QATALYST PARTNERS LIMITED

MIFIDPRU 8 Disclosures

31 December 2022

1. Introduction

1.1 Background and Disclosure

Qatalyst Partners Limited (the "Company") is an investment firm authorised and regulated in the UK by the Financial Conduct Authority ("the FCA") and is required to make certain public disclosures under Chapter 8 of the Prudential Sourcebook for MiFID Investment Firms in the FCA Handbook ("MIFIDPRU 8").

The Company is classified under MIFIDPRU as a Non-small and non-interconnected MIFIDPRU investment firm ("Non-SNI Firm"). The Company falls within the thresholds set out in MIFIDPRU 7.1.4R(1), as such the Company is required by MIFIDPRU 8 to disclose information on the following areas:

- Risk management objectives and policies;
- Governance arrangements;
- Own funds;
- Own funds requirements; and
- Remuneration policy and practices.

The Company's remuneration arrangements disclosed in section 6 of this document have been prepared according to the relevant rules applicable to the Company in part 19G of the Senior Management Arrangements, Systems and Controls legislation (SYSC 19G).

1.2 Structure and Operating Model

The Company is part of a larger global group owned by Qatalyst Group LP ("Qatalyst Group"), a US-based boutique investment bank headquartered in San Francisco. Established in March 2008, Qatalyst Group provides strategic and financial advisory services via its subsidiaries to corporate clients in the technology sector, where its team's industry knowledge, network relationships and advisory experience are of great value. Qatalyst Group works with its clients' senior management teams and boards to advise them in their strategic decision making and on issues of critical importance to their prospects, including acquisitions, divestitures, mergers, restructurings, and key business partnerships as well as capital structure and capital raising alternatives.

1.3 Principal Activities

The principal activity of the Company is to provide corporate finance, mergers and acquisitions and other advisory services.

To enable the Company to provide the contracted services to its clients, it is authorised by the FCA to undertake the following activities:

- Advising on investments
- Arranging (bringing about) deals in investments
- Making arrangements with a view to transactions in investments
- Agreeing to carry on a regulated activity

2. Risk Management objectives and policies (MIFIDPRU 8.2)

This section describes the Company's risk management objectives and policies for the categories of risk in the following areas:

- Own funds
- Liquidity

2.1 Statement of Risk appetite

The Company has adopted a conservative risk appetite in respect to all types of material harms that arise in the course of pursuing its business model and strategy. The Company's low-risk appetite is reflected in its maintenance of own funds and core liquid assets in excess of its own funds and liquid assets requirements, respectively, which is indicative of the fact that the Company seeks to minimise the risk of being unable to meet its liabilities as they fall due. Measures are nonetheless implemented to ensure that risks that fall within the Company's risk appetite are mitigated to the extent possible. However, where an identified, significant potential harm is deemed sufficiently remote in terms of the likelihood of its occurrence, no risk management action is taken, because if the potential harm were to materialise, then the Company would implement the wind-down plan. The Company accordingly within its wind-down plan has quantified adequate 'additional' own funds and liquid assets to support an orderly wind-down of the business. This is reflected within the Company's threshold requirements for capital and liquid assets.

2.2 Risk Management

The Company has established a risk management process to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business. Risk management for the Company is the responsibility of senior management and is based on the operation and interaction of several different bodies and processes as explained below.

Own funds

To calculate the Company's own funds threshold requirement, the Company identifies and measures the risk of harms applicable to the Company and considers these risks with regard to its ongoing operations and from a wind-down perspective. The Company then determines the extent to which systems and controls in place mitigate the Company's risks and the potential for a disorderly wind-down, and thereby determines the appropriate amount of additional own funds required to cover the residual risks.

The business and operating model is simple with robust oversight by senior management. Considering the strength of senior management's supervision, there is no immediate requirement to set aside 'additional own funds' for the purposes of ongoing operations.

The Company's risks are controlled by a set of compliance and operational policies and procedures. This also links to the Internal Capital Adequacy and Risk Assessment process (ICARA) as a continuous internal review process that is meant to support senior management in the decision-making process and its exercise of oversight and control over the Company. As explained further, the ICARA process is an important component that feeds into and derives from the policies, procedures, systems, and controls that play a key role to ensure that the Company operates effectively.

The Company's own funds threshold requirement is £400,000, which is considered adequate to support an orderly wind-down plan.

3. Governance arrangements (MIFIDPRU 8.3)

3.1 Senior management team

The Company believes that effective governance arrangements help the Company achieve its strategic objectives while also ensuring that the risks to the Company, its stakeholders and the wider market are identified, managed, and mitigated.

The Company's senior management team is responsible for determining the Company's business strategy and risk appetite along with designing and implementing a risk management framework that recognises the Company's business risks, determines how those risks may be mitigated and assesses the ongoing management of those risks. The Company's senior management team meets on a regular basis and discusses the projections for profitability and capital management, business planning and risk management for the business. The senior management team is also responsible for the Company's disclosures and communications, ensuring the integrity of the Company's accounting and financial reporting systems (including financial and operational controls and compliance with the regulatory system), and assessing the adequacy of policies relating to the provision of services to clients.

