MIFIDPRU 8 DISCLOSURE

November 2023

Contents

1. Introduction

This disclosure is in relation to Vermeer Investment Management Limited ('Vermeer,' 'the Firm'). Vermeer is authorised and regulated by the Financial Conduct Authority (FRN: 710280) and is incorporated in England and Wales (company number: 09081916) with its registered office at 130 Jermyn Street, London SW1Y 4UR.

Vermeer is a wholly owned subsidiary of Vermeer Holdings LLP, a privately owned limited liability partnership incorporated in the United Kingdom, and provides discretionary investment management services to retail clients, which includes individuals, trusts, and charities.

As a UK Investment firm undertaking activities within the scope of the UK Markets in Financial Instruments Directive ('MiFID'), Vermeer is subject to the prudential requirements of the Investment Firms Prudential Regime ('IFPR') contained in the MIFIDPRU Prudential sourcebook for MiFID Investment Firms of the FCA handbook.

The Investment Firm Prudential Regime (IFPR) is the new prudential regime for MIFID investment firms which aims to simplify the prudential requirements for UK investment firms. It came into effect from 1st January 2022 and introduces the Internal Capital and Risk Assessment (ICARA) process which is the centrepiece of a firm's risk management process and incorporates business model assessment, forecasting and stress testing, recovery, and wind-down planning.

Vermeer is required to publish disclosures in accordance with the provisions outlined in MIFIDPRU 8 of the IFPR. These requirements are supplemented by the guidance set out in MIFIDPRU 8 published by the FCA. Under the IFPR's firm categorisation, Vermeer is a Non Small and Non-Interconnected ('non-SNI') MIFIDPRU investment firm.

The disclosure for Vermeer is prepared annually on a solo entity (i.e., individual) basis, as required by the MIFIDPRU rules. We believe the information provided is proportionate to Vermeer's size and organisation, and to the nature, scope, and complexity of Vermeer's activities.

The disclosure will be issued on an annual basis or more frequently if there has been a substantial change to the business and will be published alongside the audited Financial Statements on our website www.vermeerllp.com

This disclosure was ratified and approved for disclosure by the Managing Board of Vermeer, and the Executive Committee of Vermeer Holdings LLP.

2. Risk Management Objectives and policies

2.1 Risk Management

Vermeer has implemented ICARA as the risk management process to identify, assess, manage, monitor, and mitigate the risk of harm to clients, markets, counterparties, and where required, dictate the additional financial resources held to mitigate these risks.

Vermeer Board Approved Risk Appetite Statement (*abridged*)

The Firm risk appetite is determined by the risk framework, reinforced by specific risk management processes and approval.

Risks are regularly reviewed, challenged, prioritised, and monitored by senior management, the Executive Committee, and operational committees to determine the overall risk profile both qualitatively and quantitively. This process enables the residual risk to be assessed and the risk appetite of the Firm to be determined. To assist with the monitoring and management of the principal risks, further work was undertaken to establish and consider the specific risk appetite for each principal risk.

The Firm has a low overall risk appetite and is conservative in its attitude to risks.

In practical terms, the low-risk appetite means that while management are prepared to tolerate some unexpected costs, close attention is paid to ensure these do not exceed tolerance levels. The Firm further implements its low overall risk appetite by ensuring that capital well in excess of its regulatory requirement is maintained.

2.2 Risk Management Policy

Vermeer's risk management policy is reviewed (and if appropriate updated) at least annually and covers all of the key components of Vermeer's risk framework.

2.3 Risk Management Structure and Operations

The Vermeer Board has primary responsibility for both the management and the oversight of the Firm's risks together with the quality and effectiveness of risk management, compliance, and regulatory frameworks. The Board meet at least on a quarterly basis to consider reports and issues escalated by their delegated groups and committees.

Vermeer's operational risk committee is the Vermeer Operations Committee, who typically meet weekly, and minuted quarterly. The Committee is chaired by the CEO and is commonly made up of members of Finance, Compliance, Risk, HR, Operations, Trade Support, IT, and business line management.

It is Vermeer's Operations Committee's responsibility to ensure that the Vermeer Board is cognisant of material issues, including the firm's risk management objectives.

2.4 Risk Assessment

Vermeer is responsible for ensuring that it has the appropriate systems and controls in place to identify, monitor and, where proportionate, reduce all potential material harms that may result from the ongoing operations of the business or from winding down the business and to hold adequate financial resources for the business it undertakes.

