

PILLAR 3 STATEMENT

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OVERVIEW

The EU Capital Requirement Directive (“CRD”) and the Alternative Investment Fund Managers Directive (“AIFMD”) established a regulatory capital framework across Europe governing the amount and nature of capital that financial services firms must retain. In the United Kingdom, CRD and AIFMD have been implemented by the Financial Conduct Authority (“FCA”) via its Handbook of Rules and Guidance, and specifically through the creation of the General Prudential Sourcebook (“GENPRU”), the Prudential Sourcebook for Banks, Building Societies and Investment Firms (“BIPRU”) and the Interim Prudential Sourcebook for Investment Business (“IPRU (INV)”).

The new framework is structured around three pillars:

- Pillar 1 sets out the minimum capital requirements that firms are required to meet for credit, market and operational risk;
- Pillar 2 requires a firm to take a view on whether additional capital should be held against risks not covered by Pillar 1 and to take action accordingly within the Internal Capital Adequacy Assessment Process (“ICAAP”); and
- Pillar 3 requires firms to publish certain disclosures which will allow market participants to assess key information about firms’ underlying risks, risk management controls and capital position.

The purpose of this document is to provide the Pillar 3 disclosures as required by BIPRU 11 in relation to Antin Infrastructure Partners UK Limited (“AIP UK” or the “Firm”).

COMPANY INFORMATION

AIP UK is part of the Antin group, an independent private equity firm focused on infrastructure, targeting investments in the energy and environment, telecommunications, transportation and social sectors. The principal activity of AIP UK is the management of alternative investment funds. The Antin group has around €13.3 billion of assets under management including co-investments, with Antin funds backed by over 100 institutional investors from Europe, North America, the Middle East, Asia and Australia.

AIP UK is authorised and regulated by the Financial Conduct Authority. It is a BIPRU limited licence Collective Portfolio Management Investment firm with a base capital requirement of €125,000 and subject to GENPRU/BIPRU and IPRU (INV) 11 prudential rules.

MATERIALITY AND APPROPRIATENESS OF DISCLOSURE

The regulations provide for the omission of one or more of the required disclosures if such information is deemed immaterial, proprietary or confidential. Materiality is based on the criterion that where the omission or misstatement of information would be likely to change or influence the assessment or decision of a user relying on that information for the purposes of making economic decisions, then that information is deemed to be material. Proprietary information is that which, if it were shared, would undermine AIP UK’s competitive position. Information is considered to be confidential where there are obligations binding AIP UK to confidentiality with its clients and counterparties.

FREQUENCY AND LOCATION OF DISCLOSURE

It is the intention of AIP UK to publish its Pillar 3 disclosures on an annual basis after the completion of its annual audit. This information will be published on the Firm's website.

VERIFICATION

These disclosures have been prepared in accordance with BIPRU 11 in order to explain certain capital requirements and to provide information about the management of certain risks. They do not constitute any form of audited financial statements and must not be relied upon in making any judgement on the firm.

RISK MANAGEMENT FRAMEWORK

AIP UK has in place robust governance arrangements and effective processes to assess and manage risks. Responsibility for setting risk appetite and establishing limits within which the Firm must operate sits with the Board, which approves the strategy, business objectives and risk management framework of the Firm.

AIP UK operates a top-down and bottom-up approach to risk management so that:

- 1) risk appetite and culture is set from the top and feeds down to each individual working on behalf of AIP UK; and
- 2) the different teams providing AIP UK with support take responsibility for risk management within their areas.

Senior Management meet both formally and informally on a regular basis to discuss current projections for profitability, cash flows, regulatory capital management, and business strategy, together with all the relevant risks and how those risks may be mitigated and managed most effectively to minimise the impact on the financial performance of AIP UK. Where risks are identified which fall outside of the Firm's risk tolerance levels, or where the need for remedial action is recognised in respect of identified weaknesses in the Firm's mitigating controls, action is taken to improve the control framework.

