ARJUN Infrastructure

Strictly private & confidential

MIFIDPRU disclosure

Arjun Infrastructure Partners Limited

For the financial year ended 30 June 2024

Table of contents

Introduction

This disclosure is in relation to Arjun Infrastructure Partners Limited ("Arjun", the "Firm" or "we"). The Firm is a private, UK incorporated Company, authorised and regulated by the Financial Conduct Authority (FCA) with registration number 791899. The Firm is currently conducting designated investment business, which includes arranging deals in investments, investment advice and discretionary investment management services to individual clients. The Firm also has permission to manage Alternative Investment Funds ("AIFs") and to establish, operate and wind up collective investment schemes.

The Firm is required to comply with the disclosure requirements under the Investment Firms Prudential Regime ("IFPR"), which is set out in the FCA Handbook MIFIDPRU 8. For the purpose of prudential regulations, the Firm is classified as a non-SNI (small and non-interconnected) firm and is subject to the standard requirements. We consider the level of detail in the disclosure to be appropriate to our size and internal organisation, and to the nature, scope, and complexity of the Firm's activities.

Risk management

The Firm's management body (the "Board") has the ultimate responsibility for the development of appropriate strategies, systems, and controls for the management of risks within the business.

Risk is an inherent part of the Firm's business. The Board recognises the need to understand the risks the Firm faces in its businesses and the industry in which it operates and how to manage them effectively. The role of management is to balance these risks and make the best use of Firm resources, both human and capital, so that the Firm can deliver on its strategy.

As part of the annual internal capital adequacy and risk assessment ("ICARA") process undertaken by the Firm, key risks and potential harms to the Firm, its customers, and market participants are identified and assessed. Mitigation plans are put in place to manage such risks, and the impact that these risks may have on the level of own funds, concentration risk and liquid assets are also considered through the ICARA process.

The Firm's risk management framework is embedded across the Firm and encompasses a number of elements to help the Firm manage its risk exposure. The framework ensures a consistent risk management approach across the Firm, and ensures the risks the business faces are understood and continually managed within the Firm's risk appetite, as well as helping us to consider capital implications when making strategic and operational decisions.

Risk management structure

Arjun has in place a hierarchically and functionally independent permanent Risk Management Function ("RMF") which reports to the Board. The RMF is in charge of monitoring the risk profile of the Firm, implementing the risk management policy and procedures, ensuring compliance with Fund and investment risk limits and monitoring the risks identified by the Firm, and providing regular updates to the Board.

Whilst the Board is ultimately responsible and accountable for the risk management of the Firm, the Firm operates the following lines of defence:

- **First line of defence:** Management is responsible for the identification, measurement and management of risks within the Firm, ensuring appropriate controls are in place and operating effectively.
- **Second line of defence:** The Firm's Risk Management Function provides risk management expertise and oversees the employees in their performance of risk management activities through independent reviews, monitoring, and testing.
- **Third line of defence:** The Board oversees and reviews the effectiveness of the risk management structure and framework and ensure results are in line with the Firm's risk appetite.

The Risk Management and Compliance Committee ("RMCC") has been established as a committee of the Board and meets at least quarterly to oversee the day-to-day risk management and compliance activities of the Firm. The Board ultimately retains accountability for ensuring that the risk management processes are adequate and appropriate to effectively manage the risks identified by the Firm and that the RMF is appropriately resourced. In performing this assessment, the Board considers the overall Risk Management and governance framework, the reports prepared by the Risk Manager, the knowledge and experience of the staff that comprise the risk function and the competence and experience of the Board.

Risk appetite statement

The Firm is exposed to a variety of risks as a result of its business activities. These risks include those arising from its responsibilities in the areas of fund management, product development, investment management and day-to-day operational activities. Risk appetite is an articulation of the risk the Firm is prepared to accept in pursuit of its strategy, duly set and monitored by the directors and integrated into its strategy and business plan.

