BAIRD CAPITAL PARTNERS EUROPE LIMITED

MIFIDPRU 8 Disclosure

For the financial year ended 31 December 2022

Contents

Introduction

The objective of the Prudential Regime for Investment Firms (‘IFPR’) is to protect financial markets, clients and firms through effective capital and risk management.

The focus is on ensuring that firms have sufficient financial and non-financial resources in place to enable them to cover the material risks that they are managing based on their business model. Risks are seen in the context of the material harms that could arise to the firms itself, clients and the markets.

Basis of Disclosure

Baird Capital Partners Europe Limited (‘BCPE’, ‘the Company’ or ‘the Firm’) is subject to regulatory and prudential oversight by the FCA (FRN: 150154). Under IFPR, BCPE is classified as a non-small non-interconnected (non-SNI’) firm.

The public disclosures set out in this document have been made in accordance with the requirements of MIFIDPRU 8.

Frequency, location, content verification and verification of disclosures

At a minimum these disclosures are made on an annual basis on the Company's website, or more frequently if required. The Company has a financial year end date of 31 December, and these disclosures reflect its position as at 31 December 2022.

The Company is required under MIFIDPRU to adopt a proportionate approach to its qualitative disclosures including those related to remuneration (MIFIDPRU 8.1.8R).

These disclosures explain the basis of preparation of certain capital requirements, provide information about the management of certain risks and the Company’s remuneration policy. They do not constitute any form of audited financial statements.

Risk Management Objectives and Policies

The Firm recognises that it is not possible to eliminate all forms of risk that it may encounter in the course of carrying on regulated business. Therefore, it has designed a risk management framework that identifies and mitigates material harms that may arise, and determines whether the long-term benefits of carrying out the relevant business is outweighed by the long-term costs required to control the relevant risks.

The Firm has been and will continue to be cautious concerning its risk management. Given the nature of its advisory services and other activities that are provided solely to professional clients, the Firm considers that its services are of a relatively low risk nature.

In practical terms, whilst the Board would be prepared to tolerate a degree of unexpected costs, the Firm would not expect a material increase to its cost base compared to budgeted forecasts, as expenditure is closely reviewed on a regular basis.

The Firm’s risk management framework aims to identify, control and mitigate harms in a manner that is appropriate and proportionate to the business activities that it undertakes and the role it plays to the wider Firm group.

The risk management framework can be broadly categorised in the following components:

- identification of risks and harms ("Risk Register");
- assessment and measurement of harm;
- mitigation and controls – avoiding, ceasing, transferring or controlling risk;
- monitoring; and
- escalation and reporting.

The adequacy of the Company’s risk management framework and related processes is assessed, at a minimum, on an annual basis as part of the Company's internal capital adequacy and risk assessment ("ICARA") process review.

With regards to its own funds requirement, the Company has considered the key risks to its operating model, and the related mitigations and controls, as described above.

With regard to concentration risk, the key source of this risk relates to concentration relating to bank deposits. This risk is managed through limiting bank deposits to high quality credit institutions, and diversifying cash holdings into large, liquid money market funds where appropriate.

With regard to liquidity risk, there is limited risk due to the fact that the majority of the Company’s assets are held in high quality, highly liquid bank accounts or money market funds. Due to the transfer pricing policy, monthly cashflows are generally positive, unless a dividend is paid, which would be held back in the event of a liquidity stress event.

Governance Arrangements

Since its inception by Robert Wilson Baird in 1919, the Baird group has embraced a culture of strong values, which have driven the way the Firm has done business since. “The Baird Way” is who we are. We are driven by our desire to create the best outcomes for our clients – in ways that consistently add value to our client relationships:

- clients come first;
- integrity is irreplaceable;
- quality is our measure of success;
- the best financial advice is the result of expertise and teamwork;
- how we succeed is as important as if we succeed; and
- we seek personal balance in home, work and community involvement.

The Baird Way is why we have been a trusted financial partner for more than 100 years.

The Firm's Board is ultimately responsible for the oversight of the Firm, setting its strategy, monitoring its governance structure and ensuring adequate risk management arrangements and the provision of sufficient capital and liquidity. The Board sets the Firm's risk management framework for the identification and control of risks that may arise from the business.

