

FARALLON CAPITAL EUROPE LLP

(the “Firm”)

MIFIDPRU 8 Public Disclosures

15 December 2022

based on figures from the Firm’s audited accounts

for financial year end 31 March 2022

1. **Introduction**

- 1.1 Farallon Capital Europe LLP (the “**Firm**”) is authorised and regulated by the Financial Conduct Authority (“**FCA**”) of the United Kingdom and is a “MIFIDPRU investment firm” as defined in the FCA Rules. The Firm is a non-SNI firm for the purposes of the rules in the Prudential sourcebook for MiFID Investment Firms (“**MIFIDPRU**”).
- 1.2 The Firm’s governing body is its management committee, consisting of Lars Bane, Wissam Charbel, Gregory Hayday, Gregory Lassman, Ignacio Lopez-Garrastazu, Remy Ripoll, Philipp Strepp, James Swerkes and Matthew Todd (the “**Management Body**”). The members are also partners in the Partnership and Senior Managers (SMF27s) under the UK Senior Managers and Certification Regime.
- 1.3 Under the FCA Rules (specifically Chapter 8 of MIFIDPRU), the Firm is required to make specific disclosures relating to its:
- Governance Arrangements;
 - Own Funds; and
 - Remuneration Policy and Practices.
- 1.4 The disclosures in this document relate to the Firm’s most recently ended financial year which ended on 31 March 2022. As the most recent financial year ended on a date which was before 31 December 2022, the Firm is not currently required to include in this document disclosures relating to its risk management objectives and policies (MIFIDPRU 8.2) or its investment policy (MIFIDPRU 8.7). A disclosure relating to the Firm’s risk management, objectives and policies will be included in future versions of these disclosures in respect of later financial years. A disclosure relating to the Firm’s investment policy may be included in future versions of these disclosures in respect of later financial years, to the extent that MIFIDPRU 8.7 applies to the Firm.

2. **Significant changes since last disclosure period**

This is the Firm’s first disclosure under the public disclosure requirements under MIFIDPRU 8. As such, there have been no significant changes to the information disclosed since the Firm’s last disclosure period.

3. **Governance arrangements**

Oversight of Governance Arrangements by the Management Body

- 3.1 The Firm, as a MIFIDPRU Investment Firm, is subject to the organisational requirements in 4.3A.1 R of the Senior Management Arrangements, Systems and Controls Sourcebook of the FCA Handbook (“**SYSC**”).
- 3.2 Under SYSC 4.3A.1 R, the Firm must ensure that the Management Body defines, oversees and is accountable for the implementation of governance arrangements that ensure effective and prudent management of the Firm, including the segregation of duties in the organisation and the prevention of conflicts of interest, in a manner that promotes the integrity of the market and the interests of the Firm’s clients.
- 3.3 In order to comply with the requirement in SYSC 4.3A.1 R, the Firm has procedures in place to ensure that members of the Management Body fit the following criteria:
- they are of sufficiently good repute;

- they possess necessary and sufficient knowledge, skills and experience to perform the relevant duties;
- their addition will complement the Management Body’s collective knowledge, skills and experience in relation to the Firm’s activities, including the main risks it faces;
- they reflect an adequately broad range of viewpoints and experiences;
- they commit sufficient time to perform their functions at the Firm; and
- they act with honesty, integrity and independence of mind, enabling them to effectively assess and challenge the decisions of senior management of the Firm where necessary, and to effectively oversee and monitor management decision-making.

3.4 As part of the Firm’s governance arrangements and structure, the Management Body defines, oversees and is accountable for the implementation of governance arrangements that ensure effective and prudent management of the Firm. These arrangements include ensuring that the Firm and its individual functions are adequately resourced and ensuring that there is appropriate segregation of duties and responsibilities (for example, appropriate segregation of front office and middle and back office functions, including operations, trade execution and compliance functions that are separate from the investment decision-making function) in a manner that promotes the integrity of the market and the interests of clients.

