SARANAC

PARTNERS

Pillar 3 Disclosure

As of 31st December 2018

Contents

1. Background

Saranac Partners Limited ('Saranac Partners' or 'the Firm') is authorised and regulated by the Financial Conduct Authority (FCA) and as such is subject to certain disclosure requirements. This statement is published in accordance with the FCA rules concerning Pillar 3 disclosures.

Due to the scope of its permitted activities the Firm is subject to the third Capital Requirements Directive ('CRD III'). CRD III governs the amount and the nature of capital that investment management firms must maintain and establishes a framework consisting of three 'Pillars':

- **Pillar 1** sets out the minimum capital requirement calculated on the basis of the firm's credit and market risk component;
- **Pillar 2** requires the Firm to assess whether any additional capital is required in order to cover risk exposures that are not fully captured under Pillar 1. This is achieved through the Internal Capital Adequacy Assessment Process ('ICAAP'); and
- **Pillar 3** requires disclosure of specific information about the firm's risk management controls, capital adequacy and remuneration.

In the United Kingdom, CRD III was implemented by the FCA in its regulations through the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU').

Saranac Partners is categorised as a 'BIPRU firm' for prudential purposes, as is also confirmed on the FS Register, and as such is subject to the disclosure requirements in BIPRU 11 of the FCA Handbook.

The Firm maintains an ICAAP that is updated at least annually and demonstrates that the Firm holds adequate capital resources to be able to meet its prudential requirements.

2. Risk Management Objectives and Policies

Saranac Partners conducts its business within the parameters set by the firm's Risk Appetite Statement which is approved by The Board. The firm is committed to effective risk management both structurally, through the establishment of the Risk Management Framework and culturally by setting the right tone to enable appropriate risk decisions in day to day activities of the firm and its staff. The Saranac Partners Code of Conduct provides guidance on expected behaviour and lays out the standards of conduct that support our values.

The objectives of the Risk Management Framework are to:

- Identify significant risks to which Saranac is exposed in executing its strategy
- Formulate the Risk Appetite Statement with the Board
- Ensure the business growth plans are properly supported by an effective risk infrastructure
- Manage the risk profile of the business under normal and adverse business scenarios
- Create an effective risk culture within the business which is risk aware and risk responsive

The risk management framework includes a Risk Appetite Statement that is reviewed and updated on a regular basis by the Board and in doing so it takes into consideration:

- the firm's overall business strategy;
- the appropriateness of the size, nature and complexity of transactions entered into by the firm;
- the quality of internal procedures;
- the sophistication of the firm's monitoring capabilities, systems and processes;
- the firm's past experiences and performance.

The Board of Saranac Partners takes ultimate responsibility for the risks undertaken by the business. The responsibilities of the Board in relation to risk management are to:

- set and review the risk appetite statement;
- manage the treating customer fairly ('TCF') obligations of the firm;
- approve the key risk indicators;
- review IT system reports, including security, performance and breaches;
- review and approve the allocation of responsibilities across the Senior Managers in accordance with the principles of SMCR;
- review and challenge the system of internal control and risk management;
- review and establish the regulatory capital requirements, including the ICAAP;
- review all internal audit recommendations and compliance monitoring results;
- review all external audit recommendations and plans for remediation.

3. Disclosure on Material Risks

The Board of Directors has implemented a robust risk management framework to ensure appropriate mitigation, management and monitoring of risks. The firm maintains a Risk Register of the risks it faces in its day-to-day operations which takes into account risks from within the firm and external sources. This is reviewed regularly by the management team and the Risk and Compliance Committee which meets monthly. The Audit and Oversight Committee reviews the firm's risk heat map on a quarterly basis.

The firm maintains a strong compliance and risk management culture and has implemented the three lines of defence model. The company maintains a comprehensive set of policies and procedures to ensure that risks are minimised. The Risk and Compliance Committee monitors Key Performance Indicators relating to the principal risks identified monthly. The Board of Directors receives regular updates on the risks faced by the Firm.

The principal risks are considered to be the following:

3.1. Commercial Risk

Commercial risk is the risk that the firm is unable to meet its financial plan in terms of revenue growth, cost management and capital requirements. This includes the systematic risk involved in operating in the financial sector and arises from both external and internal sources. External sources include potential changes in the economic environment and indirect exposure to financial markets including stock market and exchange rate movements. These factors may lead to a fall in client assets or lower than expected growth of the business. Changes in regulation may also have an impact on the firm. Internal sources include sub-optimal allocation of resources or strategic decision making resulting in poor performance of the business or materially slower growth than expected.

Scenario analysis relating to different commercial risks is an important part of the Board and Operating Committee's business and capital planning.