The Firm accepts that risk is inherent in any business, however the Board has a low tolerance for risks that will adversely affect its business. The Firm places great importance on having an effective Risk Management Function and actively monitors the potential impact of current and emerging risks. Furthermore, the Firm places significant focus on the integrity and conduct of employees, and the risk management framework is complemented by a strong ethical culture.

The Firm does accept it is not possible to eliminate all risks inherent in its activities and that acceptance of some residual risk is necessary given the size of the Firm and to achieve standardised, efficient processes and as such, has determined that their general appetite for risk is as follows:

Impact	**Critical**	Acceptable	Tolerated	Unacceptable	Unacceptable
	High	Acceptable	Tolerated	Tolerated	Tolerated
	Medium	Acceptable	Acceptable	Acceptable	Tolerated
	Low	Acceptable	Acceptable	Acceptable	Acceptable
		Rare	**Unlikely**	**Possible**	**Likely**
		Probability			

Unacceptable No appetite and immediate action must be taken to reduce the impact and/or likelihood of the risk occurring.

Tolerated Appetite exists however must ensure that an action plan is devised to increase mitigation.

Acceptable Appetite exists however keep current action plan/mitigation under general review.

The Firm's risk appetite for each area of principal risk is set out below:

- **Business risk and strategic risk:** The Firm has a low appetite for threats to the ability of the Firm to carry out its business plan and strategy and continuously monitors internal and external environments to identify new and emerging risks.
- **Operational risk:** The Firm has a low appetite for operational risks but accepts that operational risks are inherent in all activities and processes. The Firm has a very limited appetite for large operational losses due to the likely customer impact, reputational damage and opportunity costs.

The risk appetite statement is reviewed annually, or whenever there is a significant change to the Firm's business or operations. Proposed changes to the risk appetite statement are approved by the Board following review by the Risk Management and Compliance Committee.

Assessing the effectiveness of risk management processes

The Board has overall responsibility for all aspects of risk monitoring, including capital and liquidity adequacy and planning.

As per the third line of defence, a compliance monitoring programme is in place which is delivered by external compliance consultants in conjunction with the in-house compliance function. In addition to this, the Board requires any one the following on a periodic basis:

- Compliance function review and attestation as part of compliance monitoring plan
- Tracking the severity and frequency of incidents and breaches, including financial impact in comparison to historic occurrences
- Updates on the risk appetite framework
- Risk profile analysis including an update on the consistency of risk limits and the risk profiles of the funds or investments under management
- Feedback from Senior Management and the RMCC

Governance framework

The Board is responsible for the oversight and implementation of the strategic objectives, risk strategy and internal governance arrangements of the Firm. As at 30 June 2024, the Board consisted of five members, and the number of external directorships held by each member was as follows:

Name	Number of other external directorship positions held
Peter Antolik	0
Francois Bornens	1
Charles Hazelwood	0
Surinder Toor	0
Romain Py	0

The Board meets quarterly and receives reports on investments, operations, financials, risk, legal and compliance matters. The Board has also delegated certain functions to the following committees:

Committee	Responsibilities
Management Committee	The Management Committee is responsible for: ▪ monitoring the financial position of the Firm, including consideration of periodic management accounts; ▪ reviewing and developing the strategy of the Firm for discussion with the Board; ▪ reviewing the performance of the Firm and its employees, including consideration of employment and remuneration decisions; and ▪ providing oversight of, and agreeing changes to, the Firm's Governance Framework.
Investment Committee	The Investment Committee is responsible for overseeing the investment management function of the Firm, specifically related to asset investment and divestment decisions.
Valuation Committee	The Valuation Committee is responsible for overseeing the valuation function of the Firm, specifically to approve the valuations of assets within the Firm's managed funds and investment structures.
Risk Management & Compliance Committee	The Risk Management & Compliance Committee is responsible for overseeing the day-to-day risk management and compliance activities of the Firm.

Due to the size, nature and complexity of the business activities, the Firm does not have a Nomination Committee, or a Remuneration Committee as part of its governance arrangements, nor is it required to establish these committees under the requirements as set out in MIFIDPRU 7.1.4 and 7.3.1.