3.5 Under the Firm’s governance arrangements, the Management Body also ensures that conflicts of interest that might arise between, for instance, the interests of the Firm, its affiliates and members and employees, and the interests of its two regulatory clients and underlying funds, or between two or more underlying funds, are avoided or managed appropriately, again, in a manner that promotes the integrity of the market and the interests of its clients. This is predominantly achieved through:

- A. the adoption, and regular review, by the Management Body of a comprehensive conflicts of interest policy which identifies all relevant areas of the Firm’s business that could give rise to actual or potential conflicts, as well as the appearance or perceived appearance of such conflicts, and the various mitigants that the Firm has put in place either to avoid such conflicts or to manage them such that the risk of prejudice to the Firm’s clients has been minimised to an appropriate level; and
- B. the establishment of specific procedures as set out in the conflicts of interest policy that manage any ad hoc conflicts that arise.

3.6 All relevant staff report to the Management Body (either directly or to individuals who, in turn, report to the Management Body). The role of the Management Body is outlined in the Firm’s compliance and procedures manual (the “**Manual**”) and its Limited Liability Partnership Agreement (“**LLPA**”), which provide for certain decisions to be reserved to it. The Management Body has daily management and oversight responsibility, and meets at least quarterly to discuss significant matters affecting the Firm and to make strategic decisions. Further, special meetings of the Management Body may be called as and when the need arises. Under the Firm’s governance arrangements, including the Manual and the LLPA, the Management Body:

- has overall responsibility for the business and conduct of the Firm;
- discusses and sets the strategic direction of the Firm and the effective delivery of that strategy, including the appointment of new members and other staff, risk strategy and internal governance;
- considers and discusses the Firm’s relationship with its clients;

- has oversight of and ensures the integrity of the Firm’s accounting and financial reporting systems;
- has put in place internal controls that are reviewed at least annually, and cover all material controls including financial, operational and compliance controls and risk management systems;
- oversees the process of public disclosure and communications by the Firm with regulators;
- is responsible for providing oversight of the Firm’s personnel;
- monitors, assesses and makes changes in respect of deficiencies found in respect of: (i) the adequacy/implementation of the Firm’s strategic objectives in the provision of investment services and activities (including ancillary services); (ii) the effectiveness of the Firm’s governance arrangements; and (iii) the adequacy of the policies relating to the provision of services to clients; and
- has adequate access to information and documents which are needed to oversee and monitor management decision-making.

All members of the Management Body are required to devote substantially their whole business time and attention to the Firm to ensure that they can perform their functions within the Firm, to diligently employ themselves in the business and conduct themselves in a proper and responsible manner and use their best skill and endeavour to promote the Firm to the Firm’s greatest advantage, comply with all applicable legislation, regulations and professional standards and show the utmost good faith to the Firm and the other members in all transactions, and to act with honesty, integrity and independence of mind to effectively assess and challenge decisions where necessary and to effectively oversee and monitor management decision-making.

Directorships

- 3.7 The Firm is not a significant SYSC firm and therefore is not subject to restrictions as to the number of directorships that the members of its Management Body may hold.
- 3.8 Subject to paragraph 3.9 below, the members of the Management Body do not hold any other executive or non-executive directorships outside of the Firm.
- 3.9 This analysis does not include, in respect of each member of the Management Body:
- any directorships the member holds in an organisation which does not pursue a predominantly commercial objective (for example, a charitable organisation or a company that has been established to own the freehold to a building in which the member lives);
 - separate directorships held for multiple entities within the same group; or
 - separate directorships in undertakings in which the Firm or its clients hold a qualifying holding.¹

¹ A qualifying holding is a direct or indirect holding in an undertaking which represents 10% or more of the capital or of the voting rights, or which makes it possible to exercise a significant influence over the management of the undertaking in which that holding subsists.

Risk Committee

3.10 Pursuant to MIFIDPRU 7.1.3R and 7.1.4R, MIFIDPRU 7.3 does not apply to the Firm. Accordingly, the Firm is not required to establish a risk committee and therefore has not established such a committee.

Diversity Policy

3.11 In accordance with SYSC 4.3A.10, the Firm maintains a policy for promoting diversity in the Management Body (the “**Diversity Policy**”).

3.12 The objective of the Diversity Policy is to review and assess the composition and effectiveness of the Management Body, in light of the benefits of all aspects of diversity, including differences in educational and professional background, gender, age, nationality, skills, knowledge (including regional and industry experience), cultural background, race, disability, personality and work-style between members of the Management Body. These differences are considered in determining the optimal composition of the Management Committee and when possible are balanced appropriately.