To ensure the above, Vermeer identifies and assesses the risks and potential harms associated with its key business strategy, ongoing operations, business changes or external threats, as well as identifying and assessing the quality of controls in place to mitigate the associated risks and reduce potential material harms.

These assessments are completed using various processes including the Internal Capital and Risk Assessment ('ICARA') the Firms Risk Control Self-Assessment ('RCSA'), operations risk events, and key Risk Indicators ('KRIs').

Summary of key risks and potential harms as assessed through Vermeer's ICARA process		
Risk	**Description**	**Risk Management**
Credit Risk	Credit risk is defined as the risk of default from counterparties or clients for deposits, loans, commitments, securities, and other assets where the realisation of the value of the asset is dependent on their ability to perform.	The firm does not hold client money or assets, therefore exposure to Credit Risk is limited. This exposure is minimal and incidental to the investment management business conducted and derives primarily from clients for investment management fees (this is mitigated by the fact that the Firm has control over the client portfolios from which fees are settled), Pershing Securities Limited for the onward transmission of these fees, and major UK banks with which the Firm places working capital.
Market Risk	Market risk is the risk that the Firm's financial position may be subject to loss or fluctuation because of increases or decreases in market valuations such as foreign currency exchange rates, interest rates and equity and commodity prices of assets on the balance sheet.	The Firm has no direct exposure to market risk with the exception of some immaterial balances held in foreign currencies for settling invoices in the normal course of business.

Operational Risk	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events: including the potential for loss that arises from problems with operational processing, human error or omission breaches in internal controls, fraud, and unforeseen catastrophes.	Operational risk is incurred as a consequence of undertaking its core businesses and the Firm aims to mitigate these risks as far as possible by implementing robust internal controls and using risk management and compliance monitoring to ensure the efficacy of these controls. Furthermore, outsourcing arrangements are in place in relation to custody, settlement, and back office to Pershing Securities (at the VP level) and Apex Fund Services (at the VIM level), these are governed by robust Service Level Agreements. Members of the Operations Committee are responsible for undertaking an annual Risk and Control Self-Assessment ('RCSA') for their respective divisions.
Business Risk	Business risk is the risk that the firm will have lower than anticipated profits or experience loss rather than deliver a profit.	As a MIFIDPRU investment firm, the Firm has assessed Business Risks and set out appropriate actions to manage them. Business Risk is taken account of through the application of Scenario/Stress Testing, which include 30% fall in global markets, 30% increase in operating costs, Loss of core infrastructure and subsequent reputation damage, and the Firm being forced to wind down and meet legal obligations.
Liquidity Risk	Liquidity risk is the risk that the Firm, although solvent, either does not have available sufficient financial resources to enable it to meet its regulatory liquid asset requirements, or obligations as they fall due or can secure such resources only at excessive cost.	The Firm is classified as a "non-SNI MIFIDPRU investment firm" and subject to the MIFIDPRU 3.1 and, hence, has in place Liquidity Systems and Controls which include the management of Liquidity Risk via scenario and stress testing of the Firm's Cash Flow Forecast and the establishment of management actions and contingency funding plans. The policy is to maintain sufficient liquid assets to meet obligations as they fall due, or as needed in the event of an orderly wind down. An increase in expenses would only be agreed if there is a reasonable expectation that it would lead to increased cash income, or if coupled with an identified increase in cash income, or if there are already sufficient excess liquid resources to support such an increase in costs. Any significant increases in expenses would be authorised in line with the Firm's policies on financial approvals. The Firm's policy is to maintain funds in liquid or readily realisable form to meet the higher of the FOR, PMR, or the liabilities due in three months. The Firm defines "Liquid" as an instant access to funds (current accounts and overnight accounts). The Firm defines "readily realisable" as other funds that can be realised within three working days without significant erosion of their carrying value to the business. The Firm's liquidity policy determines the liquidity risk tolerance.
Concentration Risk	Concentration risk is the risk arising from the strength or extent of the Firm's relationships with, or direct	Vermeer manages many clients segregated discretionary mandates but holds no client assets. Unless the client has instructed otherwise,

