MIFID Investment Firms Disclosure Report

(MIFIDPRU 8)

Overview

Introduction

This document sets out the public disclosures for Church House Investments Limited, as at 31 December 2022. Church House is authorised and regulated by the Financial Conduct Authority. The activities that the company performs are caught within the scope of the UK Markets in Financial Instruments Directive (MiFID), meaning that it is subject to the prudential requirements of the Investment Firms Prudential Regime and the related FCA rules within the "MIFIDPRU" sourcebook.

The provisions within MIFIDPRU 8 require us to make public disclosures, replacing the previous disclosure requirements set under part 8 of the Capital Requirements Regulations (CRR).

Frequency

The disclosure for Church House Investments Limited is prepared and published annually, alongside the company's audited Annual Report and Financial Statements.

All figures are as at the company's financial year end, 31st December 2022.

Governance

Board of Directors

The Board is responsible for the overall management of the company, including its strategic objectives and risk strategy.

The Board is additionally responsible for establishing and maintaining a robust system of internal governance controls and risk management, including operational, compliance and financial controls. Ongoing monitoring of the effectiveness of the controls is achieved with the assistance of various committees.

As at 31st December 2022, the Board of Directors was made up of the following individuals:

Senior Management Function (SMF)	Board Member	Number of other external directorships
Chair of Governing Body (SMF 9) Chair of the Risk Committee	Michael Baines	2
Chief Executive Officer (SMF 1)	Jeremy Wharton	2
Executive Director (SMF 3)	Roger Davis	2
Executive Director (SMF 3)	James Mahon	1
Executive Director (SMF 3)	James Johnsen	2
Chair of the Audit Committee (Non-Executive Director)	Dominic Gibbs	17
Chair of the Remuneration Committee (Non-Executive Director)	Andrew Martin Smith	10

Executive Directors

The Board has delegated the day-to-day management of the company to the Chief Executive Officer, who is supported by the Executive Board of Directors:

Chief Executive Officer (SMF 1)	Jeremy Wharton
Executive Director (SMF 3)	Roger Davis
Executive Director (SMF 3)	James Mahon
Executive Director (SMF 3)	James Johnsen

Board Committees

The Board has three main committees: the Audit Committee, the Risk Committee and the Remuneration Committee.

Chair of Audit Committee	Dominic Gibbs
Chair of Risk Committee	Michael Baines
Chair of Remuneration Committee	Andrew Martin Smith
Chair of Investment Committee	Michael Baines

Audit Committee

The Audit Committee has four main objectives:

1. *Financial Reporting: to review and challenge –*
   a. *the consistency and any changes to the accounting policies,*
   b. *that the company has followed appropriate accounting standards*
   c. *the clarity of disclosure in the company's financial reports*
   d. *all material information presented with the financial statements*
2. *Internal controls and risk management – the committee shall*
   a. *Keep under review the adequacy and effectiveness of the company's internal financial controls and internal control & risk management systems*
   b. *Review and approve the statements to be included in the director's annual report about internal controls and risk management*
3. *Compliance, whistleblowing and fraud – the committee shall:*
   a. *review the adequacy and security of the company's arrangements for its employees and its contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.*
   b. *review the company's procedures for detecting fraud, and*
   c. *review the company's systems and controls for the prevention of bribery and receive reports on non-compliance*
4. *External audit – the committee shall:*
   a. *Consider and make recommendations to the board in relation to the appointment, reappointment and removal of the company's external auditor*
   b. *Review and monitor the external auditor's independence, objectivity and effectiveness of the audit process*
   c. *Oversee the relationship with the external auditor*

Risk Committee

The Risk Committee's main objective is to develop the strategic risk view of the company, including:

1. Identification and monitoring of risks facing the company, both current and likely future risks, and an assessment of the controls and adequacy of the mitigation employed
2. Development and updating of company's Risk Landscape
3. Development and updating of the risk management framework of the company
4. Definition, development and testing of the risk appetite/tolerance processes for approval by the Board
5. Review, challenge and approve the risk management controls
6. Development of internal capital adequacy and risk assessment (ICARA) process
7. Oversight and approval of stress testing employed within ICARA
8. Assessment of capital adequacy requirements and any variances due to changing trading conditions
9. Develop and maintain Board and Senior Management awareness of risk management practices and issues

Investment Committee

The Investment Committee reviews and assesses the management of investment risk within the CH Funds that the company is the appointed investment adviser for, and the maintenance and ongoing suitability of, the CH risk models to meet the investment needs and objectives of our private clients.