3.13 All appointments to the Management Body are made on merit against objective criteria having due regard for the benefits of diversity within the Management Body (for example, also taking into account whether an appointment would complement and expand the knowledge, skills, diversity and experience of the Management Body as a whole). Where the Management Body is considering appointing candidates to the Management Body, it ensures that objective criteria are defined for any such position that include measurable skills, experience, knowledge and personal qualities. The Management Body, in conjunction with the Firm’s legal and compliance team and Farallon group HR team where applicable, ensure that these criteria above do not place any candidate with a protected characteristic at a disadvantage. Accordingly, the Firm meets and upholds the objectives of the Diversity Policy.

4. **Own Funds and Own Funds Requirement**

Own Funds

4.1 The Firm is subject to the disclosure requirements stipulated in MIFIDPRU 8.4.1 R. As such, the tables below set out:

- A. details of common equity tier 1 items, additional tier 1 items, tier 2 items, and the applicable filters and deductions applied in order to calculate the own funds of the Firm (i.e. a composition of regulatory own funds);
- B. a reconciliation of the Firm’s composition of regulatory own funds with the capital in the balance sheet in the audited financial statements of the Firm; and
- C. a description of the main features of the common equity tier 1 instruments, additional tier 1 instruments and tier 2 instruments issued by the Firm.

Please see the tables below which set out these disclosures.

OF1. Composition of regulatory own funds			
	Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in

			the audited financial statements
1	OWN FUNDS	2,379	See line item titled “Members’ other interests”, which can be found in the Statement of Financial Position in the section headed “Total members’ interests”
2	TIER 1 CAPITAL	2,379	See line item titled “Members’ other interests”, which can be found in the Statement of Financial Position in the section headed “Total members’ interests”
3	COMMON EQUITY TIER 1 CAPITAL	2,379	See line item titled “Members’ other interests”, which can be found in the Statement of Financial Position in the section headed “Total members’ interests”
4	Fully paid up capital instruments	2,211	See line item titled “Members’ capital”, which can be found in the Statement of Financial Position in the section headed “Equity”
5	Share premium		
6	Retained earnings		
7	Accumulated other comprehensive income		
8	Other reserves	168	See line item titled “Other reserves”, which can be found in the Statement of Financial Position in the section headed “Equity”
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		
20	ADDITIONAL TIER 1 CAPITAL	0	
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	0	
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		

OF2. Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements

		a	b	c
		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross-reference to template OF1
		As at period end 31 March 2022	As at period end	
<i>Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements</i>				
1	Tangible Assets	160		
2	Debtors: amounts falling due within one year	796		

3	Cash and cash equivalents	2,586		
4	Total Assets	3,542		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Creditors; Amounts falling due within one year	(1,081)		
2	Total Liabilities	(1,081)		
Members' interests				
1	Members' capital	2,211		OF1:4
2	Other Reserves	168		OF1:8
3	Loans and other amounts due to members	82		
4	Total Members' interests	2,461		

Own funds: main features of own Instruments issued by the Firm

The common equity tier 1 instruments issued by the Firm consist of members' capital. The members' capital has been issued on an *ad hoc* basis as and when new Firm members have been admitted or when the Firm has required additional capital. The Firm members' capital does not have a nominal value. Its value reflects the amount paid in by the relevant member. Under the terms of the Firm's LLPA, the Firm members' capital is non-convertible and perpetual (it does not have a maturity date), carries no right to dividends, coupon or other forms of income (instead, Firm members may, at the discretion of the Firm be awarded a share in the profits of the Firm at the end of the financial year) and is subject to restrictions on withdrawal in accordance with the requirements of MIFIDPRU 3.3.17 R.

Own Funds Requirements

- 4.2 The below table relates to the Firm's own funds requirements under MIFIDRU 4.3. Figures are provided in GBP thousands, based on the Firm's latest audited financial statements for financial year end 31 March 2022.

K-Factor Requirement	The Firm's K-Factor Requirement is:	The Firm's K-Factor Requirement can be further broken down as follows:
		the sum of:

(calculated by the Firm in accordance with MIFIDPRU 4.6)	£1,037	<ul style="list-style-type: none"> - the K-AUM requirement; - the K-CMH requirement; and - the K-ASA requirement, <p>which is: £1,035</p>	
		<p>the sum of:</p> <ul style="list-style-type: none"> - the K-COH requirement; and - the K-DTF requirement. <p>which is: £2</p>	
		<p>the sum of:</p> <ul style="list-style-type: none"> - the K-NPR requirement; - the K-CMG requirement; - the K-TCD requirement; and - K-CON requirement, <p>which is: £0</p>	
Fixed Overheads Requirement (calculated by the Firm in accordance with MIFIDPRU 4.5)	£2,151	The Firm's Fixed Overheads Requirement is:	

4.3 As part of its ICARA process, the Firm assesses the adequacy of its own funds in accordance with the overall financial adequacy rule in MIFIDPRU 7.4.7 R.

