

Saltus Partners LLP MIFIDPRU 8 Disclosure 2024

Overview

Background

The Investment Firms Prudential Regime (“IFPR”) is the FCA’s new prudential regime for MIFID investment firms which aims to streamline and simplify the prudential requirements for UK investment firms. IFPR came into effect on 1st January 2022, and its provisions apply to Saltus Partners LLP (“Saltus” or “the firm”) as an FCA authorised and regulated firm. The public disclosure requirements of IFPR are set out in MIFIDPRU 8, replacing the previous Pillar 3 requirements of BIPRU 11. For the 2024 financial year, Saltus has adopted the FCA’s provisions for:

- Disclosure requirements (MIFIDPRU 8.1);
- Risk management objectives and policies (MIFIDPRU 8.2);
- Disclosure of Governance arrangements (MIFIDPRU 8.3);
- Own funds (MIFIDPRU 8.4) and own funds requirements (MIFIDPRU 8.5); and
- Remuneration policies and practices (MIFIDPRU 8.6).

Saltus is categorised as a Non-Small Non-Interconnected MIFIDPRU investment firm (“non-SNI MIFIDPRU”) as relevant SNI thresholds (outlined in MIFIDPRU 1.2.1) have been exceeded (primarily Saltus’ Assets Under Management (“AUM”) on an ongoing nature, is greater than £1.2 billion).

Basis of Disclosure

This report is prepared on an accounting consolidated basis and includes the following regulated entities: Saltus Partners LLP (“Saltus” or “the firm”) (FRN: 402531) and Ironbright Investment Management Ltd (“Ironbright¹”) (FRN 728738). The report is not required to be reviewed by the firm’s auditor. Certain information has been omitted from the report if, in the opinion of the management of Saltus, such information is of proprietary nature, price-sensitive, may intrude the privacy of any of the firm’s clients and employees, or would not change or influence the assessment or decision of market participants or other users of the report. The disclosed information is proportionate to the firm’s size and organisation, and to the nature, scope, and complexity of its activities.

Frequency of Disclosure

Unless otherwise stated, all figures are at 31 March 2024, the firm’s financial year end, with comparative figures for 31 March 2023 where relevant, in accordance with the rules set out in chapter 8 of MIFIDPRU. MIFIDPRU 8 disclosures are published annually concurrently with the Annual Report and Accounts in accordance with regulatory guidelines.

Location of Disclosure

MIFIDPRU 8 disclosure report is available on the Firm’s website at:

<https://www.saltus.co.uk/download/mifidpru-8-disclosure>

¹ Ironbright is in the process of being wound up as an entity and is therefore not open to new clients.

Copies of the statement are available on request by writing to Saltus Risk Management, 4500 Parkway, Whiteley, PO15 7AZ, United Kingdom

About Saltus Partners LLP

Saltus (Company House Number: OC308328) and its subsidiaries offers a comprehensive retail and institutional investment management service comprising discretionary and advisory fund management and a range of multi-asset funds. Clients are predominantly private individuals but also include trusts, charities, and institutions. Revenues are predominantly fees, based on a percentage of assets under management. Saltus is authorised and regulated by the Financial Conduct Authority and is registered in England and Wales. Registered offices: 4500 Parkway, Whiteley, PO15 7AZ, United Kingdom. Saltus is owned by funds operated by Preservation Capital Partners (“PCP”), Management, former staff, and independent shareholders.

Risk Management Objectives and Policies (MIFIDPRU 8.2)

Saltus has a centralised Risk Management function and processes which ultimately report into the Board of the firm. The Board has overall responsibility for the establishment and maintenance of an appropriate risk management framework. A committee structure, reporting to the Board, is in place to ensure that procedures, controls and limits are consistent with a Board approved risk framework and appetite.

To fulfil its obligations the Board is required to ensure an effective system of governance is in place. To discharge this the Board has established frameworks for risk management and internal control and are considering the formalisation of the ‘three lines of defence’ model and reserves to itself the setting of the respective risk appetite.

