

**PEEL
HUNT**

**PRUDENTIAL
DISCLOSURES**

31 March 2022



1.	Introduction	2
2.	Governance	3
3.	Risk Management	5
4.	Capital Adequacy.....	6
5.	Own Funds Requirements.....	6
6.	Remuneration	7
7.	Appendices	11

1. INTRODUCTION

1.1. Background

Peel Hunt LLP (“the Firm”) is a full-scope 750k non-SNI MIFIDPRU investment firm. The principal activity of the Firm is to provide investment banking services in UK mid and small cap companies. Peel Hunt is authorised and regulated in the UK by the FCA.

The parent entity of the Firm is Peel Hunt Partnership Group Limited, which is the parent of the UK Regulatory Group (“the UKRG”). The Firm is the only regulated trading entity within the UK Group, which comprises substantially all of the UKRG’s risks and exposures.

This document sets out the Investment Firm Prudential Regime (“IFPR”) disclosures for the Firm in accordance with the FCA Prudential Sourcebook for Investment Firms chapter 8 (“MIFIDPRU 8”). This includes transitional provisions relating to disclosures as outlined in MIFIDPRU TP12. The Firm has opted to make voluntary disclosures in some areas.

1.2. Scope of application

Peel Hunt LLP, as the individual MIFIDPRU Investment Firm, meets the level of application as defined in MIFIDPRU 8.1.7.

1.3. Disclosure policy

The disclosures are as at 31st March 2022 (the “Reference Date”) in line with the last set of published financial statements for the Firm.

Frequency and means of disclosure

These prudential disclosures are published annually, via the Firm’s external website (<http://www.peelhunt.com>). The frequency of disclosure will be assessed, should there be a material change in either the nature or scale of either the individual entity or UK Group’s activities.

Verification

These IFPR disclosures have been approved by the governing body of the Firm and are not subject to audit, except where they are prepared under accounting requirements for publication in the financial statements.

Consolidation basis

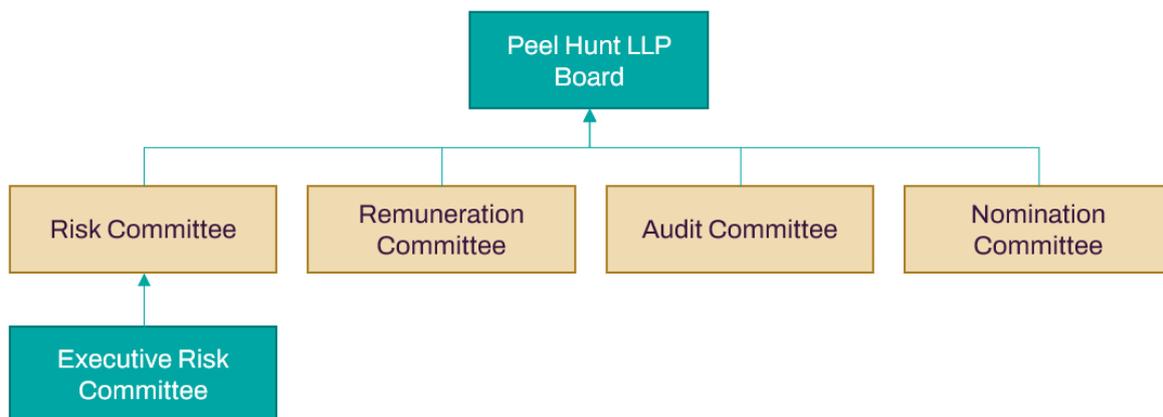
The subsidiaries of the UKRG are fully consolidated on an accounting basis. There are no current or foreseen material practical or legal impediments to the prompt transfer of own funds or repayment of liabilities between the parent undertaking and its subsidiaries.

2. GOVERNANCE

2.1. Peel Hunt LLP Board

The Peel Hunt LLP Board (“the Board”) is the governing body of the Firm and is responsible for providing oversight and management of the profitable development of the Firm, in accordance with current strategic plans and objectives. The Board is also responsible for managing the Firm’s risks and setting the tone and influence of culture and conduct within the Firm. The Board meets, as least four times per year, and as at the year-end, the Board comprised of Executive Management, led by the CEO.

The Firm also operates an Executive Risk Committee with delegated authority from the Board on specific matters.



Executive Risk Committee

The Executive Risk Committee has delegated authority from the Board to oversee the first line of defence management of risks, monitor risk profile against risk appetite and to escalate matters to the Board and the UKRG Risk Committee. The Committee meets at least four times per year with membership comprised of the Chief Risk Officer, Chief Executive Officer, Chief Finance and Operating Officer, Head of Group Compliance, and General Counsel. The Chief of Internal Audit is a regular invitee to the Committee.