MATERIAL RISKS

The following are considered to be the most significant risks faced by the Firm:

- business risk;
- market risk;
- operational risk; and
- liquidity risk.

1. Business Risk

AIP UK faces a risk that significant damage to the business and/or its reputation could arise from continuous poor performance or under performance of funds managed and advised by AIP UK. A significant reduction in the assets under management or an inability to raise new funds could have material implications in terms of reduced revenues and profits.

To mitigate business risk, AIP UK will at least annually undertake stress testing/analysis of various negative/downturn scenarios to model the impact on the Firm's financial position. This enables the Firm to monitor its business risk and assists in its capital planning.

Business risk is further mitigated by establishing high professional standards and the continuous strengthening of teams by investing in new talent.

Credit risk is the risk arising from the possibility that AIP UK will incur financial loss from the failure of counterparties to meet their obligations as and when they fall due.

AIP UK's credit risk exposure is small and arises primarily from its receivables and cash deposits placed with international banks. Credit risk on receivables is predominantly from investment advisory fees due from related parties. All receivables are reviewed at least monthly to ensure timely collection of amounts due. Credit risk on cash deposits with third party banks is limited, as cash is only deposited with financial institution(s) having high credit ratings assigned by international credit-rating agencies.

From the fund perspective, the funds drawdown cash as and when required from investors who have a contractual obligation to commit capital. The credit-worthiness of the underlying investors in Antin funds is considered as part of the due diligence process prior to accepting them as investors. It is unlikely for any investor to default, and given the spread and diversity of investors, the impact of any individual investor being unable to meet its commitment is considered to be very low.

2. Market Risk

Market risk is the risk of potential loss of income or decrease in the value of AIP UK's assets caused by adverse changes or movements in interest rates, foreign exchange rates or market prices.

As AIP UK does not have a trading book, market risk exposure is relatively small and confined to foreign exchange (currency) risk on operating assets and liabilities denominated in currencies other than Euros.

Whilst the Firm's reporting currency is EUR, Senior Management consider the underlying currency to be GBP. The Firm's foreign exchange risk therefore would only arise in respect of its accounts receivable and cash balance held in currencies other than GBP.

Foreign exchange risks within AIP UK are managed through monthly review and reconciliation of all open positions.

3. Operational Risk

Operational risk is the risk of potential loss arising from fraud, human error, inadequate controls or failures in internal processes and systems, or from external events, including legal risk.

AIP UK has adequate systems and controls, procedures and crisis management and disaster recovery arrangements to manage and mitigate against these risks.

Appropriate insurance policies including professional indemnity insurance have also been put in place.

4. Liquidity Risk

Liquidity risk is the risk that AIP UK does not have sufficient financial resources to meet its obligations as and when they fall due, or would have to do so at excessive costs. It can arise from mismatches in the timing of cash flows resulting from unexpected or exceptional circumstances.

AIP UK manages liquidity risk via the following specific controls:

- preparation and regular review of budgets covering the medium term, and
- monitoring of current cash levels and of short term cash requirements.

CAPITAL RESOURCES REQUIREMENT

Pillar 1

As a BIPRU limited licence CPMI firm, AIP UK must maintain own funds which equal or exceed:

- a) the higher of :
 - i) €125,000 plus 0.02% of the amount by which the funds under management exceed €250,000,000 (the funds under management requirement); and
 - ii) one quarter of the Firm's audited relevant fixed expenditure for the previous year (own funds based on fixed overheads); plus
- b) either:
 - i) an additional amount of own funds for covering liability risks arising from professional negligence at least equal to 0.01% of the value of the portfolios of funds managed by AIP UK (the professional negligence capital requirement); or
 - ii) holding professional indemnity insurance which is compliant with the requirements laid down in the AIFMD and maintaining an additional amount of own funds at least equal to the value of any defined excess, as well as to cover any exclusions in the insurance policy; or
- c) the sum of credit and market risk exposures.