The following individuals make up the senior management team at Qatalyst:

1) **Peter Spofforth [PXS02326]**
   Peter holds the following senior management functions:
   - SMF 3 Executive Director
   - SMF16 Compliance Oversight
   - SMF17 Money Laundering Reporting Officer

2) **Jason DiLullo [JXD02428]**
   Jason holds the following senior management functions:
   - SMF3 Executive Director

The table below sets out the number of directorships (executive and non-executive) held by each member of the senior management team.

Name	Position at the Company	No. of external directorships held
Peter Spofforth	Executive Director	0
Jason DiLullo	Executive Director	1

3.2 Approach to Diversity of the Senior Management Team

The Company's approach to diversity within management is in line with the corporate diversity goals of Qatalyst Group. Qatalyst Group is committed to promoting equality and diversity as well as valuing a culture of inclusion. Qatalyst Group recognises that having diverse teams is essential to creating a well-balanced structure that encourages equality throughout the business and in turn maintains a desirable, committed, and efficient workplace.

Management has a responsibility to lead by example and promote the global aim of providing equal opportunities. As such, there is a strong emphasis on the recruitment process, taking into consideration not only experience and talent but also other factors such as gender, ethnicity, and educational background as well as clear focus on talent development and career growth for diverse professionals.

Qatalyst Group is focused on developing a recruitment and selection process in a way that ensures no unlawful discrimination occurs. Furthermore, it aims to improve the internal training, development and promotion structure that enables equal opportunity for long-term career growth and development for all employees.

4. Own Funds (MIFIDPRU 8.4)

4.1 Composition of Regulatory Own Funds

The Company's own funds are made up of Common Equity Tier 1 (CET1) capital. As of 31 December 2022, the Company had sufficient capital to cover its capital requirements. This can be summarised in the table below.

Composition of regulatory own funds			
	Item	**Amount (£000's)**	**Source based on reference numbers/letters of the balance sheet in the audited financial statements**
1	**OWN FUNDS**	**793**	
2	**TIER 1 CAPITAL**	**793**	
3	**COMMON EQUITY TIER 1 CAPITAL**		
4	Fully paid-up capital instruments	5,819	Page 10
5	Share premium	-	
6	Retained earnings	(2,026)	Page 10
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 ^^	(3,000)	
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	-	

^^ On 27 December 2022, a capital injection of £3,000,000 was made by Qatalyst Group, which was credited to own funds of the Company in January 2023.

4.2 Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements

The below table shows the reconciliation of regulatory own funds to the balance sheet in the audited financial statements:

Reconciliation of regulatory own funds to balance sheet in the audited financial statements				
		a	**b**	**C**
	(£'000)	**Balance as per audited financial statements**	**Under regulatory scope of consolidation**	**Cross-reference to template OF1**
		31/12/22	**31/12/22**	
Assets				
1 – Fixed Assets	28	28,372		
2 - Debtors	1,537	1,537,327		
3 – Cash at bank	2,509	2,509,198		
	Total Assets	**4,074,897**		
Liabilities				
1 - Creditors	282	281,889		
	Total Liabilities	**281,889**		
Members' other interests				
1 – Share capital	5,819	5,818,782		
2 – Profit and Loss Account	(2,026)	(2,025,774)		
	Total	**3,793,008**		

5. Own funds requirements (MIFIDPRU 8.5)

The tables below summarise the Company's own funds requirements. The Company is required to always maintain own funds that are at least equal to the Company's own funds requirement.

5.1 Permanent Minimum Capital, K-Factor and Fixed Overhead's Requirement

The Company is required at all times to maintain own funds that are at least equal to the Company's own funds requirement. The below table shows the breakdown of the own funds requirement. The Company's own funds requirement is based on the Fixed Overheads Requirement (FOR) and subject to a flow of £50,000 (which is the Permanent Mechanism Capital Requirement for the Company).

Requirement as of 31 December 2022	£'000
Permanent Minimum Capital Requirement (PMR)	**50**
- *Transitional Provision 2.12 (year 1)**	*50*
Fixed Overheads Requirement (FOR)	**50**
- *Transitional Provision 2.10 (year 1)**	*50*
K-factor Requirement (KFR)	**0**

**Until 1 January 2022, Qatalyst was an Exempt CAD firm subject to IPRU(INV). The FCA provides a transitional period for these types of firms giving them an opportunity to increase their capital requirement in tranches over a 5-year period ending 1 January 2027.*

5.2 Approach to Assessing the Adequacy of Own Funds

The Company is subject to MIFIDPRU 7 which requires firms to use the Internal Capital Adequacy and Risk Assessment (ICARA) process to identify whether they comply with the Overall Financial Adequacy Rule (OFAR). The ICARA process is the collective term for the internal systems and controls which a firm must operate to identify and manage potential harms which may arise from the operation of a firm's business, and to ensure that its business can be wound down in an orderly manner. The OFAR requires 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:

- The firm can remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
- The firm's business can be wound down in an orderly manner, minimising harm to consumers or markets.

The adequacy of the ICARA process will be assessed at least on an annual basis, or more frequently if there is a material change in the business model/risk profile.