2.2. UKRG Committees

The Firm has established risk, remuneration and nomination committees. The Firm has sought and received a MIFIRDPRU 7.3.7 modification from the FCA to permit the Firm to operate risk, remuneration and nomination Committee at the UKRG level instead of operating these committees at the legal entity level. The Firm also operates an audit committee at the UKRG level.

Risk Committee

The Risk Committee meets at least four times per year and chaired by an independent Non-Executive. The Risk Committee has delegated authority from the Board to oversee the management of risks throughout the Firm through a suitable risk management framework and adequately resourced Risk and Compliance functions. It is responsible for advising the Board on risk appetite and strategy, assisting the Board in overseeing the implementation of that strategy and ensuring remuneration of the Firm considers prudential risks. During the period, the Risk Committee comprised of a minimum of two independent Non-Executives who did not perform any executive function within the Firm. The Chief Risk Officer, Head of Group Compliance, Chief Technology Officer, Chief Executive Officer, Chief Financial and Operating Officer, General Counsel, Chief of Internal Audit, and another Non-Executive are regular invitees.

Remuneration Committee

The Remuneration Committee meets at least four times per year and chaired by an independent Non-Executive. The Remuneration Committee has delegated authority from the Board to oversee the remuneration strategy for the Firm and ensure alignment to our business objectives, values, risk appetite and long-term sustainability. It also oversees succession planning, Board composition and diversity. During the period, it comprised of a minimum of two independent Non-Executives who did not perform any executive function within the Firm. The Chief Executive Officer, HR Director and Chief Financial and Operating Officer are regular invitees.

The Remuneration Committee is described further in section 6, “Remuneration”.

Nomination Committee

The Nomination Committee meets at least twice per year and chaired by an independent Non-Executive. The Nomination Committee has delegated authority from the Board to oversee nominations and appointments of potential Directors to the Board and other appointments within the Firm. During the period, it comprised of a minimum of two independent Non-Executives who did not perform any executive function within the Firm. The Chief Executive Officer and Chief Financial and Operating Officer are regular invitees.

Audit Committee

The Audit Committee meets at least four times per year and chaired by an independent Non-Executive. The Committee has delegated authority from the Board to provide independent oversight of the integrity of the Firm’s reporting processes and disclosures, the performances of internal and external audit, and assess the effectiveness of the internal control environment. During the period, the Audit Committee comprised a minimum of two independent Non-Executives who did not perform any executive function within the Firm. The Chief Executive Officer, Chief Financial and Operating Officer, Chief Risk Officer, General Counsel, External Audit Partner and Chief of Internal Audit are regular invitees to the Committee.

Directorships Held

The total number of executive and non-executive directorships held by members of the Board as at 31 March 2022 are as below.

Director	Position	Number of Directorships
Steven Fine	CEO	1
Sunil Dhall	CFOO	1
David Curran	CRO	1
Fatima Badini	HR Director	1
Andrew Chapman	Head of Investment Banking	1
Iain Morgan	Head of Execution Services	1
Alex Carter	Head of Equities	1
Charles Hall	Head of Research	1

Directorships held within the same group are counted as a single directorship and those in non-commercial organisations are excluded.

2.3. Adequacy of risk management arrangements

As at the reporting date, the Board considered that it had in place adequate and appropriate systems and controls with regard to the Firm's strategy and that the Firm is properly resourced and skilled, to avoid or minimise loss.

2.4. Diversity

The Firm recognises the benefits of a diverse workforce and management team in terms of innovation, creativity and decision making. Diversity is promoted through a range of firm-wide activities, including hiring practices, senior management objectives, training and awareness sessions and Board level oversight. The Firm is a member of the Heart of the City network, a Charity programme established by the Corporation of London promoting responsible business, and is a corporate partner with Women on Boards. The Nomination Committee considers diversity in its assessment of potential appointments to the Board and the UKRG has also established a Diversity & Inclusion Committee to advise on diversity matters.

The Firm recognises this as an area of ongoing development for the Firm and financial services industry generally and will report annually on progress.

3. RISK MANAGEMENT

For the year ended 31 March 2022, the Firm has applied the transitional provisions available for public disclosure requirements contained in rule 12.6 of MIFIDPRU TP12. The Firm has opted to make voluntary disclosures relating to risk management.

