2RCapital

CAPITAL REQUIREMENTS DIRECTIVE

BIPRU11 : PILLAR 3 DISCLOSURES 2019

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Overview

2R Capital Investment Management Limited ("2RC" or the "Company") is authorised and regulated by the Financial Conduct Authority ("FCA") and is subject to the Capital Requirements Directive ("CRD"). The Basel II Accord has been implemented in the European Union through the Capital Requirements Directive, as revised from time to time. The CRD details the standard regulatory capital framework for the financial services industry within the EU and consists of three pillars.

- **Pillar 1** deals with minimum capital requirements;
- **Pillar 2** deals with the Internal Capital Adequacy Assessment Process ("ICAAP") undertaken by the Company, and the Supervisory Review and Evaluation Process through which the Company and regulator satisfy themselves on the adequacy of capital held by the Company in relation to the risks it faces;
- **Pillar 3** which deals with public disclosure of risk management policies, capital resources and capital requirements. The regulatory aim of the disclosure is to improve market discipline.

The Financial Conduct Authority (FCA) and the Prudential Regulatory Authority (PRA) hold responsibility for implementing the CRD within the UK. The FCA has set out its minimum disclosure requirements in its handbook under Chapter 11 of the Prudential Source Book for Banks, Building Societies and Investment Companies (BIPRU 11).

The disclosure requirements of the CRD (Pillar 3) aim to complement the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2) and aim to encourage market discipline by allowing market participants to assess key pieces of information on risk exposures and the risk assessment processes of the Company.

2RC's greatest risks have been identified as credit risk and market risk, these have been assessed in the ICAAP together with appropriate actions to manage them.

Frequency of Disclosures

Due to the scale of the Company's operations and activities the Board has decided that disclosures shall be prepared and published annually. 2RC has prepared the disclosures based on the position as at 31st December 2019.

Location of Disclosures

Disclosures will be published on the Company's website www.2rcapitalim.com. Details of the disclosure's location will be given in the Company's Annual Report and Accounts.

Scope of Application

2RC is not a member of a UK consolidation group and is not required to prepare consolidated reporting.

Capital Resources as at 31 December 2019

For its Pillar 1 regulatory capital calculation of Credit Risk, under the credit risk capital component 2RC has adopted the Standardised approach and the Simplified method of calculating risk.

Tier 1 Capital comprises the following:

	€'000
Permanent Share Capital	59
Profit and loss account	6,002
Total Tier 1 Capital	6,061

Permanent share capital is composed entirely of ordinary shares that have been allotted, called up and fully paid. There are no special or unusual terms and conditions attached to this class of stock.

The Company does not have any Tier 2 or Tier 3 capital resources.

Company's Approach to Capital Adequacy

The Company monitors its compliance with capital adequacy requirements and continues to be adequately capitalised.

Statement of Risk Appetite and Risk Management

2RC has a low appetite for risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and approves the risk management policies implemented by the Company. The Company's risk management policies are established by the Board to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and performance. Risk management policies and systems are reviewed regularly by the Board to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. Due to the limited number of employees it is not considered proportionate for the Company to have a separate risk management function.

The Company has exposure to the following risks:

- Credit Risk
- Market Risk
- Operational Risk
- Group Risk
- Interest Rate Risk

Credit Risk Policy

2RC neither holds client money, nor assets, nor lends money and is therefore not exposed to Credit risk in the traditional sense. The Company's exposure to Credit risk arises principally from holding cash balances with banks, all of which have high credit ratings.

The Company calculates credit risk using the standardised approach as follows (€'000):

Asset	Amount	Credit Risk Requirement
Investment in Group Companies	1,200	96
2R Capital SpA Intercompany Loan	8,935	715
Cash	8,406	134
Prepayments	23	2
		947

Market Risk Policy

The only potential exposure 2RC has to Market risk arises from foreign exchange fluctuations. Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. As the Company's functional currency is euros, the main foreign exchange risk is in respect of GBP assets and liabilities which are monitored on a monthly basis.

The Company market risk requirement is currently £3k as at 31 December 2019.

Operational Risk Policy

Operational risk has been described by the Basel Committee on Banking Supervision as "the risk of loss, resulting from inadequate or failed internal processes, people and systems, or from external events". In order to mitigate this risk, 2RC employs qualified, experienced staff and ensures that it has well defined and documented processes and controls. 2RC believes that the Fixed Overhead requirement is a good proxy of the capital required in order to achieve an orderly wind down of the business.

Group Risk Policy

The Company's policy in respect of Group risk is to develop UK based operations to provide income which is independent of the Italian subsidiary. 2RC are currently developing business strategies that will provide UK based income streams.

Interest Rate Risk Policy

The only Interest Rate risk that the Company is subject to relates to negative interest charges on currency balances held with UK banks. Significant balances are held to ensure there is sufficient liquidity to cover any such charges.

Remuneration Disclosures

This section provides information on the remuneration policy of 2R Capital Investment Management Ltd. The Company has a Remuneration Policy which, among other factors, addresses potential conflicts of interest and which ensures that the Company's employees are not rewarded for taking inappropriate levels of risk.

In accordance with the proportionality principle, based on the Company's profile under the Code, it is able to dis-apply many of the technical requirements of the Code in establishing the Company's policy. The Company is satisfied that the policies in place are appropriate to its size, internal organisation and the nature, the scope and the complexity of its activities.

We have identified, and maintain a record of, 'BIPRU Remuneration Code Staff' – i.e. staff to whom the BIPRU Remuneration Code applies. This includes senior management and members of staff whose actions may have a material impact on a firm's risk profile. All of our Code Staff fall into the "senior management" category of Code Staff (rather than the "risk taker" category) for the purposes of the BIPRU Remuneration Code.

Decision Making / Remuneration Committee

Due to the size of the Company, 2RC does not have a Remuneration Committee. The Board is responsible for our remuneration policy including:

- Determining the framework and policy for remuneration and ensuring it does not encourage undue risk taking.

- Considering and recommending the remuneration policy for the senior employees taking into account the appropriate mix of salary and discretionary bonus.

- In determining remuneration arrangements, the Directors will give due regard to best practice and any relevant legal or regulatory requirements including the BIPRU Remuneration Code.

Link Between Pay & Performance

Competitive market-based salaries form the basis of our firm's remuneration package. In addition, there is an element of variable pay for all staff which is based on firm wide and individual performance. Variable remuneration is considerably reduced where subdued or negative financial performance of the firm occurs.

Incentive Compensation

The award of incentive compensation is a qualitative decision where employee and supervisory input are significant components. Each year the Board reviews the results and sets aside an amount for bonuses after taking into consideration the amount of capital required to run the Company's business.

Remuneration Code Staff (Code Staff)

The FCA defines Code Staff as senior management, risk takers, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as other Code Staff, and whose professional activities have a material impact on the Company's risk profile. The Company has assessed its members and staff and concludes that only 3 qualify as Code Staff.