3.2. Operational Risk

Operational risk is the risk of direct or indirect impacts resulting from human factors, inadequate or failed internal processes and systems or external events. Robust policies and procedures are implemented to minimise the operating risk faced by the firm. The firm also holds a comprehensive insurance policy that covers a wide range of potential operational risks.

3.3. Conduct Risk

Conduct risk is the risk that detriment is caused to our customers, clients, stakeholders, Saranac Partners or its employees because of the inappropriate execution of our business activities. Saranac Partners promotes a strong culture of transparency and integrity. There is a robust training and competency framework which is closely monitored.

3.4. Reputational Risk

Reputation risk is the risk of damage to the Saranac Partners brand arising from any association, action, or inaction which is perceived by stakeholders to be inappropriate or unethical. Reputation risk is regularly assessed as part of the firm's risk management framework.

3.5. Credit Risk

Credit risk is the risk of suffering financial loss should any of its customers, clients or market counterparties fail to fulfil their contractual obligations to the firm. The firm does not extend credit to clients and regularly monitors the banks with which it holds deposits.

3.6. Funding Risk

Funding risk is the risk that the firm is unable to maintain appropriate capital or liquidity levels, which could lead to i) an inability to support business activity; ii) a failure to meet regulatory requirements; or iii) insufficient resources to meet its financial obligations. The firm closely monitors its funding position to ensure it always meets regulatory requirements.

3.7. Market Risk

The firm does not hold investments or trade on its own account. The firm collects some fees in Euros and US dollars but does not maintain significant balances in foreign currencies and therefore has some limited exposure to movements in exchange rates. This is not considered to be a material risk.

4. Capital Requirement

As of 31st December 2018 the firm's Pillar 1 capital requirement was £3,369,000.

Period Pillar 1 Capital Requirement	£ '000
Base Capital Requirement (i)	**45**
Credit Risk Requirement	446
Market Risk Requirement	20
Total Credit and Market Risk requirement (ii)	**466**
Fixed Overhead Requirement (iii)	**3,369**
Pillar 1 Requirement (highest of i, ii and iii)	**3,369**

5. Capital Resources and Adequacy

As of 31st December 2018 the firm had Tier 1 capital resources of £8,399,000, representing 2.5 times the Pillar 1 requirement.

Capital Resources	**£ '000**
Share Capital	45,792
Share Premium Account	8,797
Retained Losses	(45,141)
Deductions	(1,049)
Total Tier 1 Capital	**8,399**

As of 31st December 2018 the firm did not hold any Tier 2 or 3 Capital resources.

6. Internal Capital Adequacy Assessment Process ('ICAAP')

The firm has a continuous process of monitoring its capital position with analysis of its capital requirements and risk exposures carried out within the firm's ICAAP.

The firm is required to document:

- the key risks attributable to its operations;
- how it manages those risks; and
- what (if any) capital it needs to set aside because of those risks.

The ICAAP includes a review of the adequacy of the firm's capital resources and considers the risks to which the business is exposed. The ICAAP also includes the results of scenario analyses aimed at assessing the firm's position under turbulent market conditions. The ICAAP is updated annually and reviewed and approved by the Board. The ICAAP identified that £100,000 of capital should be held in addition to Pillar 1 resulting in a minimum requirement of £3,469,000.

The Board believes the Firm holds sufficient regulatory capital to execute its business plan.

7. Remuneration Code Disclosure

Saranac Partners is subject to the Remuneration code. This disclosure is made in accordance with the requirements in BIPRU 11.5.18 and with reference to the appropriate Remuneration Code for BIPRU firms in SYSC 19C and proportionality guidance as applicable to a BIPRU firm. The firm must apply the remuneration policies in a way and to the extent that is appropriate to its size, internal organisation and the nature, the scope and the complexity of its activities.

The Remuneration Code affects all those members of staff who have a material impact on the Firm's risk profile, including a person who performs a significant influence function, senior managers and material risk takers. These are defined as 'Remuneration Code Staff'.

The Firm's remuneration policy is established and reviewed by the Remuneration Committee annually and designed to ensure that compensation arrangements:

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

Employee compensation is made up of base salary, discretionary bonuses and equity awards. Discretionary bonus and equity awards are agreed within the Remuneration Committee independently made based on both individual performance and the performance of the Firm. The Firm also ensures that Directors and Staff remuneration does not affect the Firm's ability to meet its capital and liquidity requirements.

For the purposes of Pillar 3 disclosure Saranac Partners considers itself to be one business unit. For the year ending 31 December 2018, 5 code staff received remuneration totalling £1.80m.