	exposure to, a single client or group of connected clients.	Pershing Securities acts as the client's custodian and is responsible for the FCA CASS provisions. Vermeer's single largest concentration is through our relationship with Pershing Securities who provide Clearing, Settlement, and Custody as well as providing the technology platforms to manage portfolios. Pershing is reliant upon its parent BNY Mellon. Any reduction in client AUM would result in a proportionate drop in custody fees owed to Pershing Securities. Quarterly management information is presented to the VIML board bi-annually. In addition, detailed management information is presented to the Executive Committee of Vermeer Holdings LLP monthly, all Directors of VIML also sit on ExCo. Vermeer's own cash is held with a bank with A+ (Finch), A+ (S&P), and A1* (Moody's) credit ratings, providing comfort over security. If these ratings were to change materially, the Firm would review its banking arrangements accordingly.
Group Risk	Group risk is the risk that the financial position of the Firm may be adversely affected by its relationships (financial or non-financial) with other entities in the same group (i.e., Vermeer Holdings LLP group) or by risks which may affect the financial position of the whole group, for example reputational contagion or parent default.	Vermeer Holdings LLP ('VHLLP') is a non-trading limited liability partnership. VHLLP also owns Vermeer Financial Planning Limited ('VFPL'), an FCA authorised firm that function as an Approved Representative of Best Practice IFA Group, a separately owned firm with no affiliation to the Vermeer Group, who oversee and are responsible for the capital requirements and regulatory compliance of VFPL.
Strategic Risk	Strategic risk is the risk that the Firm's strategy is inadequate (in scope and/or execution) to deliver a profitable business. The risk may be a result of the underperformance or failure of some elements of Vermeer's strategy (marketing, third party relationships, client services, operations, etc.)	Vermeer continues its growth strategy since launch in 2018 and has seen revenues grow, year on year. The Firm have established Risk Appetite KRIs that will begin flagging is progress towards the Firm's strategic goals begin to impact on its profitability or capitalisation.
Reputational Risk	Reputational risk is defined as the risk of loss resulting from damages to a firm's reputation, in lost revenue or increased operating, capital or regulatory costs consequent to an adverse or potentially criminal event.	Integrity and reputation are highly valued within Vermeer due to the nature of the business. Damage to Vermeer's reputation because of compliance, regulatory and operational breaches, or errors would erode investor confidence and result in loss of business, loss of revenue and could result in key employees leaving. Vermeer act in the best interest of clients and always place their interests first. To help ensure this, Vermeer has strong risk frameworks and tolerances to ensure that inherent conflicts or interests do not disadvantage clients; that products and investment services operate as described and meets the risk levels agreed; and that clients are not exposed to failures of governance or regulatory compliance.

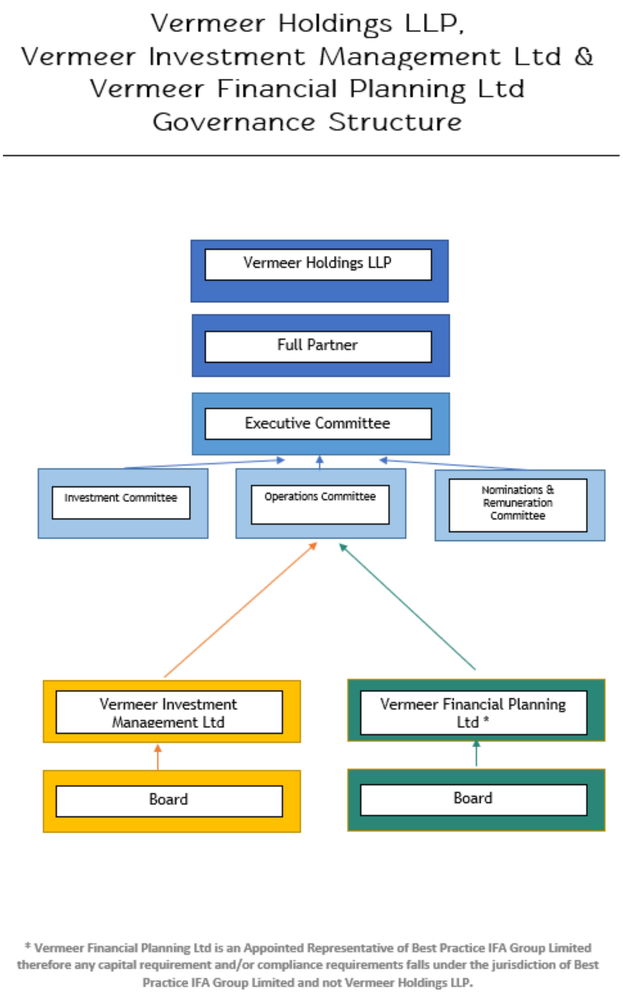
3. Governance Structure

Governance of the Firm is the ultimate responsibility of the Board of Directors. The Board is responsible for the ongoing success and development of the Company's business as well as setting the risk appetite for the Firm as part of the risk framework.