3.1. Risk management overview

Risk management, including ensuring compliance with regulatory requirements, is critical to the success of the Firm. Understanding and managing risk is essential for making fully informed business decisions and meet our objectives, whilst meeting the needs of our different stakeholders, customers and market.

The Firm operates an enterprise-wide risk management framework ("ERMF") which describes the overarching framework for clear and effective risk management across the Firm. It describes the different elements that contribute to the holistic approach towards risk management, as well as clarifying the roles of responsibilities of all staff.

The ERMF includes:

- A clear statement of risk appetite from the Board
- Firm-wide policies and procedures addressing key risks
- An extensive internal control framework to manage risk to within appetite
- Processes to identify, assess and monitor risk exposures
- Reporting of key risks and levels of exposure to governance committees

The Firm operates a three lines of defence model to ensure business and functional departments are accountable for the effective management of risk, with independent oversight provided by Risk and Compliance and Internal Audit departments.

- The first line of defence (1LoD) consists of the business areas and functional departments, which own and manage the risks to the Firm. They are accountable and responsible for identifying, assessing, managing and reporting on the risks arising from their business and functional areas.
- The second line of defence (2LoD) consists of the independent Risk and Compliance function, which reviews and challenges first line management of risk, and oversees that risks are managed within appetite.

- The third line of defence (3LoD) consists of the Internal Audit function, which is responsible for the independent assurance of the internal control framework including all aspects of the first and second lines of defence.

4. CAPITAL ADEQUACY

The Firm is required to maintain sufficient capital resources at all times. Own funds describes the available capital resources of the Firm while own funds requirement describes the capital funds required as a result of the business activities of the Firm.

A fuller breakdown of regulatory own funds, a reconciliation of own funds to the balance sheet in the audited financial statements of the Firm and a description of the main features of the capital instruments held by the Firm are presented within section 7, "Appendices".

4.1. Own funds

The table below shows the Tier 1 capital, specifically Common Equity Tier 1 (CET1) capital and Tier 2 capital held by the Firm. The Firm does not hold any Additional Tier 1 capital.

Peel Hunt LLP Own Funds	£'000s	£'000s
Ordinary Share Capital	88,840	
Deductions	(145)	
CET 1 Capital		88,695
Subordinated Loan	15,000	
Tier 2 Capital		15,000
Total		103,695

The £145k of deductions related to intangible assets and prudential valuation adjustments are made from Tier 1 capital, as shown above.

5. OWN FUNDS REQUIREMENTS

The Firm's own funds requirement is calculated in accordance with MIFIDPRU 4.3, which states that the Firm's own funds requirement is the highest of:

- its permanent minimum capital requirement under MIFIDPRU 4.4;
- its fixed overheads requirement under MIFIDPRU 4.5;
- its K-factor requirement under MIFIDPRU 4.6

A summary of these requirements is shown within the table below.

As at 31 March 2022	£'000s	£'000s
Permanent minimum requirement (PMR)		750
Fixed overhead requirement (FOR)		15,100
Sum of K-factor requirement		
K-AUM, K-CMH and K-ASA	400	
K-COH and K-DTF	400	
K-NPR, K-CMG, K-TCD and K-CON	17,200	18,000
Own Funds Requirement (maximum of PMR, FOR and K-Factor requirement)		18,000

5.1. Assessing the adequacy of own funds

The Firm assesses the adequacy of its own funds in accordance with the prescribed permanent minimum capital, fixed overheads and applicable K-factor requirements. In addition, the Firm undertakes an assessment of own funds requirements through its internal processes to identify additional own funds requirements of the Firm as a result of (i) the material risks associated with ongoing business operations and (ii) those required to facilitate an orderly wind-down of the business. Own funds requirement is formally reviewed, challenged and approved by the Board.

The Firm has assessed its additional own funds requirements using the transitional provisions under MIFIDPRU10 and will in future disclose its own funds requirements using the Internal Capital Adequacy and Risk Assessment process described under MIFIDPRU 7. The Firm has at all times met the own fund requirements since 1st January 2022.

6. REMUNERATION

For the year ended 31 March 2022, the Firm has applied the transitional provisions available for public disclosure requirements contained in rule 12.8 of MIFIDPRU TP12. As such, this section of the disclosures has been prepared under the previous regime's rules and the remuneration disclosure is set out below, as required by Article 450 of the UK CRR. Specifically, the disclosure provides details in relation to Remuneration Code Staff, employees whose professional activities have a material impact on the firm's risk profile, including any employee who is deemed to have a material impact on the firm's risk profile in accordance with the SYSC19G.5. This includes categories of staff, such 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 senior management.