Recruitment practices

The Firm, in accordance with the UK Corporate Governance Code, selects and recruits members of the Firm's management body based on merit. When determining the structure of the Firm's management body, the Firm ensures as far as practical that individuals being appointed for these types of roles have the relevant skills, experience and overall, a good mix of skills and experience to carry out the responsibilities of the management body.

The Firm is committed to building and maintaining a diverse and inclusive team. The Firm continues to monitor ways of promoting an inclusive workplace and ensure that there is equality of opportunity for all.

Own funds

Composition of regulatory own funds

The Firm's own funds (i.e. capital resources) comprise exclusively CET1 capital. CET1 capital consists of fully issued ordinary shares, satisfying the requirements for a CET1 instrument in accordance with IFPR, plus retained earnings.

	Item	Amount (£)	Source based on reference numbers of the Company balance sheet in the audited financial statements
1	OWN FUNDS	19,071,433	
2	TIER 1 CAPITAL	19,071,433	
3	COMMON EQUITY TIER 1 CAPITAL	19,071,433	
4	Fully paid-up capital instruments	572,100	1 – Called Up Share Capital
5	Share premium	N/A	
6	Retained earnings	18,799,177	2 – Profit and loss account
7	Accumulated other comprehensive income	N/A	
8	Other reserves	N/A	
9	Adjustments to CET1 due to prudential filters	N/A	
10	Other funds	N/A	
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-299,844	
19	CET1: Other capital elements, deductions and adjustments	-299,844	3 – Deferred tax asset forming part of Debtors
20	ADDITIONAL TIER 1 CAPITAL	N/A	
21	Fully paid up, directly issued capital instruments	N/A	
22	Share premium	N/A	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	N/A	
24	Additional Tier 1: Other capital elements, deductions and adjustments	N/A	
25	TIER 2 CAPITAL	N/A	
26	Fully paid-up, directly issued capital instruments	N/A	
27	Share premium	N/A	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	N/A	
29	Tier 2: Other capital elements, deductions and adjustments	N/A	

Own funds – Reconciliation of regulatory own funds to Company balance sheet in the audited financial statements

The table below describes the reconciliation with own funds in the Company balance sheet as at 30 June 2024, where assets and liabilities have been identified by their respective classes. The information in the table below reflects the Company balance sheet in the audited financial statements.

		Company balance sheet as in published/audited financial statements Amount as at period end (£)	Cross- reference to composition of regulatory own funds
Assets – Breakdown by asset classes according to the Company balance sheet in the audited financial statements			
1	Tangible assets	283,769	
2	Investments	7,507,070	
3	Debtors	14,257,550	19 – CET1: Other capital elements, deductions and adjustments (deferred tax asset forming part of Debtors)
4	Cash at bank and in hand	4,568,544	
	Total Assets	**26,616,933**	
Liabilities – Breakdown by liability classes according to the Company balance sheet in the audited financial statements			
1	Creditors: amounts falling due within one year	-5,674,583	
2	Creditors: amounts falling due after one year	-87,172	
3	Deferred taxation	-	
4	Other provisions	-1,483,901	
	Total Liabilities	**-7,245,656**	
Shareholders' Equity			
1	Called up share capital	572,100	4 – Fully paid up capital instruments
2	Profit and loss account	18,799,177	6 – Retained earnings
	Total Shareholders' equity	**19,371,277**	

Own funds – Main features of own instruments issued by the Firm

The table below provides information on the CET1 Instruments issued by the Firm.