Role of Risk Management

The role of Risk Management, under the leadership of the Chief Compliance Officer (“CCO”) is to develop, implement, monitor, and continuously improve the risk management process, to ensure it functions adequately, consistently, and effectively.

Risk Management plays an active role in the management of the business. The involvement includes, inter alia, the following:

- Chair of the Risk Committee;
- Membership of relevant executive sub committees as appropriate.

The Board has the responsibility to consider decisions, actions or intended actions and risks, brought to its attention either by the business heads or other sources, and if it concludes that these are or could be detrimental to the business, it is also its responsibility to veto said actions or, alternatively, to insist on measures to reduce or restrict the detrimental effect.

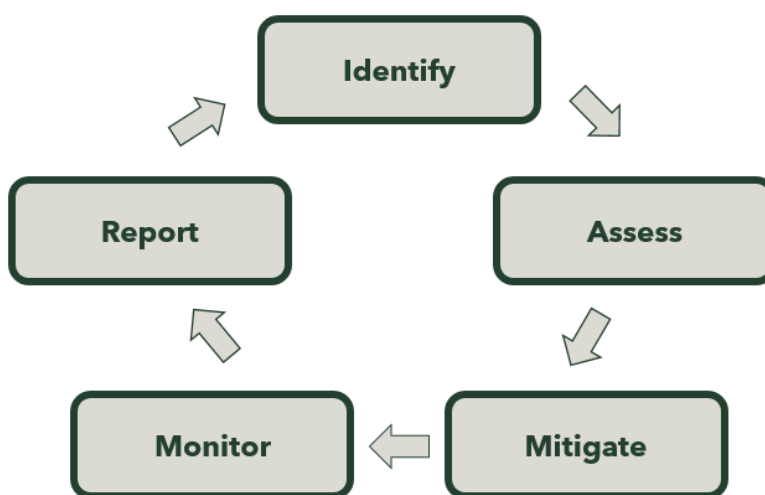
Risk Management Process

Risk management is integral to Saltus’ operational processes and procedures. The risk management framework is a fundamental part of its business planning and decision-making processes.

Integrating Saltus' risk management framework into day-to-day processes supports the achievement of core business objectives in a controlled environment and the continued delivery of outstanding client service.

Risks are identified using top-down and bottom-up approaches and each risk is assigned to agreed owners. This ensures completeness and consistency in the identification, assessment, mitigation, and monitoring of risk.

Figure 1: The Risk Management Process



The key risk register process is the foundation of the risk management framework. Risks are reviewed alongside key control performance assessments and Key Risk Indicators (“KRIs”) to ensure risks are monitored and managed within an effective control environment. Risk owners consider the relevant operational losses, process changes or system amendments that are required to appropriately manage risk. Where controls are insufficient management defines actions to bring risk exposures down to agreed tolerance levels.

Risk Appetite

Risk Appetite is the level and type of risk Saltus is willing to accept from its business activities to achieve the objectives of the business and its clients. The Board of Saltus, alongside the Saltus Operating Board (“SOB”) are required to ensure an appropriate risk management framework is in place across the business. At a more granular level, the implementation and oversight of the risk framework is the responsibility of all individuals within the business who must identify, assess, manage, and monitor risks within their area of responsibility and where appropriate, the broader business. The Risk Team is empowered under the supervision of the CCO to operate independently of the business and is there to support the business in identifying, monitoring, and managing risks via the Risk Committee. Strategic, operational, conduct and reputational risk are key risk exposures to the firm.

Categories of Risk

Saltus has a comprehensive risk framework capturing risks across an agreed and documented risk universe, which sets out the high-level risk categories to which it is exposed to, and all risks are linked. These categories are defined below.

Operational Risk

Saltus' appetite to Operational risk is low. Operational risk is the risk that there is a loss because of inadequate or failed internal or external processes, people, or systems.