6.1. Remuneration Committee

During the period, the Remuneration Committee membership and attendance was as follows:

Name	Role	Meetings attended/possible	Attendance %
Liz Blythe	Independent Non-Executive Director ¹	11/11	100
Richard Brearley	Independent Non-Executive Director	10/11	91
Lucinda Riches	Independent Non-Executive Director ²	4/4	100
Simon Hayes ³	Non-Executive Director	8/8	100
Darren Carter ³	Non-Executive Director	8/8	100

¹ Chair of the Remuneration Committee

² Appointed 13 September 2021

³ Members of the Remuneration Committee of Peel Hunt LLP until 28 September 2021

The duties of the Committee are delegated and agreed by the Board and governed by its Terms of Reference, which is reviewed annually. The Committee's main purpose is to consider and agree an appropriate Remuneration Policy for all employees. Furthermore, the Committee has specific responsibility for matters, including Material Risk Taker (MRT) remuneration and identification, workforce remuneration policies, approval and oversight of risk adjustment and ensuring the alignment of variable remuneration outcomes with Peel Hunt's culture and values.

During the period, the Committee reported to the Board and received external advice on remuneration related matters from an external remuneration consultant.

6.2. Remuneration Policy

The Board has delegated authority to the Remuneration Committee to consider and agree a Remuneration Policy for all employees, with particular focus on MRTs (other than Non-Executives). It ensures that remuneration is aligned to the Firm's business objectives, values, risk appetite, regulatory compliance and long-term sustainable success in order to support a high performance culture and drive appropriate behaviours.

The Firm's Remuneration Policy, which is reviewed annually, is designed to adhere to regulatory and legislative principles and aims to recognise the interest of relevant stakeholders of Peel Hunt and drive an appropriate risk-based culture within the firm.

6.3. Link between remuneration and performance

During the year under review, remuneration comprised of guaranteed drawings (for members) or salary (for employees) and a variable compensation in the form of a profit share at year-end. Profit share awards can be delivered in two main forms: a cash bonus delivered up-front which is subject to claw back under certain conditions and/or a deferred bonus delivered in shares.

The aggregated profit share awarded in any year is determined based on profits before interest and taxation and is available for distribution across all areas of the Firm. The Remuneration Committee will, at its sole discretion, adjust individual profit share amounts in order to ensure that actual remuneration is appropriate and reflective of all appropriate performance-related and risk-adjusted factors following input from the Firm's Risk, Compliance, Internal Audit and HR departments.

Profit share awards relating to MRTs are proposed by senior management to the Remuneration Committee for approval. Both fiscal and non-financial aspects of an individual's performance are considered when determining awards.

6.4. Fixed and variable remuneration

The Firm operates an integrated investment banking business and although there are different revenue streams they are not distinguished as separate business areas for the purposes of remuneration.

For the purposes of compliance with SYSC 19A, the Firm is considered a Proportionality Level Three firm, as it is a full-scope IFPRU investment firm with total assets (at the last year end) less than £15bn.

As a Proportionality Level Three IFPRU firm, the Firm therefore determined that it was appropriate to dis-apply the following rules of the IFPRU Remuneration Code for the relevant period, in line with the FCA's General Guidance on Proportionality:

- a) retained shares or other instruments (SYSC 19A.3.47R) – payment of at least 50% of variable remuneration in shares or equivalent non-cash instruments;
- b) deferral (SYSC 19A.3.49R) – deferral of at least 40% of variable remuneration over a period of 3 to 5 years; and,
- c) the ratios between fixed and variable components of total remuneration (SYSC19A.3.44R) – ratio of variable to fixed remuneration does not exceed 1:1 (or 2:1 with shareholder consent (SYSC19A.3.44AR)).

6.5. MRT remuneration

The table below sets out the aggregate remuneration for MRTs. Fixed compensation includes base salary and in the case of non-executive directors, any base fee paid in respect of services provided during the year. Variable compensation includes cash bonuses in respect of performance during the year and the grant date fair value of any other discretionary awards granted in respect of the financial year.

For the year ended 31 March 2022 – Aggregate fixed and variable remuneration	Senior management	Other MRTs
	£'000s	£'000s
Fixed compensation	2,684	1,873
Variable compensation	3,994	2,456
- Cash	3,789	2,024
- Non cash	205	432
Total	6,677	4,329
Number of MRTs		27
- Senior management		13
- Other MRTs		14

6.6. Deferred remuneration

The following table sets out the movement in the fair value of outstanding deferred remuneration during the year ended 31 March 2022 in respect of MRT staff. Grant date fair values have been used throughout the table.

