Affirmative Investment Management Partners Limited: MIFIDPRU 8 Disclosure

MiFIDPRU Disclosure (Performance Period Ended 30 November 2024)
Introduction
The MIFIDPRU disclosure of Affirmative Investment Management Partners Limited ("the Firm") is set out below as required by MIFIDPRU 8. The regulatory aim of the disclosures is to improve market discipline. The Firm is categorised, for prudential purposes, by the FCA as a Small and Non-Interconnected ("SNI") firm. Further, the Firm does have Additional Tier 1 instruments in issue. As such, the Firm is subject to the annual disclosure requirements set out under: • MIFIDPRU 8.2 - Risk management objectives and policies; • MIFIDPRU 8.4 - Own funds; • MIFIDPRU 8.5 - Own funds requirements; and • MIFIDPRU 8.6 - Remuneration policies and practices.
Risk management objectives and policies
Overview The FCA requires that a regulated business takes reasonable care to organise and control its affairs responsibly and effectively with adequate risk management systems. The Firm's Risk Management Framework is set by the Board and is in place to ensure that all risks the Firm is subject to are managed in an appropriate way. The Board is responsible for determining those risks which it is willing to accept during the ordinary course of business. The Firm documents, and principally manages, risks related to own fund requirements, concentration and liquidity via its Internal Capital Adequacy Risk Assessment ("ICARA") Process. The Firm's ICARA sets out its Risk Appetite Statement as well as incorporating a risk register to assist in identifying, measuring and mitigating potential risks to the business. The Board periodically conducts a review of the effectiveness of the Firm's internal controls and Risk Management Framework. The review covers all material controls, including financial, operational and compliance controls and risk management systems. The Board considers the outcome of these reviews and makes changes where appropriate, ensuring that such changes are documented in its meetings minutes and retained accordingly. The Board has responsibility to: a) oversee the risk management framework including systems, practices and policies/ procedures that are in place to ensure there is appropriate risk identification and management; b) ensure the Firm has complied with all the relevant FCA rules and regulations and that the Firm has appropriate procedures in place which document how it complies with the FCA rules;

c) to review and assess the risk management strategy and risk register including, where appropriate, to ensure that risks are adequately mitigated; and
d) to ensure that the compliance and risk management functions are adequately resourced, have appropriate independence within the Firm and have the appropriate standing.

Risk Appetite Statement

The Firm has identified 5 risk groups as being key to the operations of the Firm: Credit Risk, Market Risk, Operational Risk, Business Risk and Liquidity Risk. The Firm has set out below its risk appetite to each of the different types of key risk. This collectively is the Firm's risk appetite.

1. Credit Risk
   The Firm neither holds client money nor assets. The Firm's exposure to Credit Risk is the risk that investment management fees are not paid and exposure to banks where cash is deposited. The Firm's Credit Risk Appetite is low as it holds all of its cash with banks assigned high credit ratings.

2. Market Risk
   The Firm does not have a Trading Book. The only potential exposures are Non-Trading Book Exposures, i.e., to Foreign Currency held on deposit and assets or liabilities held in Foreign Currency. The Firm's appetite for Market Risk is low.

3. Business Risk
   The Firm has assessed Business Risks within its ICARA and implemented appropriate mitigating controls to manage them. Business Risk is also considered in the Firm's Stress Testing also contained within its ICARA.

4. Liquidity Risk
   The Firm has implemented a liquidity policy and considered Liquidity Risk in its stress testing and all liquidity risks are considered in this policy and within the risk register.

5. Operational Risk
   The Firm identifies risks across its business, and rates these given a rating of 1 (low) to 5 (high) based on each of financial impact and probability; this is documented in the Firm's ICARA. The Firm's risk appetite is low and therefore this translates into the Firm accepting risks which have a combined risk score of 4 or less. Any risk rated 8 or above is too high for the Firm to accept and must be dealt with as a matter of priority. The Firm will adopt a plan to reduce this risk within 10 working days and ensure it is implemented within 30 days. Any risk rated 5 or above must be investigated and a plan to reduce this must be adopted within 20 working days and implemented within 60 days.

Own funds

As set out in the tables below, MIFIDPRU 8.4.1R requires the Firm to disclose:

1) a reconciliation of common equity tier 1 items, additional tier 1 items, tier 2 items, and the applicable filters and deductions applied in order to calculate the own funds of the firm;
2) a reconciliation of 1 (above) with the capital in the balance sheet in the audited financial statements of the firm; and

3) a description of the main features of the common equity tier 1 instruments, additional tier 1 instruments and tier 2 instruments issued by the firm.