Brand and Reputational Risk

Saltus' appetite to Brand and Reputational risk is low. Brand and Reputational risk is the adverse publicity regarding the firm's business practices, associations and market conduct, whether accurate or not, will cause a loss of confidence in the integrity of the firm.

Strategic Risk

Saltus' appetite to strategic risk is moderate because of its current transformation strategy.

Strategic risk refers to the internal and external events that may make it difficult, or even impossible, for an organisation to achieve their objectives and strategic goals. It may result from the firm's strategy being inappropriate, or the firm being unable to implement its strategy in accordance with its resources and regulatory constraints.

Conduct Risk

Saltus' appetite to Conduct risk is Low. Conduct Risk is the risk that the behaviour, acts or omissions of Saltus' and its employees results in:

- The unfair treatment of customers and/or delivery or poor customer outcomes;
- Damage to the integrity of the UK financial system;
- Unfair market competition.

Market Risk

Saltus' appetite to Market risk is low. The Company has no direct exposure to market risk on its balance sheet however a significant proportion of its revenue stream is based on the value of the investments that it manages for clients. The Company mitigates this risk by active management of its clients' assets, by maintaining the ability to reduce costs in the event of revenue declines and by maintaining sufficient capital and liquidity buffers to absorb short term losses. Monitoring of Market risk is performed by the Finance team and assessed within the annual Internal Capital Adequacy and Risk Assessment ("ICARA") process.

Credit Risk

Saltus' appetite to Credit risk is low. Credit risk is the risk of default and deterioration in the credit quality of issuers of securities, counterparties, and intermediaries to whom the company has exposure. Credit risk exposure arising from the placement of deposits with banks is mitigated through the placement of funds with banks with high credit ratings. The carrying amount of financial assets recorded in the financial statements, which is net of any impairment losses, represents the Company's maximum exposure to credit

risk. Within Saltus, Credit risk is primarily due to cash deposits held externally. Monitoring of Credit risk is performed by the Finance team and assessed within the annual ICARA process.

Liquidity Risk

Saltus' appetite to Liquidity risk is low. Liquidity risk is the risk that the Company is unable to generate sufficient cash or other liquid assets in a timely and cost-effective manner to meet its commitments as they become due. The Company has several systems, policies and processes in place to monitor and manage regulatory capital requirements, working capital needs and cash flows to help provide a sufficient buffer against liquidity risk. Given the nature of the Company's business, the Company does not run liquidity mismatches. Financial liabilities are on the whole short term and the Company maintains sufficient cash resources to cover its immediate liabilities. Monitoring of the Saltus' liquidity profile and managing its own funds requirements is performed by the Finance team and assessed within the annual ICARA process.

Other Risks

Concentration Risk

Saltus recognises the risk that it could be overexposed to one particular client relationship which could materially impact its financial performance if it was to lose that relationship. This risk may arise if the firm does not have adequate tools to monitor exposure to client relationships to ensure that the firm maintains a diverse client base. Saltus has monitoring tools in place to assess concentration exposure to particular clients or groups; enabling management to take appropriate action where required. Saltus does not have any material concentration exposure beyond its business risk appetite.

Governance Arrangements (MIFIDPRU 8.3)

Saltus believes a strong system of governance is a fundamental part of their responsibility to protect and enhance good outcomes for clients. It also helps deliver long term shareholder value and protect clients by ensuring it has a strong financial base to allow it to service its clients.

Good corporate governance is essential to:

- i. promote effective and transparent decision making;
- ii. clarify accountability and ensure an appropriate balance between the collective responsibilities of Saltus, its subsidiary boards and senior management, and the individual responsibilities of senior management and individual staff;
- iii. embed an appropriate culture across the business;
- iv. protecting the interests of clients; and
- v. support Saltus' strategy and business model.

Governance Structure

Saltus believes a strong system of governance is essential in ensuring the business runs smoothly, supporting effective decision making and delivering its strategic objectives.