Issuer	Arjun Infrastructure Partners Limited
Public or private placement	Private
Instrument type	Ordinary share
Amount recognised in regulatory capital (GBP, as of most recent reporting date)	572,100
Issue price (GBP)	£0.10
Redemption price	N/A
Accounting classification	Shareholders' equity
Original date of issuance	10 February 2015
Perpetual or dated	Perpetual
Maturity date	N/A
Subsequent call dates if applicable	12 March 2018 1 July 2019
Convertible or non-convertible	N/A
Write-down features	N/A
Link to the terms and conditions of the instrument	N/A

Own funds requirements

The Firm's own funds requirements according to MIFIDPRU 4.3 are as follows:

	£
(a) Permanent Minimum Requirement	75,000
(b) Fixed Overhead Requirement ("FOR")	2,165,859
(c) K-Factor Requirement	681,814
(c1) K-AUM	681,814
Own Funds Requirement (higher of (a), (b) and (c))	**2,165,859**

Assessment of own funds in accordance with the Overall Financial Adequacy Requirement ("OFAR")

As part of the annual ICARA process, the methodology the Firm uses to calculate the individual components required to assess the amount of own funds required is as follows:

- Identify and measure the risk of harms arising from both the ongoing operations of the Firm's business and the winding down of the Firm's business
- Determine the capital requirement from on-going operations (Assessment A) by assessing the appropriate amount of residual risk from any material harms that could result from the ongoing operations of the Firm and where additional owns funds are necessary over and above the K-Factor Requirement
- Undertake stress testing to determine if any additional capital is required
- Determine the capital requirement for wind down (Assessment B) by starting with the FOR and determining if the FOR is sufficient, and if any additional own funds are necessary
- Own Funds Threshold Requirement ("OFTR") is the higher of Assessment A and Assessment B

These internal assessments help inform the adequate level of financial resources required to be maintained by the Firm in compliance with the OFAR.

Remuneration

The Firm is required to comply with the MIFIDPRU Remuneration Code under IFPR, which aims to ensure that we have risk-focused remuneration policies that are consistent with and promote sound and effective risk management in the long-term interests of the Firm and our customers and do not expose the Firm or our clients to excessive risk.

Our approach and objectives

We have formulated our approach in remuneration policy and practices with reference to the guidance set out by the FCA. We consider the appropriate balance between fixed and variable remuneration as well as the constraints in place to avoid a conflict of interest between staff incentives and the best interests of customers.

The objectives of our financial incentives are to:

- promote sound and effective risk management in the long-term interests of the Firm and our customers
- limit risk-taking and avoid conflicts of interest
- ensure alignment between risk and individual reward
- supporting positive behaviours and healthy firm cultures
- encourage responsible business conduct
- discourage behaviour that can lead to misconduct and poor customer outcomes
- align employees' interests with the Firm's long-term strategy and objectives
- be gender neutral, in line with the Equality Act 2010.

Governance and decision-making procedures

The Firm's Management Committee is responsible for overseeing the implementation of our remuneration policy, which applies to both the Firm's Material Risk Takers and wider staff whilst ensuring our compliance with the MIFIDPRU Remuneration Code.

One role of the Management Committee is to ensure the extent of the variable remuneration at the Firm cannot affect the Firm's ability to ensure a sound capital base. The Management Committee is responsible for overseeing the performance management process; reviewing and approving (at least annually) the remuneration policy, variable remuneration pool and caps, eligibility of participation in variable remuneration schemes, as well as the approval of variable remuneration awarded to individuals. The remuneration policy is also reviewed independently by the RMF on an annual basis.

We assess our staff members under our performance management process on an ongoing basis with an annual performance assessment outcome being used as a contributing factor in the determination of remuneration.

The remuneration of senior staff in risk management and compliance functions is directly overseen by the Management Committee. Any remuneration to staff with control functions is awarded according to objectives linked to their functions and remains independent from the business units they oversee.

No variable remuneration is awarded to members of the Board who do not perform an executive function in the Firm.

Key characteristics of remuneration policies and practices

The remuneration policy has been developed based on a number of key principles which are:

- Remuneration should align to the Firm's business drivers, corporate vision and strategic priorities.
- Remuneration should adhere to wider people management practices, and only reward results which support a positive employment culture and customer values.
- Remuneration communication should be made simple, clear and transparent for employees and shareholders.

Remuneration at the Firm typically comprises a salary and benefits including pension scheme, life assurance, private medical cover, and income protection insurance together with a number of bonus or profit-sharing arrangements. Salaries are set in the context of affordability, external market considerations as well as internal relativities and equal pay factors.

