

WHITEHELM CAPITAL LIMITED
PILLAR 3 AND REMUNERATION DISCLOSURE
March 2020

Pillar 3 Disclosure

Whitehelm Capital Limited (the “Firm”) is authorised and regulated by the Financial Conduct Authority (the “FCA”). The Firm is a UK domiciled discretionary investment manager to professional clients. The Firm is categorised as a “BIPRU Firm” for capital purposes and reports on a solo basis. The Firm’s Pillar 3 disclosure fulfils the Firm’s obligation to disclose to market participants key pieces of information on a firm’s capital, risk exposures and risk assessment processes.

We are permitted to omit required disclosures if we believe that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information. In addition, we may omit required disclosures where we believe that the information is regarded as proprietary or confidential. In our view, proprietary information is that which, if it were shared, would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties.

We have made no omissions on the grounds that it is immaterial, proprietary or confidential.

Risk Management

The Firm’s Board of Directors and Management Group determine its business strategy and the level of risk acceptable to the Firm. In conjunction with the Audit and Risk Committee, they have designed and implemented a risk management framework that recognises the risks that the business faces and how those risks may be monitored and mitigated and assess on an ongoing basis. The Firm has in place controls and procedures necessary to manage those risks.

The Firm considers the following as key risks to its business:

- Business Risk – This risk represents a fall in assets under management or the loss of key staff which may reduce the fee income earned by the Firm and hinder its ability to finance its operations and reimburse its expenses. Business risks are assessed and mitigated as part of the Internal Capital Adequacy Assessment Process (“ICAAP”).
- Market risk - The risk is the exposure to foreign exchange fluctuations due to investment management and performance fees being determined in currencies other than sterling.
- Operational risk – This risk covers a range of operational exposures from the risk of the loss of the key personnel to the risk of the provision of investment advice. Legal and reputational risks are also included within the category of operational risk. Operational risks and how they can be mitigated are assessed as part of the ICAAP.
- Credit risk – This risk relates to the exposure to the Funds for non-payment of management and performance fees and counterparty exposure relating to the Firm’s bank balances and any other debtors. This is monitored by the Firm’s Corporate Services Manager.

Regulatory Capital

The Firm is a private limited company and its capital arrangements are established in its Articles of Incorporation. Its capital contains only share capital.

The Firm is small with a simple operational infrastructure. Its market risk is limited to foreign exchange risk on its accounts receivable in foreign currency, and credit risk from management and performance fees receivable from the funds under its management.

Pillar 1 capital is the higher of:

1. the base capital requirement of €50,000;
2. the sum of market and credit risk requirements; and
3. the Fixed Overhead Requirement (“FOR”).

Pillar 2 capital is calculated by the Firm as representing any additional capital to be maintained against any risks not adequately covered under the requirement in Pillar 1 as part of its ICAAP.

It is the Firm’s experience that its Pillar 1 capital requirement normally consists of the FOR, although market and credit risks are reviewed periodically. Having performed the ICAAP, the Firm has concluded that no additional capital is required in excess of its Pillar 1 capital requirement.

As at the date of this disclosure the Firm’s regulatory capital position is:

Capital Item	
Tier 1 capital	£1,754,510
Total capital resources, net of deductions	£794,875

The Firm’s ICAAP assesses the adequacy of its internal capital to support current and future activities. This process includes an assessment of the specific risks to the Firm, the internal controls in place to mitigate those risks and an assessment of whether additional capital mitigates those risks. The Firm also considers a wind down scenario to assess the capital required to cease regulated activities.

We have not identified credit risk exposure classes or the minimum capital requirements for market risk as we believe that they are immaterial. Concerning Pillar 1, it is the Firm’s experience that the Fixed Overhead Requirement establishes its capital requirements, and market and credit risks are considered not to be material. Our capital requirements are well within the level of regulatory capital held.

We consider this amount to be sufficient regulatory capital to support the business and have not identified any areas which give rise to a requirement to hold additional risk based capital.

