, with a particular focus on:

- Identification, monitoring, and mitigation of harms;
- Business model planning and forecasting;
- recovery and wind-down planning; and
- Assessing the adequacy of financial resources.

As part of the ICARA process, FPP establishes its own funds thresholds requirement and its liquid assets threshold requirement to ensure the Firm can remain viable, addressing any potential harm from ongoing activities, and can wind-down in an orderly way. For harms not adequately mitigated through systems and controls or driven by an activity not covered by the K-Factor Own Funds Requirement, FPP assesses whether additional own funds and/or liquid assets are required.

### **Remuneration Policy and Practices (MIFIDPRU 8.6)**

In accordance with the rules, FPP has applied the MIFIDPRU Remuneration Code in a manner that is proportionate to the nature, scale and complexity of the risks inherent in its business model. The Remuneration Code requirements are intended to ensure that firm's remuneration arrangements are designed to:

- Promote sound and effective risk management in the long-term interests of the Firm and its client;
- Do not encourage excessive risk taking;
- Are in line with the Firm's business strategy, objectives, risk appetite, culture and values and long-term interests of the firm.

The Firm's Remuneration Policy contains measures to avoid conflicts of interest, encourages responsible business conduct and promotes risk awareness and prudent risk taking. The Policy also ensures that the firm's remuneration arrangements take into account the interests of the Firm's client, in the short, medium, and long term.

From a governance perspective, the Firm's Remuneration Committee is responsible for oversight of the remuneration policy and procedures and provides an independent view into remuneration decisions. The Committee is also responsible for the annual review of the Remuneration Policy. The Remuneration Committee is a sub-committee of the Board.

Remuneration at FPP is comprised of fixed and variable elements. Fixed remuneration consists of an annual salary, pension benefits, life assurance and medical cover. FPP seeks to attract skilled staff who demonstrate integrity and values consistent with FPP's culture. Variable remuneration is comprised of a discretionary bonus, the award of which is made based on the firm's long-term performance and the individual's performance. The latter is assessed on both a qualitative as well as quantitative basis and considers non-financial performance (meaning compliance with applicable regulations, the fair treatment of its client, and the quality of advice/service provided by its partners and employees.)

FPP has identified the following roles as Material Risk Takers (MRTs) – those individuals whose professional activities could have a material impact on the firm's risk profile or the assets it manages:



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- Members of the management body in its management function;
- Members of the senior management team;
- Members responsible for managing investments;
- Staff members who have managerial responsibility for dealing in investments;
- Staff members who are responsible for managing information technology and information security.

**Quantitative Remuneration Disclosure**

In accordance with MifIDPRU 8.6.8R(7) the quantitative disclosures below are aggregated for Senior Managers and other MRT's to prevent identification of an individual MRT.

The aggregate remuneration for remuneration code staff for the period ending 31<sup>st</sup> March 2023 is £53,077,968

	Senior Managers & Other Risk Takers	Other Staff
Total Fixed Remuneration	£32,006,153	£3,352,776
Total Variable Remuneration	£21,071,815	£4,581,053

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## Appendix I: Board Directorships

Director Name	Role	Number of Directorships held outside of FPP LLP
Simon Pryke	CEO	3
Anthony Kingsley	CIO	3
James Findlay	Founder	3
Rashid Adam	COO	0
Max Royde	Non-Exec	8
Jo Rice	Non-Exec	0