The Committee also oversees the application of the investment policies and, in particular, the role of the company as a signatory to the Stewardship Code.

Remuneration Committee

The Remuneration Committee is responsible for overseeing the implementation of CHI's remuneration policies and practices, which cover all aspects of remuneration and all staff.

The Committee is also responsible for the oversight of the remuneration of staff engaged in *control functions* (including risk management, compliance and internal audit). Such staff must be independent from the business units they oversee, have appropriate authority and are remunerated in accordance with the objectives linked to their functions, independent of the performance of the business areas they control.

Diversity

The Board recognises the need for diversity in the management body of the company. It is the Board's policy that all appointments are made on merit in the context of the skills, knowledge and experience that the business requires. The process of selection takes into account the wider elements of diversity to ensure that there is a balance in the composition of the Board and other management committees.

Own funds – capital resources

The company's own funds comprise entirely of Common Equity Tier 1 (CET 1) capital, which is the most robust category of financial resources.

Composition of the Company's Regulatory Own Funds as at 31st December 2022

Table OF1

	Item	*Amount (GBP thousands)*	*Source based on reference numbers of the balance sheet in the Company's audited financial statements*
1	**OWN FUNDS**	**4,438**	
2	**TIER 1 CAPITAL**	**4,438**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**4,438**	
4	Fully paid up capital instruments	303	20
5	Share premium	200	19
6	Retained earnings	3,933	19
7	Accumulated other comprehensive income	449	
8	Other reserves	2	19
9	Adjustments to CET1 due to prudential filters	-	
10	Other funds	-	
11	TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-	
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**	**-**	
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	-	

Reconciliation of regulatory own funds to balance sheet in the audited financial statements

The table below shows a reconciliation of the company's own funds to the company's audited balance sheet as at 31st December 2022.

Table OF2

		a	b	c
		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross reference to Table OF1
	As at period end	31 December 2022 (thousands)	31 December 2022 (thousands)	
Assets Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Tangible	60		
2	Investments	907		
3	Debtors	1,629		
4	Cash	3,650		
	Total Assets	**6,246**		
Liabilities Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Creditors	1,807		
2	Deferred Tax	1		
	Total Liabilities	**1,808**		
Shareholders' Equity				
1	Share Capital	303		20
2	Share Premium	200		19
3	Redemption reserve	2		19
4	Profit & Loss Account	3,933		19
	Total Shareholders' Equity	**4,438**		

Own Funds: main features of own instruments issued by the Company

Table OF3

Issuer	*Church House Investments Limited*
Public or private placement	Private
Instrument type	Ordinary shares
Amount recognised in regulatory capital (£ thousands)	303
Issue price	£0.10
Accounting classification	Share capital
Original date of issuance	24 February 1999
Perpetual or dated	Perpetual
Maturity date	N/A
Issuer call subject to prior supervisory approval	N/A
Option call date	N/A
Coupon/Dividends	Discretionary dividends
Fixed or floating dividend/coupon	N/A
Coupon rate	N/A
Existence of a dividend stopper	N/A
Convertible or non-convertible	N/A
Write-down features	N/A
Link to the terms and conditions of the instrument	N/A

Own Funds Requirement

K-FACTOR REQUIREMENT AND FIXED OVERHEAD REQUIREMENT

K-Factor requirement

Item		£ thousands
1	Sum of K-AUM, K-CMH and K-ASA	296
2	Sum of K-COH and K-DTF	141
3	Sum of K-NPR, K-CMG, K-TCD & K-CON	-

Fixed overheads requirement

	Fixed overheads requirement	1,662

Approach to assessing adequacy of own funds

The Company holds own funds and liquid assets which are adequate, in both amount and quality, to confirm that it meets the Overall Financial Adequacy Rule, which requires that a firm must ensure that:

- it remains financially viable throughout the economic cycle with the ability to address any material potential harm that may result from its ongoing activities, and
- it can wind down its business in an orderly manner, minimising harm to consumers or other market participants.