Fixed remuneration

Base Salary

We review the base salary of staff members on an annual basis by considering factors such as market information, scope of role, and individual performance.

Variable remuneration

Bonus

The Firm's bonus scheme is a discretionary reward scheme based on the performance of the Firm as a whole. All bonuses are dependent on the Firm's overall financial result to ensure a sound capital base. The bonus pool will take into consideration current and future financial and non-financial risks.

On an individual level, the scheme is designed and linked to both financial and non-financial criteria, rewarding behaviours that promote positive non-financial outcomes for the Firm and limiting behaviours contrary to the Firm's values. Non-financial outcomes include the achievement of Environmental Social and Governance (ESG) and diversity, equality, and inclusion objectives and targets.

The bonus pool and other individual bonuses will be adjusted as deemed necessary by the Management Committee of the Firm in consideration of the following:

- Any compliance or regulatory issues that have occurred or are under investigation internally or externally
- Any persistent or significant breaches in either financial or non-financial KPIs
- Any conduct related matters that have occurred or are under investigation internally or externally
- Any matters that adversely impact client outcomes
- Any other factors that may publicly impact the Firm's brand or reputation.

Control function staff are independent from the business units they oversee and are remunerated in line with the achievement of the objectives of their functions. The determination of the level of remuneration of such staff is independent of the performance of the business areas they oversee.

Profit Participation

As a separate and independent form of variable remuneration, staff members are also awarded a share of the Firm's profits each financial year. The scheme is directly linked to the performance of the Firm as a whole.

Profit participation awards are reviewed and approved by the Management Committee alongside bonus awards.

Other Forms of Remuneration

We acknowledge non-performance-related variable remuneration, such as sign-on bonuses, buy-out awards, retention awards and severance pay, may weaken the alignment of risk and reward. It is not common practice to offer rewards of those types and may be done in exceptional circumstances only. In each case, alignment with the Firm's wider interests, including ensuring such awards do not reward failure or misconduct, will be considered.

Material risk takers

Material Risk Takers ("MRTs") are those staff members and members of Senior Management who have a material impact on the Firm's risk profile, including:

- Member of the Management Committee
- Manager or senior member of staff in a control function
- Manager or senior member of a business unit carrying regulated activities
- Manager of a support function who can have a material impact on the Firm's risk profile, such as IT
- Staff with the authority to approve or veto the introduction of new products
- Staff responsible for managing a material risk or risk management policies

Clawback and malus

The total variable remuneration awarded to any individual is subject to clawback where we experience subdued or negative financial performance. These clawback arrangements will take into account both current remuneration and reductions in payment of amounts previously earned, including through prior clawback arrangements.

Up to 100 % of the total variable remuneration previously awarded will be subject to clawback arrangements. The following criteria will result in clawback arrangements being invoked:

- Any evidence of employee misbehaviour or material error;
- Any participation in, or responsibility for, conduct which resulted in significant losses to the Firm or relevant business unit;
- Any failure to meet appropriate standards of fitness and propriety;
- Any matters that adversely impact client outcomes; or
- Any other factors that demonstrably publicly impact the Firm's brand or reputation.

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

Further cases and the determination of the level of clawback to be undertaken is made by the Management Committee, which may seek external independent professional advice on the implementation of such arrangements.

Quantitative disclosure

For the financial year ended 30 June 2024, the amount of remuneration awarded is as follows:

Category of Staff	Total remuneration (£)	Fixed proportion (£)	Variable proportion (£)
Senior managers and MRTs	2,653,137	1,926,160	726,977
Other staff	7,803,505	4,032,286	3,771,219
Total	**10,456,642**	**5,958,446**	**4,498,196**

Note: The Firm has identified eight material risk takers during the year, with eight identified as at 30 June 2024. In accordance with MIFIDPRU 8.6.8(7), other MRTs have been amalgamated with senior managers to avoid identification of two material risk takers.

The Firm did not award any guaranteed variable remuneration and severance payments to Senior Management and other MRTs for the financial year ending 30 June 2024.