Table 1 - 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**	**2,734**	**N/A**
2.	**TIER 1 CAPITAL**	**230**	**N/A**
3.	**COMMON EQUITY TIER 1 CAPITAL**	**230**	**N/A**
4.	Fully paid up capital instruments	13,931	Share capital
5.	Share premium	2,616	Share premium
6.	Retained earnings	-16,318	Profit and loss account
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 adjustments	-	-
20.	**ADDITIONAL TIER 1 CAPITAL**	**2,504**	**N/A**
21.	Fully paid up, directly issued capital instruments	2,004	Share capital
22.	Share premium	500	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	-	-

Table 2 - Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements		
		Balance sheet as in published/audited financial statements (GBP thousands)
		As at period end
Assets - *Breakdown by asset classes according to the balance sheet in the audited financial statements*		

1.	Debtors	4,088
2.	Current asset investments	33
3.	Cash at bank and in hand	1,464
	Total Assets	**5,585**
Liabilities - *Breakdown by liability classes according to the balance sheet in the audited financial statements*		
1.	Creditors	2,851
	Total Liabilities	**2,851**
Shareholders' Equity		
1.	Share capital	15,936
2.	Share premium	3,116
3.	Profit and loss account	-16,318
	Total Shareholders' Equity	**2,734**

Table 3 - Own funds: main features of own instruments issued by the Firm

Share capital largely comprises allotted, called and fully paid up ordinary shares and preference shares fully paid up ordinary share capital.

Share premium consists of the amount paid for the ordinary shares and preference shares the cost of the shares.

The profit and loss account represents the retained profit by the firm for the period after taking account income and expenses.

Own Fund Requirement

MIFIDPRU 8.5.1R requires the Firm to disclose its own fund requirement.

As at the reporting date, the Firm's own fund requirement was the higher of:

- **Permanent minimum capital requirement ("PMR")**: The PMR is the minimum level of own funds required to operate at all times and, based on the MiFID investment services and activities that the Firm currently has permission to undertake, is set at £75,000.

- **Fixed overheads requirement ("FOR")**: The FOR is equal to one quarter of the Firm's relevant annual audited expenditure. The Firm's FOR is £145,799.

The Firm must also meet the 'overall financial adequacy rule' as set out in MIFIPDRU 7.4.7R. This rule states that a firm must, at all times, hold own funds and liquid assets which are adequate, both as to their amount and their quality, to ensure that:

a) 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
b) the firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

On an ongoing basis, the Firm uses its ICARA process to identify whether it complies with the overall financial adequacy rule.

Remuneration policy and practices

MIFIDPRU 8.6.2R requires the Firm to disclose approach to remuneration for all staff; the objectives of its financial incentives; and the decision-making procedures and governance surrounding the development of the remuneration policies and practices.

Approach

The overarching approach taken by the Firm is designed to encourage the alignment of the risks taken by its staff, its clients, mandates, and the Firm itself.

When the Firm assesses individual performance to determine the amount of variable remuneration, it will consider both financial and non-financial criteria. As conduct is crucial to the compliance culture of the Firm, if an employee shows poor conduct, this may override their performance in financial areas. Conduct is therefore the biggest metric within non-financial considerations.

The Board is responsible for the Firm's remuneration policy.

Key Characteristics

The Firm distinguishes between criteria for setting fixed and variable remuneration and ensures that remuneration is clearly categorised as one or the other.

In line with the FCA's guidance, the Firm considers the difference between the two as follows:

- **Fixed remuneration** primarily reflects a staff member's professional experience and organisational responsibility as set out in the staff member's job description and terms of employment. It should be pre-determined, non-discretionary and not dependent on performance. In the Firm's case this is made up of salary.
- **Variable remuneration** is based on performance and reflects long-term performance, as well as performance above and beyond their job description. In the Firm's case this is made up of bonuses.

The firm assesses performance across the firm, business units and individuals considering the following criteria:

- Financial metrics including contribution to revenue/ sales growth as well as cost reduction; and
- Non-financial metrics including: the building and maintenance of positive customer relationships and outcomes; alignment with our strategy or values, for example by displaying leadership, teamwork or creativity; adhering to our compliance policies & procedures; and meeting other non-financial targets relating to environmental, social and governance factors and diversity and inclusion.

All the above factors in assessing performance are considered at firm, business unit and individual level as applicable. Overall, greater weight is placed on non-financial metrics when assessing performance. All variable remuneration is adjusted in line with capital and liquidity requirements.

Quantitative Disclosures

Quantitative information for the financial year to which the disclosure relates including the total amount of remuneration awarded to all staff, split into:	
Fixed Remuneration	Variable Remuneration

£654,491	£1,178,943