The Firm’s ICAAP is formally reviewed by the Board of Directors annually, but will be revised should there be any material changes to the Firm’s business or risk profile.

Remuneration

Remuneration for senior employees is set by the Board of Directors while remuneration for other employees is set by the Management Group of the Firm. The Firm formally reviews the performance of all employees and based thereon determines each employee’s overall level of remuneration and the split of that between base salary, bonus, etc. in compliance with the FCA Rules on remuneration.

Given that the Firm has only one business area, investment management, all remuneration disclosed in our audited financial statements is from this business area.

The Firm has defined “Code Staff” to be key staff driving the strategies of the Firm and also key staff from a regulatory perspective.

The Firm is subject to the BIPRU Remuneration Code (“the Code”), has applied proportionality and, pursuant to this application and where relevant, has disapplied various provisions of the Code.

The aggregate level of remuneration earned by Code staff for the current period is available in the Firm’s latest financial statements.

Statement on the UK Stewardship Code

This statement outlines the Firm’s position with respect to the UK Stewardship Code (the “**Code**”), which was published by the Financial Reporting Council (“**FRC**”) in July 2010 and amended in 2012 and 2020. Under Rule 2.2.3R of the FCA’s Conduct of Business Sourcebook, the Firm is required to make a public disclosure about the nature of its commitment and level of compliance to the Code or, where it does not commit to the Code, to explain its alternative investment strategy.

The Code is a voluntary code, which aims to enhance the quality of engagement between asset managers and listed companies in the UK, to help improve long-term risk-adjusted returns to shareholders and the efficient exercise of governance responsibilities. It sets out good practice on engagement with investee companies and is to be applied by firms on a “apply or explain” basis. It also describes steps that asset owners can take to protect and enhance the value that accrues to the ultimate beneficiary.

The FRC recognises that not all parts of the Code will be relevant to all institutional investors and that smaller institutions may judge some of the principles and guidance to be disproportionate. It is of course legitimate for some asset managers not to engage with companies, depending on their investment strategy.

The Code comprises twelve Principles that can be summarised as follows:

Purpose and governance	<ol style="list-style-type: none"> 1. Purpose, strategy and governance 2. Governance, resources and incentives 3. Conflicts of interest 4. Promoting well-functioning markets 5. Review and assurance
Investment approach	<ol style="list-style-type: none"> 6. Client and beneficiary needs 7. Stewardship, investment and ESG integration 8. Monitoring managers and service providers
Engagement	<ol style="list-style-type: none"> 9. Engagement 10. Collaboration 11. Escalation
Rights and Responsibilities	<ol style="list-style-type: none"> 12. Exercising rights and responsibilities

The Firm’s position on the Code

It should be noted that given the Firm’s specialist focus on unlisted infrastructure equity investments and private loans, the number of occasions on which the Firm will be involved in UK listed equity investments, will be limited. Therefore the Code’s relevance has limited applicability to the Firm’s investment activities.

The Firm has chosen not to formally commit to the Code given the nature of the Firm's asset base and its investment approach.

The Firm's approach in relation to engagement with issuers and their management, is determined on a global basis. A consistent global approach is taken to engagement with issuers and their management in all of the jurisdictions in which the Firm invests and, consequently, the Firm does not consider it appropriate to commit to any particular voluntary code of practice relating to any individual jurisdiction and feels that the Code is not appropriate to the Firm's business model.

However, whilst the Firm has not made a formal commitment of compliance with the Code, its alternative investment strategy as set out above, is generally supportive of the spirit and aims of good stewardship as contained within the Code. As such, in practice, the Firm would take into consideration the principles as set out in the Code.

This Statement is reviewed annually and updated where necessary to reflect changes in circumstances and actual practice. Should the Firm's position change we will review our commitment to the Code and make appropriate disclosure at that time.

For further details on any of the above information please contact the Firm's Compliance Officer.