The Board is held to account for defining and overseeing the implementation of governance arrangements that ensure effective and prudent management of the Firm. In particular, the Board meets to consider strategic decisions, performance and governance of the Firm, including the risk management framework, at least on a quarterly basis. The Board is regularly provided with reports and recommendations from various departments and control functions of the Firm, including Legal & Compliance, Finance, IT and Human Resources. The Board will review, consider and action appropriately, to ensure Baird policies and procedures are robust and being updated as appropriate. In addition, each Board member receives robust management information on at least a monthly basis from the Head of Compliance & Associate General Counsel, Europe. The Board's decisions will be informed by the Firm's risk management framework, including identified risks to the business in the Risk Register. In exceptional circumstances, where deemed critical and necessary, changes to the risk management framework can be made between formal meetings, subject to Board approval.

By way of overview, the Board is responsible for:

a. reviewing and approving relevant financial information related to the management accounts and budget of the Firm;
b. reviewing issues relating to the financial resources and liquidity of the Firm, including the Firm's capital structure and exceptional items of capital expenditure. This will involve reviewing reports in relation to any matter which may affect the Firm's financial soundness or its status as a regulated entity, including compliance with the overall financial adequacy rule;

c. reviewing the Firm's ICARA document and Risk Register and determining actions to be taken, including reviewing updates on actual, emerging or contingent risks in the Firm's business, the assignment of risk weighting to the the Firm's risks, mitigations and required liquidity and capital;
d. reviewing and approving HR matters, including in relation to the Firm's obligations under the Senior Managers & Certification Regime (**"SMCR"**);
e. reviewing the following reports and determining any action to be taken:
    i) any reports made by a senior manager, including matters relating to the Firm's finances and operations;
    ii) legal and/or compliance reports, tax audits or legal investigations, including in relation to any communications with, and any action required to be taken by the firm at the instance of, a regulator;
    iii) internal audit reports; and
    iv) the Money Laundering Reporting Officer's reports or updates;
f. approving material documents and agreements necessary to carry out decisions or policies of the Firm, including any issuances of capital, any borrowings which have not been included in a financial forecast, leases, significant litigation or complaints documents, and any other agreement involving unbudgeted expenditure;
g. reviewing matters in relation to the awards of remuneration to directors and employees of the Firm.

Senior Management supports the Board in ensuring implementation of the risk management framework and provision of sufficient liquidity and own funds. The Senior Managers are designated senior management functions ("**SMFs**") under the SMCR. Each Senior Manager has a statement of responsibility, setting out their accountabilities with respect to the governance of the Firm. Senior Managers may have further prescribed responsibilities as required under the SMCR. The Firm ensures that Senior Managers are aware of how both the Individual and Senior Manager Conduct Rules apply to their role and area of responsibility and understand and agree it is critical to remain up to date with the UK regulatory framework, industry trends and emerging risks.

In accordance with regulatory expectations and industry standards, the Firm maintains a "three lines of defence" risk model. Each of the three lines plays a distinct role within the Firm's wider risk management and governance framework. The three lines are comprised of the following:

- "***First line of defence***" – the first line of defence is made up of the business teams, including their associated support functions, as part of day-to-day operations. The first line is responsible for identifying, managing and reporting any actual or potential risks including incidents likely to result in the breach of Compliance Policies and Procedures or FCA regulatory rules. The first line operates standards and controls in accordance with the criteria and processes set by the second line of defence;
- "***Second line of defence***" – the second line of defence is the Legal & Compliance department, which oversees the first line, sets the limits and parameters, and monitors compliance with rules, policies, procedures, and constraints, in a manner that is

consistent with the Firm's risk appetite. The second line reports to the Senior Management and the Board and is independent from any business line; and

- "***Third line of defence***" – the third line of defence is comprised of the Internal Audit function, which is a group level function. The third line leads and coordinates internal audit reviews and provides independent assurance on risk, line management and the Fixed Income traders to the Board and Senior Management. The audit reports produced by Internal Audit identify key findings and recommendations which are shared and discussed with the Board and Senior Management.

External Directorships

The number of external directorships (i.e. outside the Baird group) held by the members of the Board in commercial organisations as of 31 December 2022 are listed below:

Director	**Number of External Directorships**
Andrew Ferguson	1
Dennis Hall	4
James Benfield	6

Note - the external directorships predominantly relate to entities which are managed by Baird Capital.

Inclusion and Diversity

The Firm is committed to inclusion and diversity for our Board, Senior Management, employees, clients, associates and communities. Our commitment is in keeping with The Baird Way and our respect for each individual. We recognise that a diverse team enables us to better understand and best meet the needs and expectation of our clients and associates.