Saltus has established a structured approach to governance, ensuring an effective level of alignment between oversight and management responsibility for risk. The risk governance structure has clearly defined roles and responsibilities for board and control committees, control functions and the accountable executives.

Directorships

Saltus is a Limited Liability Partnership (“LLP”) and the LLP Agreement provides for the Management Board consisting of two corporate members, Angel Bidco Ltd and Angel Bidco 2 Ltd to act as voting members. However, the Management Board discharges its regulatory responsibilities to the Saltus Partners LLP Board (“SPLLP”), and the group’s Risk Committee. The Risk Committee is responsible for determining the risk strategy of the firm, setting the firm’s risk appetite, and ensuring that risk is monitored and controlled effectively through a suitably robust operational risk management framework. It also has ultimate responsibility for the preparation and contents of the ICARA. The SPLLP Board has overall responsibility for oversight of the business. Business groups are required to meet regularly and provide certain reports or information to the SPLLP Board. The SPLLP Board also works closely with the SOB to ensure that Saltus’ risk management framework is adequate and effective.

The following Information relates to the appointments of members of the SPLLP Board, executive and/or non-executive functions, including directorships held at external, commercial organisations as of 31st March 2024.

The table does not include executive and non-executive directorships held in organisations which do not pursue predominantly commercial objectives; nor executive and non-executive directorships held within the same group or within an undertaking in which the firm holds a qualifying holding.

Table 2: Directorships Held (MIFIDPRU 8.3.1(2))

Name	Job Title	Number of Directorships Held as of 31 March 24 including LLP Memberships
Andrew Fleming	SPLLP Chair of Board	2
Daniel Underwood	Group Chief Finance Officer	13
David Cooke	Co-Chief Investment Officer	1
Charlie Ambler	Co-Chief Investment Officer	1
Alistair Stuart	Group Chief Operating Officer	1
Jason Edwards	Group Chief Compliance Officer	3
Michael Stimpson	Managing Director, SPP ²	2

Diversity

At Saltus we consider that equality means breaking down barriers, eliminating discrimination and ensuring equal opportunities and access for all groups both in employment, and to our products and services.

²Saltus Partnership Programme

We consider diversity to mean celebrating difference and valuing everyone. Each person is an individual with visible and non-visible differences and by respecting this everyone can feel valued for their contributions which is beneficial not only for the individual but for Saltus too.

We acknowledge that equality and diversity are not inter-changeable but inter-dependent. There can be no equality of opportunity if difference is not valued and harnessed. Saltus is committed to make opportunities for training, development, and progress available to all staff, who will be helped and encouraged to develop their full potential, so their talents and resources can be fully utilised to maximise the efficiency of the organisation.

Risk Committee (“RC”)

Saltus has established a Risk Committee (“RC”). The purpose of the RC is to assist the Board in fulfilling its oversight responsibilities by:

- Setting and overseeing the overall standard for financial reporting, risk management and internal controls;
- Monitoring the effectiveness of business risk management processes;
- Reviewing and assessing the quality of the work done by the professionals responsible for financial reporting and internal control;
- Engaging in discussions with external and internal auditors on the quality and acceptability of the control environment and reporting structures; and
- Agreeing the appointment of CASS auditor(s), receiving a copy of auditors’ CASS reports, reviewing actions arising, and providing instructions thereon where necessary.

Own Funds (MIFIDPRU 8.4)

Own Funds Capital Calculation

The table below shows the Tier 1 capital, specifically Common Equity Tier 1 (“CET1”) capital held by Saltus. Saltus does not hold any Additional Tier 1 or Tier 2 capital.

The following tables, in compliance with MIFIDPRU disclosure requirements, disclose:

- the composition of the Firm’s own funds;
- a reconciliation of own funds to the capital in the balance sheet per the audited financial statements of the firm; followed by
- a description of the main features of the CET1 capital issued by the firm.