AIP UK's Pillar 1 capital requirement is based on its fixed overheads ("FOR"), the greatest of the possible base levels. The Firm has put in place appropriate professional indemnity insurance cover.

	EUR '000
Relevant fixed expenditure	18,188
Fixed Overheads Requirement	4,547
PII excess	100
Pillar 1 Capital Resources Requirement	4,647

AIP UK monitors its expenditure on a monthly basis and takes into account any material fluctuations in order to determine whether the FOR remains appropriate to the size and nature of the business or whether any adjustment needs to be made intra-year.

Pillar 2

AIP UK carries out an Internal Capital Adequacy Assessment Process, commonly known as ICAAP, to determine whether any additional capital is required to be maintained against any risk not adequately covered by Pillar 1. The ICAAP process includes an assessment of specific risks to our business, the likelihood of these occurring and the controls implemented to mitigate them. The impact of risks is assessed by modelling their effect on our income and expenses over a three year time horizon. Any residual risk is mitigated by setting aside capital to meet the worst case potential impact.

Following the latest ICAAP exercise the Board of AIP UK concluded that the Firm does not require additional capital resources beyond its calculated Pillar 1 requirement in order to manage its risks.

CAPITAL RESOURCES

AIP UK's capital resources are comprised of Tier 1 capital only with a deduction for material holdings in subsidiary undertakings. The Firm's capital position as at 31 December 2019 is presented below:

	EUR '000
<i>Tier 1 capital :</i>	
<i>Ordinary share capital</i>	300
<i>Share premium</i>	317
<i>Audited retained earnings</i>	5,826
<i>Tier 1 capital before deductions</i>	<u>6,443</u>
 <i>Deductions from Tier 1 capital</i>	 -
 <i>Total Tier 1 capital after deductions</i>	 <u>6,443</u>
 <i>Tier 2 capital</i>	 -
 <i>Total Tier 1 and Tier 2 capital</i>	 <u>6,443</u>
 <i>Deductions from Tier 1 plus Tier 2 capital (material holdings)</i>	 (124)
 <i>Total Tier 1 plus Tier 2 capital after deductions</i>	 6,319

REMUNERATION DISCLOSURE

As AIP UK is authorised and regulated by the FCA as a CPMI and a BIPRU firm, it is subject to FCA Rules on remuneration. These rules are contained in the FCA's Remuneration Code ("RemCode") under SYSC Sourcebook of the FCA's Handbook. The Remuneration Code covers an individual's total remuneration, both fixed and variable.

AIP UK's Remuneration Policy is designed to ensure that the Firm complies with the FCA's RemCode. It ensures compensation arrangements are consistent with and promotes sound and effective risk management, do not encourage excessive risk-taking which is inconsistent with the risk profiles of the AIFs managed, include measures to avoid conflicts of interest and are in line with the Firm's business strategy, objective, values and long-term interests.

The Executive Committee is the governing body which proposes and develops the general principles of the Firm's remuneration policy and is responsible for its implementation. All decisions relating to remuneration are taken on a majority basis and recorded in the minutes. No individual is able to determine their own remuneration.

Remuneration generally comprises fixed pay (i.e. salary and fixed benefits) and employees have the potential to receive a proportion of their salary in the form of a discretionary performance-related bonus. Discretionary performance-related pay is linked to an employee's individual personal performance and the Firm's overall performance.

AIP UK's policy is to pay discretionary remuneration from realised profits, taking account of any necessary adjustment for future risk and only to the extent that to do so does not impact the Firm's capital base.

AIP UK also provides long term incentives awards which are designed to link reward with the long term success of the Firm and recognise the responsibility employees have in making AIP UK successful. Long term incentive awards are discretionary and mainly comprise grants of carried interest in the funds managed which are subject to vesting requirements.

As at 31st December 2019 the aggregate proportion of remuneration in respect of services provided by Code Staff to AIP UK was EUR5,535,910.21