The Board is also responsible for the legal entity's strategy, long term objectives and financial performance and ensuring maintenance of a sound system of internal controls and risk management. From November 2023, the Vermeer Board consists of the CEO, the CIO, and four VIML Directors/VHLLP Partners. The Board is also responsible for:

- Setting the business strategy
- Setting the business's appetite for risk
- Overseeing and controlling the business' financial performance
- Identifying and managing any conflicts of interest that exist within the business
- Governing the business's compliance with regulatory requirements and risk management
- Exercising operational and organisational governance

The Board delegate authority to committees and, in some cases, to individuals. For the avoidance of doubt, primary responsibility for the oversight of Vermeer rests with individuals who hold SMF functions and/or prescribed responsibilities under the FCA Senior Managers & Certification regime.



4. Own Funds

Vermeer is required to hold an appropriate level of Own Funds to cover potential harm.

Own Funds as of 30th June 2023 amounted to £4,800k and consist of capital and retained earnings.

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**	4,800	
2	**TIER 1 CAPITAL**	4,800	
3	**COMMON EQUITY TIER 1 CAPITAL**	4,800	
4	Fully paid up capital instruments	5,940	Note 12
5	Share premium		
6	Retained earnings	(1,140)	
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**		
21	Fully paid up, directly issued caital 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 caital instruments		
27	Share premium		
28	(-) TOTAL DEDUCTIONS FROM TIER 2		
29	Tier 2: Other capital elements, deductions and adjustments		

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.				
		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	-		
2	Prepayments	7		
3	Trade debtors	3,049		
4	Cash at bank	2,896		
xxx	**Total Assets**	5,952		
Liabilities - *Breakdown by liability classes according to the balance sheet in the audited financial statements*				
1	Rent reserve	15		
2	Accruals	109		
3	Trade and other creditors	1,028		
xxx	**Total Liabilities**	1,152		
Shareholders' Equity				
1	Called up share capital	5,940		Item 4
2	Retained losses	(1,140)		Item 6
xxx	**Total Shareholders' Equity**	4,800		Item 1, 2, 3

5. Own Funds Requirements

The assessment of adequate Own Funds resources is based on the level of Own Funds required when compared to the amount available.

Own Funds Requirements is calculated as the higher of:

a) Permanent Minimum Capital Requirement £ 75,000
b) Fixed Overhead requirement (FOR) £ 1,247,000 (Note 1)
c) K-Factor Requirement (KFR) £ 459,000 (Note 2)

Note 1: FOR is the amount equal to at least one quarter of Vermeer's fixed overhead for the preceding year, calculated in line with MIFIDPRU 4.5.

Note 2: The KFR is calculated as the sum of each of the K-Factors that apply to the business:

	Calculations as of 30th June 2023	£000
K-Factors	K-AUM (0.02% of average AUM over 15 months excl. most recent 3 months)	429
	K-CMH (Client Money Held)	n/a
	K-ASA (Client Assets Held)	n/a
	K-COH (0.1% of average attributable to cash trades over 6 months excl. most recent 3 months) – excl. orders executed in relation to portfolio management	30
	Trading book and dealing on own account K-Factors	n/a
K-Factor Total		459
Fixed Overhead Requirement (FOR)		**1,247**
Permanent Minimum Capital Requirement (PMR)		75

MIFIDPRU 7 requires firms to comply with the Overall Financial Adequacy Rule ('OFAR'). The OFAR states that Vermeer must at all times hold own funds and liquid assets which are adequate, both in amount and quality to ensure that:

- Vermeer remains financially viable throughout the economic cycle, with the ability to address any material potential harms that may result from its ongoing activities; and

- Vermeer's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

Through its ICARA process, Vermeer has identified that holding just the own funds and basic liquidity requirements would be sufficient for the Firm to meet the OFAR. This outcome has been determined through the various components of the ICARA process, which include, a business model and activity assessments, operational risk scenario modelling, economic and business strategy stress testing, liquidity stress testing and orderly wind-down planning.

6. Remuneration Policy

Remuneration Governance

As sole shareholder and principal employer, Vermeer Holdings LLP has chosen to create a Nominations and Remuneration Committee (‘RemCo’) as a sub-committee of the Executive Committee of the parent entity. The Committee is made up of three Investment Directors of the Firm who are also founding partners of Vermeer Holdings LLP.