Table 3: Composition of Regulatory Own Funds as of 31st March 2024 (MIFIDPRU 8.4.1)³

Item	Amount (GBP thousands)	Source based on reference numbers / letters of the balance sheet in the audited financial statements
OWN FUNDS	16,658	
TIER 1 CAPITAL	16,658	
COMMON EQUITY TIER 1 CAPITAL	16,658	
Fully paid-up capital instruments	16,658	Reconciliation of members' interests
Share premium	0	
Retained earnings	0	
Accumulated other comprehensive income	0	
Other reserves	0	
Adjustments to CET1 due to prudential filters	0	
Other Funds	0	
(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-3,482	Note 10,15
CET1: Other capital elements, deductions, & adjustments	0	
ADDITIONAL TIER 1 CAPITAL	0	
Fully paid up, directly issued capital instruments		
Share premium		
(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1		
Additional Tier 1: Other capital elements, deductions, and adjustments		
TIER 2 CAPITAL	0	
Fully paid up, directly issued capital instruments		
Share premium		
(-) TOTAL DEDUCTIONS FROM TIER 2		
Tier 2: Other capital elements, deductions and adjustments		

³ The tables are based on Firm's Financial Statements as 31st March 2023.

Own Funds Requirements (MIFIDPRU 8.5)

The table below shows the K-Factor Requirement (KFR), broken down into three groupings and the total amount of fixed overheads. Saltus' Fixed Overhead Requirement (FOR) is 25% the total annual eligible expenditure. This is £6,061,648.

Table 4: K Factor Requirement and Fixed Overheads Requirement as of 31st March 2024 (MIFIDPRU 8.5.1)

Item	Amount GBP (thousands)
K-Factors Requirement (KFR) – non SNI firms only	
Total K-Factor Requirement	462
K-AUM	462
K-CMH (segregated)	0
K-CMH (non-segregated)	0
K-ASA	0
K-COH (cash trades)	0
Own Funds Threshold Requirement	6,118
Fixed Overheads Requirement (FOR)	6,062

Approach to Assessing the Adequacy of Own Funds

The internal capital adequacy and risk assessment process (“the ICARA process”) is the core risk management process for FCA investment firms. The ICARA process is a continuous assessment of the harm a firm may pose to clients and markets as part of its ongoing business and during wind-down. Saltus reviews the adequacy of the ICARA process at least once every 12 months and following any material change in the firm’s business or operating model. The ICARA process document and associated external disclosures have been reviewed by senior management and has had senior management input throughout the document’s development. The last ICARA process was completed in October 2024. As part of the ICARA process, Saltus has undertaken sensitivity analysis (stress testing) to ensure the business is able to absorb shocks throughout a three-year life cycle. The conclusions for Saltus were:

- there is sufficient capital and liquid assets to address any harms throughout the economic cycle (in compliance with the FCA Own Funds Adequacy Requirement);
- there are financial resources to wind down the business in an orderly manner; and
- it has adequately assessed and documented identified harm to the clients, the firm and markets.

Remuneration Policy and Practices (MIFIDPRU 8.6)

Classification of the group

Saltus as a non-SNI MIFIDPRU investment firm meets the conditions in MIFIDPRU 7.1.4R(1) for reduced disclosure requirements on the basis that the value of the firm's on and off-balance sheet items over the preceding 4-year period is a rolling average below £300million and Saltus has no trading book assets.

The Remuneration Committee

At 31 March 24, the SPLLP Board held responsibility for SPLLP remuneration policies.

Responsibilities of the SPLLP Board include:

- approve objectives for the SPLLP CEO ⁴;
- to monitor the performance of the SPLLP Board Chair and Executive against objectives set;
- to consider and approve new positions and new hires at the SPLLP Executive level, and the terms of Executive appointments;
- to consider new senior headcount outside of the budget;
- to consider and approve changes to the terms of Contracts of Employment for Executives;
- to consider and approve all Executive pay, Bonus and Benefits;
- to consider and approve Executive bonus scheme structures;
- to consider and recommend Management Incentive Plan ("MIP") participation levels;
- oversight of succession plans;
- to consider and approve the general framework of staff bonus schemes within which the SPLLP CEO will operate his delegated authority; and
- to consider and approve board appointments.