Our commitment to inclusion and diversity includes providing equitable opportunities for every individual to develop personally and professionally regardless of gender, race, color, age, religious affiliation, nationality, sexual orientation, physical ability or gender identity, which are just some of the differences that make each of us unique. For our associates, this includes initiatives in work/life balance, leadership training, mentoring, networking, numerous Inclusion & Diversity Groups and other personal and professional development. It also includes internship, scholarship, recruitment and rotation programs helping create more opportunities for diverse individuals.

Risk committee

Given the size and nature of the Firm's business activities, BCPE is not required under MIFIDPRU to establish a risk committee.

Own Funds

At 31 December 2022, the capital resources of the Company were as follows:

Composition of regulatory own funds			
	Item	**Amount (£'000)**	**Source based on reference numbers/ letters of the balance sheet in the audited financial statements**
1	**OWN FUNDS**	**2,030**	Shareholder's Funds
2	**TIER 1 CAPITAL**	**2,030**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**2,030**	
4	Fully paid-up capital instruments	1,835	Called up share capital
5	Share premium		
6	Retained earnings	195	Profit and loss reserve
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		
19	CET1: Other capital elements, deductions and adjustment		

Composition of regulatory own funds (continued)			
	Item	**Amount (£'000)**	**Source based on reference numbers/ letters of the balance sheet in the audited financial statements**
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	-	-
28	(-) TOTAL DEDUCTIONS FROM TIER 2	-	-
29	Tier 2: Other capital elements, deductions and adjustments	-	-

A reconciliation of the Own Funds shown above to the Firm's balance sheet from the audited financial statements is as follows:

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements				
		a	**b**	**c**
		Balance Sheet as in published / audited financial statements	**Under regulatory scope of consolidation**	**Cross-reference to template OF1**
	£'000	**As at 31 December 2022**	**As at 31 December 2022**	
Assets				
1	Debtors	1,511		
2	Cash at bank and in hand	1,376		
3	**Total Assets**	**2,887**		
Liabilities				
1	Creditors: amounts falling due within one year	857		
2	**Total Liabilities**	**858**		
Shareholder's Equity				
1	Called up share capital	1,835		4
2	Profit and loss reserve	195		6
3	**Total Shareholder's Equity**	**2,029**		**3**

The called-up share capital represents the nominal value of shares that have been issued. The shares have attached to them full voting, dividend and capital distribution rights. They do not confer any rights of redemption.

Own Funds Requirement

The Firm's Own Funds Requirement ('OFR') is calculated as the higher of its:

- K-factor requirement ('KFR')
- Fixed Overhead Requirement ('FOR')
- Permanent Minimum Requirement ('PMR')

A summary of these amounts as at 31st December 2022 is as follows:

OFR (£'000)	**Amount as at 31 December 2022**
KFR	
Sum of K-AUM, K-CMH and K-ASA requirements	108
Sum of K-COH and K-DTF requirements	-
Sum of K-NPR, K-CMG, K-TCD and K-CON requirements	-
Total KFR	**108**
FOR	730
PMR	75
OFR (higher of KFR, FOR and PMR)	**730**

The Firm is required, at all times, holds adequate own funds and liquid assets, both as to their amount and quality, to ensure:

- it remains financially viable throughout the economic cycle and have the ability to address any potential harm that may result from its ongoing activities; and
- it can wind-down the business in an orderly way, minimising harm to clients or to other market participants.

This obligation is known as the "overall financial adequacy rule" or the "OFAR".

The OFAR from an own funds perspective requires for a firm to hold the higher of:

- the amount of own funds that the firm requires at any given point in time to fund its ongoing operations, taking into account potential periods of financial stress during the economic cycle; and
- the amount of own funds that would need to ensure that the firm can be wound down in an orderly manner,

which is the Own Funds Threshold Requirement ('OFTR').

In the event that the Firm's resources are less than any threshold requirement, it may trigger some or all of the following:

- notification to the FCA;
- initiation of the recovery plan;
- initiation of the wind-down plan.

The Firm must also set an "early warning indicator" at 110% of the own funds threshold requirement.