RemCo is responsible for assisting the Board and ExCo to exercise judgement in considering and overseeing the overall remuneration philosophy and policy for the LLP; which includes the determination of Code Staff; the structure of variable remuneration and promotions. The RemCo terms of reference ensures that it:

- Is satisfied the LLP is compliant with the remuneration requirements of the FCA handbook, including whether the:
    - Remuneration policies are consistent with and promote sound and effective risk management, and do not encourage risk-taking that exceeds the level of tolerated risk within the Firm
    - Remuneration policies are in line with the LLP’s business strategy, objectives, values, and long-term interests of the partnership
- Exercises competent judgement on the Company’s remuneration practices and the incentives created for managing risk, capital, and liquidity
- Reviews the Company’s remuneration policy annually and makes proposals and recommendations regarding changes and enhancements
- Reviews all remuneration across the firm on an annual basis to ensure the principles used are in line with FCA guidance

Remuneration Objectives

Vermeer’s overall objective as an investment manager is to achieve consistent investment performance for its clients. Vermeer’s income is dependent upon clients’ assets under management, and therefore the profit available for distribution under the Remuneration Policy is dependent upon Vermeer’s overall performance.

To align interests of employees and clients, Vermeer offers remuneration that will attract and retain talent, as well as drive behaviours in line with Vermeer’s culture and values. All employees are assessed using a standard performance appraisal process, with consideration to a range of non-financial and financial criteria ranging from compliance and conduct risks to the performance of business activities. Additionally, client facing staff are assessed with quantitative measures such as investment performance of the generation of net new assets.

Remuneration

Remuneration within the LLP consists broadly of:

- Fixed remuneration
- Revenue derived profit allocation for revenue generating Partners
- Pre-agreed allocations of group profits to C-Suite
- Discretionary Bonuses

Fixed Remuneration

Monthly salaries and fixed draw are intended to compensate partners and employees for their skills and experience taking into account local market practice. The level of base salary for all roles is set at a level which does not encourage dependency on variable remuneration and therefore (excessive) risk taking to achieve an acceptable minimum level of compensation.

Revenue derived profit allocation for revenue generating Partners

Revenue generating Partners are allocated a percentage of their attributed revenue, less their direct team costs and their fixed draw. Any subsequent decision to allocate part of this percentage within their team as a bonus payment, is done on a discretionary basis by the Partner concerned, with oversight and approval of the CEO/RemCo.

Pre-agreed allocations of group profits to C-Suite

The Senior Office Holders (Chair and CEO) and Senior Executive (CIO) are allocated a percentage of any residual Wealth Management revenue profits. This shall be divided between them at the discretion of RemCo and mindful of FCA remuneration guidance.

Discretionary Bonus to Front Office teams

Performance criteria considered includes:

- both prior year revenue performance and their efforts to build the brand / franchise
- winning and retaining clients
- developing the future pipeline
- assisting senior management in building a sustainable and successful business
- their behaviour in relation to Risk, Compliance, and Policies & Procedures

Discretionary Bonus to other members of staff

Performance criteria considered includes:

- the overall performance of the LLP and the individual
- their behaviour in relation to Risk, Compliance, and Policies & Procedures
- both prior year revenue performance and their efforts to build the brand / franchise
- winning and retaining clients
- developing the future pipeline
- assisting senior management in building a sustainable and successful business

Clawback & Malus

All the defined elements of remuneration, excluding fixed draw or salary, are subject to clawback and malus for all staff. The CEO/ExCo will have ultimate responsibility for determining what activities would trigger such action, and the following will be considered:

- Where there is reasonable evidence of employee/Partner misbehaviour or material error

- The firm or the relevant business unit or investment management team suffers a material downturn in its financial performance

- The firm or the relevant business unit or investment management team suffers a material failure of risk management

Clawback will always be applied in cases of fraud or other conduct with intent or severe negligence which leads to significant losses.

Material Risk Takers

Material Risk Takers are defined as those whose professional activities have a material impact on the firm's risk profile and are reviewed annually by RemCo. The definition of Material Risk Takers within VHLLP and VIML:

- All SMF functions – Chair, CEO, CIO, Head of Compliance
- All Code Staff – Financial Controller, Head of Client Operations & Settlements, CAO
- Investment Directors of VIM and VP

As of 30th June 2023, Vermeer had seventeen material risk takers.