Cognis Capital LLP Pillar 3 Disclosure

Disclosure policy

The Pillar 3 disclosure of Cognis Capital LLP ("Cognis") is set out below as required by the Financial Conduct Authority's ("FCA") Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU"), specifically BIPRU 11. The regulatory aim of the disclosures is to improve market discipline.

Cognis makes Pillar 3 disclosures annually, via its website. The information contained in this disclosure is accurate as at 30 November 2024, Cognis' Accounting Reference Date ("ARD"). The information contained in this document has not been audited by Cognis' external auditors and does not constitute any form of financial statement.

Introduction

The Firm is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. The Firm is categorised by the FCA, for capital purposes, as a limited licence firm. It is an investment management firm and has no trading book exposures. The Firm is not required to prepare consolidated reporting for prudential purposes.

Capital resources

The main features of the Firm's Capital Resources are as follows:

Capital Item	£000
Tier 1 capital less innovative tier 1 capital	748
Tier 2 capital	-
Tier 3 capital	-
Total capital resources, net of deductions	**748**

Risk management objectives and policies

Due to the nature, size and complexity of the Firm, Cognis does not have an independent risk management function. Senior management is responsible for the management of risk within the Firm and their individual responsibilities are clearly defined. Cognis has clearly documented policies and procedures that are designed to minimise risks to the Firm and all staff are required to confirm that they have read and understood them.

Cognis undertakes an Internal Capital Adequacy and Risk Assessment process ("ICARA") at annually, through which the Firm determines that it is able to identify and manage its key risks on an ongoing basis and that it holds sufficient capital in respect of such risks. The process is forward looking and is an integral part of the management of the Firm.

The ICARA identifies the major sources of risk to the regulated entity, how the Firm intends to deal with those risks, details of the stress tests and scenario analyses carried out and the resulting financial resources estimated to be required. If appropriate the Firm would allocate extra capital against an identified risk, but this has not been deemed necessary. The Firm has concluded that its Tier 1 capital is sufficient to cover its Pillar 1 and Pillar 2 requirements. The Firm also carries out regular assessments of the types and distribution of its financial resources and capital resources.

Risks

Below we consider the separate categories of risk:

Market Risk
Market risk is the risk of any impact upon the Firm's financial condition due to fluctuations in values of, or income from, assets or in interest or exchange rates. The Firm does not maintain a trading book and therefore the only market risk to which the Firm is exposed is foreign exchange risk on accounts receivable which is assessed to be adequately covered by the Firm's capital resources.

Credit Risk
Credit risk is defined as the risk of loss caused by the failure of a counterparty to perform its contractual obligations. A factor which may contribute to increased credit risk is concentration of assets held with a single counterparty. Credit risk is considered in the Firm's ICAAP and is assessed to be adequately covered by the Firm's capital resources.

Operational risk
Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. Whilst this risk is viewed as material, it has been considered in the Firm's ICAAP and is assessed to be adequately covered by the Firm's capital resources.

Business risk
Business risk is any risk to the Firm arising from changes in its business, including the risk that the Firm may not be able to carry out its business plan and its desired strategy. It also includes risks arising from a firm's remuneration policy. Whilst this risk is viewed as material, it has been considered in the Firm's ICAAP and is assessed to be adequately covered by the Firm's capital resources.

Insurance risk
Insurance risk refers to the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. Cognis does not undertake any insurance business.

Concentration risk
Concentration risk is defined as exposure to sector, geographic, liability and asset concentrations. The Firm does not trade on its own book and therefore it is not exposed to concentration risk.

Residual risk
Residual risk is the risk of loss arising from Cognis' exposure to residual risks that may result from the partial performance or failure of credit risk mitigation techniques for reasons that are unconnected with their intrinsic value, e.g. the risk that credit risk mitigation techniques used by the Firm prove less effective than expected. Cognis does not use credit risk mitigation techniques and is not exposed to residual risk.

Securitisation risk
Securitisation risk is the risk that the capital resources held by a firm in respect of assets which it has securitised are inadequate having regard to the economic substance of the transaction, including the degree of risk transfer achieved. Cognis does not engage in securitisation and is not exposed to securitisation risk.

Interest rate risk arising from non-trading book activities
Interest rate risk is defined as the potential for losses or gains from fluctuations in interest rates. This risk is not assessed as material.

Pension obligation risk
Pension obligation risk is defined as the risk to a firm caused by its contractual or other liabilities to or with respect to a pension scheme (whether established for its employees or those of a related company or otherwise). Cognis does not operate a pension scheme on behalf of employees or any other party and is not exposed to pension obligation risk.

Group risk
Group risk is defined as the risk that the financial position of a firm may be adversely affected by its relationships (financial or non-financial) with other entities in the same group or by risks which may affect the financial position of the whole group, for example reputational contagion. Cognis is not part of a group and is not exposed to group risk.

Liquidity risk: Liquidity risk is defined as the risk that the Firm, although solvent, either does not have sufficient available resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost. The Firm conducts, at least annually, a liquidity assessment to ensure that the Firm meets the liquidity requirements in BIPRU 12 and the Firm's liquid resources are reviewed on a regular basis in order to mitigate this risk.

Remuneration

Cognis must comply with the FCA's Remuneration Code ("the Code"). The purpose of the Code is to ensure that firms have risk focused remuneration policies, which are consistent with and promote effective risk management and do not expose themselves to excessive risk. The Firm has reviewed all existing employment contracts to ensure they comply with the Code.

Senior management are responsible for setting the Remuneration Policy Statement for all staff and the compliance officer is a member of the senior management team.

The Code can be applied in a proportionate way and Cognis is in proportionality tier four. As such Senior Management has determined that the following rules are not proportionate to Cognis and have not implemented these detailed rules:

- SYSC 19A.3.44 - Leverage;
- SYSC 19A.3.47 - Retained shares and other instruments;
- SYSC19A.3.49 - Deferral; and
- SYSC 19A.3.51, 19A.3.52 - Performance adjustment

Variable remuneration is not based solely on the financial performance of the individual. Senior management also considered the individuals overall (non-financial) performance to the whole team and the overall results of the fund/firm. The performance of the individual is assessed over the entire year.

Quantitative information

Code staff remuneration was as follows:

	Senior Management £000
Total remuneration for the year	Nil