Additional Own Funds Requirement

The additional own funds requirement is the amount of capital identified by the Company that is necessary to ensure the viability of the Company throughout economic cycles and to ensure it can be wound down in an orderly manner. Within the ICARA process, the Company identifies and measures risk of harms faced by the Company and considers these risks with regards to its ongoing operations and wind-down. The Company then determines the degree to which systems and controls alone mitigate the risk of harm and the risk of a disorderly wind-down. As of 31 December 2022, the Company is a Non-SNI Firm and therefore this is a standalone assessment.

Ongoing Operations

As a Non-SNI Firm, the Company has assessed all material harms posed to clients, the market and itself resulting from its ongoing operations, taking into consideration the existing controls in place. The

Company has concluded under each risk that it does not consider that any additional own funds is required to mitigate the harm arising from these risks.

Wind-down Plan

As part of the wind-down plan, the Company has considered the most likely scenarios that would cause it to initiate a wind-down relate to a strategic operational decision by Qatalyst Group, or to being faced directly with heavy regulatory fines, or indirectly through the operations of the parent company. The Company concluded that £400,000 additional own funds would be required for an orderly wind-down of the business.

Overall Financial Adequacy Rule (OFAR)

The Company adopts a 10% buffer ('early warning indicator') over its own funds requirement in order to maintain a healthy own funds surplus above the requirement. If the Company triggers this warning, then a dialogue would be initiated with the FCA to explain the actions to be taken to rectify this.

The below table shows the OFAR as of 31 December 2022, including the own funds threshold requirement:

Date	**31/12/2022 (£000's)**
Own Funds	
Common Equity Tier 1	793
Additional Tier 1	-
Tier 2	-
Total Regulatory Capital	793
Own Funds Requirement	
Permanent Minimum Requirement **(A)**	50
Fixed Overhead Requirement **(B)**	50
K-factor Requirement **(C)**	0
Higher of (A), (B) or (C)	**50**
Assessment from ongoing operation	
As per Risk Assessment carried out through the ICARA **(D)**	-
Assessment from wind-down	
As per wind-down planning **(E)**	400
Own Fund Threshold requirement	
Higher of (A), (D) or (E)	**400**
Early Warning Indicator (110%)	**440**
Capital Adequacy Surplus	**353**

6. Remuneration (MIFIPRU 8.6)

The Company has a Remuneration Policy in place which is in accordance with the relevant rules and guidance for the Company's remuneration code as contained within the FCA's SYSC Sourcebook of the FCA's Handbook.

The Remuneration Code (the "RemCode") covers an individual's total remuneration - fixed and variable. The Company incentivises staff through a combination of the two.

The Company's Policy is designed to ensure that it complies with the RemCode and that its compensation arrangements:

1. Are consistent with and promote sound and effective risk management,
2. Do not encourage excessive risk taking,
3. Include measures to avoid conflicts of interest, and
4. Are in line with the Company's business strategy, objectives, values, and long-term interests.

Proportionality

The FCA has sought to apply proportionality with respect to firm disclosures. The Company's disclosures are made in accordance with its size, internal organisation, nature, scope, and complexity of its activities.

Application of the Requirements

The Company completes the remuneration disclosure annually after the completion of the audit of the Company's annual financial statements. As appropriate, this disclosure will be made more frequently if there is a major change to the Company's business model.

Below is a summary of the Company's approach to remuneration for all staff, including the decision-making procedures and governance in adopting the remuneration code:

- The Company's remuneration policy has been agreed by the Company's senior management in line with the Remuneration principles laid down by the FCA. The Company developed the remuneration policy internally and it is reviewed on at least an annual basis or at any point where there is a significant change in the business model.
- As the Company is subject to "Standard Requirements" as a non-SNI, the Company is not required to appoint and does not maintain risk, remuneration and nomination committees.
- The Company's policy will be reviewed as part of its annual review of its process and procedures or following a significant change to the business requiring an update to its ICARA.
- The Company's ability to pay variable remuneration is based on the performance of the Company overall.
- The Company has identified the two executive directors as 'Material Risk Takers' based on the criteria set out in SYSC 19G.5.1R.

Key characteristics of the remuneration policies and practices:

- Individuals are rewarded based on their contribution to the overall strategy of the business. Other factors, such as performance, reliability, effectiveness of controls, business development and contribution to the business are considered when assessing the performance of the staff.
- The various components of remuneration are as follows:
  - Fixed remuneration, including salary, benefits in kind and other guaranteed payments.
  - Variable remuneration, including bonuses.

Aggregate quantitative information on remuneration:

With respect to the financial year ended 31 December 2022, the total amount of remuneration awarded to all nine staff (interpreted as per SYSC 19G.1.24G) was as follows:

	Fixed remuneration	Variable remuneration
All staff	1,412,920	17,587,847

Non-disclosure of the quantitative information on remuneration:

The Company has relied on the exemption under MIFIDPRU 8.6.8R(7a). The Company believes that disclosure required within MIFIDPRU 8.6.8R(4) relating to the fixed and variable remuneration of the MRTs could identify information about one or two members of staff. As such, remuneration has been disclosed in aggregate for all staff members.