Material Risk Takers

In accordance with the FCA rules, Saltus is required to identify the categories of staff whose professional activities are deemed to have a material impact on the risk profile. These are referred to as Material Risk Takers ("MRTs") and Saltus ensures it applies all of the necessary remuneration requirements to these staff, taking into account the size and complexity of the business. MRTs are identified in line with the criteria included within relevant guidance, but broadly, they include:

- Executive Directors;
- members of senior management which form the Saltus Operating Board; and / or
- those individuals whose role means they can expose the firm, or the funds it manages for clients, to material risk.

Pay and Performance

The company aims to recognise the market value of each position in a competitive market, reward individual's capabilities and experience and recognise the performance of individuals and the person's potential to contribute and where they are positioned against comparable market rates. This may be a combination of fixed and variable compensation.

Remuneration can be made up of two broad components:

- basic fixed remuneration (e.g., salary plus any allowances) in line with the employee's professional experience and role within the company; and / or
- variable remuneration (e.g., corporate bonus, long term incentive plans, performance fees) that reflects performance - which may be subject to performance adjustment.

⁴ The Group CEO acts as CEO for all entities, including SPLLP.

Any variable remuneration, including any deferred portion, is paid or vests only if it is sustainable according to the financial situation of the company, and is based on the performance of the company, the business unit and the individual concerned.

Variable Remuneration

In determining short term annual variable components of salary, the overall total remuneration of the individual is taken into account and an appropriate balance of fixed and variable pay is determined and maintained by taking into account the financial results of the company, the performance of the business unit, the individual's performance and adherence to compliance and regulatory obligations alongside retention risks (and associated business risks) of not paying comparable to market. Bonus payments are at the discretion of the Group CEO and Group CFO and depend on the individual and company performance amongst other factors. The Group CEO approves any variable remuneration for the SPLLP Chair of the Board.

Management Incentive Plan

The purpose of the Management Incentive Plan is to align the financial interest of the Company's staff to that of its stakeholders. These allocations are focused on motivating and rewarding sustained long-term performance. Long term incentives also serve to attract, motivate, and retain key senior employees. Annual allocations are used to share the financial success of the growth of the company. Inclusion in one year does not indicate inclusion in future years. Long-term incentive schemes are governed by the Group Board which will assess performance against agreed measures at the vesting period. The Group Board has the authority to apply clawback and/or malus adjustment to all or a portion of the award and all payments are made at the discretion of the Group Board.

Retention Payments

Where Saltus regards an employee as critical to the business, both currently and in the foreseeable future, a retention payment may be offered. This will be conditional upon the employee meeting agreed performance targets. The retention payment is subject to a retention period and where the condition of continued employment is not met the payment is repayable in full. Retention payments are also subject to malus and clawback provisions.

Malus and Clawback

Where defined trigger events take place provision is made for redress against remuneration through either malus (pre-vesting forfeiture) or clawback (post-vesting forfeiture). In assessing whether defined trigger events have taken place, the Group Board will work with the Remuneration Committee, professional third-party legal advisors and and/or any other business functions with the business to ensure that assumptions are correct. Malus and Clawback applies to all performance related bonus and variable pay.

Aggregate Remuneration

Saltus has not disclosed information on the remuneration of MRTs split into categories of senior management and other material risk takers as it has relied on the exemption in MIFIDPRU 8.6.8.(7) to prevent the individual identification of these MRTs. (Figures shown in £,000s).

Saltus has not disclosed information on severance payments as it has relied on the exemption in MIFIDPRU 8.6.8.(7) to prevent the individual identification of these MRTs. No guaranteed variable remuneration was awarded.

Saltus is a non-SNI MIFIDPRU investment firm that meets the conditions in SYSC 19G.1.1R(2) so is not required to disclose information in MIFIDPRU 8.6.8(6).