This forms part of the Company's internal capital adequacy and risk assessment (ICARA) process, which forms part of its overall risk management framework. This provides the Executive Directors and the Board with the tools to assess and quantify the financial risks taken by the Company, the methods and controls to mitigate these risks and whether the Company has sufficient resources to withstand such risks, should they materialise.

A range of stress and scenario tests have been considered to represent real and plausible events to assess and quantify the capital and liquidity requirements which the Company will need to remain a going concern and to meet its own stated risk appetite.

The ICARA process is reviewed and challenged by the Board at least annually.

Remuneration Policy and Practices

MIFIDPRU REMUNERATION CODE

In accordance with the MIFIDPRU Remuneration Code, which applied from 1st January 2022, the Company's Remuneration Policy implements the standards and requirements for non-SNI MIFIDPRU Investment Firms.

REMUNERATION COMMITTEE

The Remuneration Committee oversees the implementation of the Company's remuneration policy and practices. It reports to the Board.

REMUNERATION POLICY

The remuneration policy of the Company has the following features:

- It is appropriate and proportionate to the nature, scale and complexity of the risks inherent in the Company's business model and activities;
- It is gender neutral and complies with the Equality Act 2010, such that pay and all other contractual terms, including variable remuneration, are equal irrespective of gender;
- It is consistent with and promotes sound and effective risk management;
- It is in line with the Company's business strategy, objectives and long-term interests, including:
  - Company's risk appetite and strategy, including ESG risk factors;
  - Company's culture and values; and
  - The long-term effects of the investment decisions taken;
- It contains measures to avoid conflicts of interest, encourages responsible business conduct and promotes risk awareness and prudent risk-taking.

The Company has a low risk appetite. As a limited licence firm, the Company has no ability to undertake propriety trading so does not take principal positions with its own capital. The Company does not lend and so not subject to credit risk. The main risks that the Company is subject to are market, operational and reputational, which are accounted for in the design of the remuneration structure. Employees are not rewarded with schemes that encourage product bias or are based upon accelerated bonus rates or thresholds being met.

The Company operates a tier-based remuneration system comprising of:

- **Fixed Remuneration** consisting of a salary and other benefits, such as private medical and life assurance cover, which do not vary with individual performance against objectives
- **Variable Remuneration** comprising of a single year discretionary variable cash bonus and, for some fund managers and the sales team, a bonus scheme based on fund performance or sales income generated.

The proportion of an employee's remuneration that is fixed and variable will depend upon the role of the employee and the bonus scheme to which they belong. The bonus schemes will determine the level of variable remuneration that the employee will receive.

Fixed remuneration primarily reflects each staff member's professional experience and organisational responsibility, as detailed in their job description and terms of employment. It is permanent, pre-determined, non-discretionary, non-revocable and not dependant on performance.

Variable remuneration is based on performance, reflecting long-term performance of the employee as well as performance in excess of the job description and terms of employment and may include discretionary pension benefits and carried interest (where relevant). It is based on a combination of the assessment of the performance of the individual, the business unit concerned and the overall results of the Company.

Assessment of performance is part of a multi-year framework ensuring that the assessment of performance is based on longer-term performance and the payment of performance-base remuneration is spread over a period that takes into account the business cycle of the Company and its business risks. The assessments consider both financial and non-financial criteria, including:

- Building and maintaining positive customer relationships and outcomes;
- Performance in line with strategy or values (such as displaying leadership, teamwork or creativity);
- Adherence to the Company's risk management and compliance policies;
- Achieving targets related to ESG and diversity & inclusion.

Material risk takers

The Company has identified the following employees as material risk takers:

- Executive Directors of the Board
- Members of the Executive Management Committee

QUANTITATIVE REMUNERATION

The remuneration awarded to Company employees for the year 2022 amounted to:

Remuneration	*£ thousands*
Total Remuneration to all Employees	£4,737
Fixed Remuneration	£3,015
Variable Remuneration	£1,722

The Company has a total of four material risk takers, the Executive Board. The remuneration for the material risk takers for the year 2022 was:

Remuneration	*£ thousands*
Total Remuneration for Material Risk Takers	£1,827
Fixed Remuneration	£ 984
Variable Remuneration	£ 842