4.4 In particular, the Firm assesses the amount of own funds it requires to:

- address any potential harms it has identified which it has not been able to mitigate;
- address any residual harms remaining after mitigation; and
- ensure an orderly wind down of its business.

4.5 As the Firm is not an SNI firm, it is required to use its K-factor requirement as a starting point for determining the appropriate amount of own funds to cover risks of harm to the business as a going concern, to the extent that such risks have not or cannot be mitigated.

- 4.6 The Firm assesses whether and to what extent a K-factor requirement covers each risk of harm identified during the ICARA process on a going concern basis (to the extent the risk of harm is not or cannot be adequately mitigated).
- 4.7 For this purpose, each risk of harm is mapped, where relevant, to the corresponding K-factor requirement to assess whether such K-factor requirements are sufficient to cover the post mitigation risk of harm. For risks of harm not sufficiently covered by K-Factor requirements, the Firm will assess whether such risks are adequately mitigated through the Firm’s systems and controls and whether, accordingly, the Firm holds sufficient own funds.
- 4.8 As part of its ICARA, the Firm also assesses the level of own funds that it would need in order to effect an orderly wind down, taking into account any additional risks of harm it identifies and whether the Firm’s fixed overheads requirement adequately covers such risks.

5. **Remuneration policy and practices**

- 5.1 The Firm was, prior to 1 January 2022, subject to the disclosure requirements in BIPRU 11.5.18 R to BIPRU 11.5.20 R and, therefore, in relation to its most recently-ended employee performance period, benefits from the transitional provision in paragraph 12.8 to MIFIDPRU TP 12. In line with that transitional provision, the remuneration information set out below has been prepared in accordance with the rules in BIPRU 11.5.18 R to BIPRU 11.5.20 R rather than the rules in MIFIDPRU 8.6 (and reflects the remuneration information that the Firm would have disclosed had the Firm continued to be subject to BIPRU 11.5.18 R to BIPRU 11.5.20 R in the form in which such provisions stood immediately before 1 January 2022). A remuneration disclosure that is compliant with MIFIDPRU 8.6 will be included in future versions of these disclosures in respect of later employee performance periods.

BIPRU 11.5.18: Remuneration Disclosure

- 5.2 The Firm maintains a written remuneration policy designed to comply with applicable rules and guidance in the FCA Handbook relating to remuneration. The Firm’s remuneration policy applies to its members and employees whose professional activities have a material impact on the Firm’s risk profile (“**Remuneration Code Staff**”). The Partnership’s Management Body oversees the Firm’s remuneration of Remuneration Code Staff and sets the Firm’s remuneration policy.
- 5.3 The total compensation of Remuneration Code Staff is generally structured as a base salary, benefits and discretionary year-end bonus (for employees) and a discretionary allocation of profits, including advance monthly drawings and benefits (for members). Discretionary bonuses and discretionary profit allocations will be determined by the Firm’s Managing Members in their sole discretion and will be based on a number of considerations, including, among other things, individual performance and the performance of the individual’s business unit. The relative weight accorded to each of these factors is also entirely discretionary.
- 5.4 The timing of payment, and form of delivery, of any variable remuneration is at the absolute discretion of the Firm. The Firm has elected to disapply the specific principles in the BIPRU Remuneration Code relating to deferral, form of delivery and performance adjustment and has elected not to set a maximum leverage ratio.

BIPRU 11.5.18(6): Remuneration Code Staff Remuneration

Business Area Remuneration	Total
Investment sub-advisory business	£60,733,487

Aggregate Quantitative Remuneration by Senior Management and Material Risk Takers

Remuneration Code Staff (BIPRU 11.5.18(7))

Type of Remuneration Code Staff	Total Remuneration
Senior Management (SIF)	£52,342,390
Material Risk Takers*	£
Total	£52,342,390

* In accordance with FCA guidance, the Firm does not (in light of the agency nature of its investment business) regard itself as having any Material Risk Takers.