For the year ended 31 March 2022 – Aggregate deferred remuneration	Senior management	Other MRTs
	£'000s	£'000s
Deferred compensation awarded during the year	205	432
Paid out during the year	0	0
Outstanding deferred compensation	205	432

6.7. Sign-on and severance payments

During the year ended 31 March 2022, there was one sign-on cash payment of £50,000 and no payments in respect of severance.

6.8. Remuneration bands

In respect of the year ended 31 March 2022, MRTs earning EUR 1 million or more received remuneration as follows:

- Between EUR 1 million and EUR 1.5 million: 0 staff members
- Between EUR 1.5 million and EUR 2 million: 1 staff members

No MRTs received remuneration in excess of EUR 2 million.

7. APPENDICES

7.1. Own Funds Templates

	31/03/2022 £'000	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	103,695
2	TIER 1 CAPITAL	88,695
3	COMMON EQUITY TIER 1 CAPITAL	88,695
4	Fully paid up capital instruments	88,840
5	Share premium	1
6	Retained earnings	
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	(145)
19	CET1: Other capital elements, deductions and adjustments	(145)
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	15,000
26	Fully paid up, directly issued capital instruments	15,000
27	Share premium	26
28	(-) TOTAL DEDUCTIONS FROM TIER 2	
29	Tier 2: Other capital elements, deductions and adjustments	

7.2. Balance Sheet Reconciliation

Peel Hunt LLP	Balance sheet as in published / audited financial statements	Under regulatory scope of consolidation	Cross reference to template OF1
	31/03/2022	31/03/2022	
	£'000	£'000	
<i>Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements</i>			
	Property, plant and equipment	9,305	
2	Intangible assets	62	19
3	Right-of-use assets	17,418	
4	Deferred tax asset	-	
5	Securities held for trading	50,341	19
6	Market and client debtors	559,485	
7	Trade and other debtors	21,857	
8	Cash and cash equivalents	69,916	
	Total Assets	728,385	
<i>Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements</i>			
1	Securities held for trading	32,705	19
2	Market and client creditors	505,475	
3	Amounts due to members	21,837	
4	Trade and other creditors	48,988	
5	Loans and Borrowings	30,000	26
6	Provisions	539	
	Total Liabilities	639,544	
Shareholders' Equity			
1	Members' share capital	88,840	4
	Total Shareholders' equity	88,840	

7.3. Description of Common Equity Tier 1 and Tier 2 Instruments Issued

Tier 1 Instruments

1	Issuer	Peel Hunt LLP
2	Unique identifier	N/A
3	Governing law(s) of the instrument	English law
Regulatory treatment		
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/group/group & solo	Solo
7	Instrument type	Limited Liability Partnership Capital
8	Amount recognised in regulatory capital	£88.84m
9	Par value of instrument	£88.84m
10	Accounting classification	Shareholders' equity
11	Original date of issuance	10/12/2010
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
Coupons / dividends		
17	Fixed or floating dividend/coupon	Floating dividend
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	-
25	If convertible, fully or partially	-
26	If convertible, conversion rate	-
27	If convertible, mandatory or optional conversion	-
28	If convertible, specify instrument type convertible into	-
29	If convertible, specify issuer of instrument it converts into	-
30	Write-down feature	N/A
31	If write-down, write-down trigger(s)	-
32	If write-down, full or partial	-
33	If write-down, permanent or temporary	-
34	If temporary write-down, description of write-up mechanism	-
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	

Tier 2 Instruments

1	Issuer	Peel Hunt Partnership Group Limited
2	Unique identifier	N/A
3	Governing law(s) of the instrument	English law
	Regulatory treatment	
4	Transitional Basel III rules	Tier 2
5	Post-transitional Basel III rules	Tier 2
6	Eligible at solo/group/group & solo	Solo
7	Instrument type	Dated Fixed Rate Subordinated Loan
8	Amount recognised in regulatory capital	£15.00m
9	Par value of instrument	£15.00m
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	16/12/2021
12	Perpetual or dated	Dated
13	Original maturity date	30/09/2030
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	7%
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	-
25	If convertible, fully or partially	-
26	If convertible, conversion rate	-
27	If convertible, mandatory or optional conversion	-
28	If convertible, specify instrument type convertible into	-
29	If convertible, specify issuer of instrument it converts into	-
30	Write-down feature	No
31	If write-down, write-down trigger(s)	-
32	If write-down, full or partial	-
33	If write-down, permanent or temporary	-
34	If temporary write-down, description of write-up mechanism	-
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All liabilities except subordinated liabilities
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	