To determine the own funds threshold requirement, the Firm has, through the ICARA process, assessed the following:

- the KFR plus any additional capital required to be held to cover residual risk from material harms from ongoing operations (taking into account systems and controls that mitigate risks of harm) ("**Assessment A**"); and

- the FOR plus any additional capital required to ensure an orderly wind-down (taking into account systems and controls that mitigate risks of harm) ("**Assessment B**").

The OFTR comprises the higher of "Assessment A", "Assessment B" and the PMR.

Remuneration Policy and Practices

The oversight and implementation of the Company's Remuneration Policy is the responsibility of the Board. It is designed to be proportionate to its size, internal organisation, business strategy and complexity, objectives, values and the long-term interests. The Company undertakes to reward staff on the basis of merit and is committed to treating all staff equally irrespective of gender, disability, health, race, age, sexual orientation, religion or religious belief, marital status or civil partnership.

An individual's remuneration is based on the following key principles:

- the value of the role within the business;
- whether performance standards have been met or exceeded;
- the quality of performance, taking specific account of compliance with professional standards, internal policies and procedures that are announced from time to time, laws, regulations and any conflicting interests. Quality of performance is particularly important at busy times or when standards need to be explained to people who are unfamiliar with them, but affected by them. Higher standards are expected of individuals with greater experience and level of responsibility, but all individuals are required to conduct themselves and carry out their roles to high standards;
- whether members of staff are demonstrating effective teamwork with other individuals in their own and other departments as and when required; and
- whether the individual has made other contributions to the success of the business, such as by providing technical or administrative support or by showing leadership or inspiration.

The Company's Remuneration Policy is designed to ensure that remuneration is consistent with effective risk management and does not expose it to excessive risk. For each individual there must be an appropriate balance between fixed and variable elements of total remuneration: basic salaries are set at an adequate level such that employees are not dependent upon receipt of further compensation.

Remuneration Structures: basic remuneration

Basic remuneration is fixed at the time of recruitment and is reviewed at the time of annual appraisal. Both exercises take place under the auspices of the Human Resources Director.

Basic remuneration is benchmarked against comparable roles within the Company and market data available on similar roles. This is reviewed on an ongoing basis. Basic fixed remuneration primarily reflects an employee's professional experience and organisational responsibility. This basic remuneration is defined in the employee's employment contract at the outset of their employment. Subsequent amendments are notified to them by letter.

Remuneration Structures: variable remuneration

Employees may be eligible for discretionary bonus payments i.e., variable remuneration. Such awards are made after the Company's annual appraisal round and consideration of their performance in the past year. This appraisal round is managed by the Human Resources function and is fully documented.

It is axiomatic to this process that staff financial and non-financial performance is considered. Eligibility for bonus is considered based on whether performance has been in excess of that required to fulfill the employee's job description and terms of employment.

The types of variable remuneration structures below do not generally form part of the Company's remuneration practices other then as determined necessary in particular circumstances and in a manner consistent with the Company's regulatory obligations and as approved by the Board.

a) Guaranteed minimum bonuses for a limited period of time (generally for a new joiner only)

b) Retention payments

c) Buy-out awards (subject to previous employer pay-out terms)

d) Severance pay (no reward for failure)

e) Certain additional fringe benefits

Remuneration Structures: pension policy

The Company does not pay discretionary pension contributions; pension contributions are based solely on length of service. All employees currently receive employer pension contributions of a fixed percentage of base salary (subject to the rules of the scheme).

Remuneration Structures: ex ante and ex post risk adjustment

The Board undertake a process to identify staff members who have a material impact on the risk profile of the Company or the assets that it manages based on the necessary qualitative assessment of their roles. These are classified as Material Risk Takers ('MRT's). The types of staff that have been identified as MRTs include members of the Board and members of senior management.

All ‘MRTs’ risk having in-year adjustments, malus and clawback arrangements in place.

In year adjustments (including malus and clawback) may be imposed where it can be shown following a formal disciplinary process that the individual acted:

a) fraudulently; or

b) with intent and severe negligence; or

c) without meeting appropriate standards of fitness and propriety; and

such behaviour resulted in significant losses or detriments to the Company or its clients.

Remuneration: Quantitative disclosures

The total remuneration for the performance year is as follows:

	31 December 2022 Non-MRTs	**31 December 2022 MRTs**
Number of Staff	6	3
Total Fixed Remuneration	£784k	£961k
Total Variable Remuneration	£676k	£705k
Total Remuneration	**£1,460k**	**£1,666k**