Lingotto Investment Management LLP

MIFIDPRU 8 Disclosure

April 2023

Introduction

The Financial Conduct Authority ("FCA" or "regulator") in the Prudential sourcebook for MiFID Investment Firms in the FCA Handbook ("MIFIDPRU") sets out the detailed prudential requirements that apply to Lingotto Investment Management LLP ("Lingotto" or the "Firm" formerly Exor Capital LLP). Chapter 8 of MIFIDPRU ("MIFIDPRU 8") sets out public disclosure rules and guidance with which the Firm must comply, further to those prudential requirements.

Lingotto is classified under MIFIDPRU as a non-small and non-interconnected MIFIDPRU investment firm ("Non-SNI MIFIDPRU Investment Firm"). As such, the Firm is required by MIFIDPRU 8 to disclose information on the following areas:

- Risk management objectives and policies;
- Governance arrangements;
- Own funds;
- Own funds requirements; and
- Remuneration policy and practices.

The purpose of these disclosures is to give stakeholders and market participants an insight into the Firm's culture and data on the Firm's own funds and own funds requirements allows potential investors to assess the Firm's financial strength.

This document has been prepared by Lingotto in accordance with the requirements of MIFIDPRU 8 and is verified by the Governing Body. Unless otherwise stated, all figures are as at the Firm's 31 December financial year-end.

Risk Management Objectives and Policies

This section describes Lingotto's risk management objectives and policies for the categories of risk addressed by the requirements of the Firm in the following areas:

- Own funds.
- Concentration risk.
- Liquidity.

Business Strategy

Lingotto is an investment management firm focused on both public and private investments.

The Firm's clients are the funds themselves, with the underlying investors typically being institutional investors, such as pension funds, insurance companies, and other professional investors.

Lingotto primarily seeks to grow its revenues by growing the underlying asset base on which it charges a management fees, performance and incentive fees. This is achieved by the prudent growth of the Firm's client's assets and by seeking additional asset inflows from prospective clients and investors.

Costs are controlled carefully to ensure long-term profitability. The business seeks to make investments to expand its business and product lines and to continuously improve its control environment.

The Firm's overall AUM as of 31 December is $3.5bn.

Given the Firm's business model, controls, and controls assessment, it is the conclusion of the Firm that its overall potential for harm is low.

Own Funds Requirement

Lingotto is required to maintain own funds that are at least equal to the Firm's own funds requirement. The own funds requirement is the higher of the Firm's:

- **Permanent minimum capital requirement ("PMR")**: The level of own funds required to operate at all times. Based on the MiFID investment services and activities that the Firm currently has permission to undertake this is set at £75,000;
- **Fixed overhead requirement ("FOR")**: The minimum amount of capital that Lingotto would need to have to absorb losses if the Firm has cause to wind down exit the market. This is equal to one quarter of the Firm's relevant expenditure; and
- **K-factor requirement ("KFR")**: The KFR is intended to calculate a minimum amount of capital that Lingotto would need for the ongoing operation of its business. The K-factors that apply to the Firm's business are K-AUM (calculated on the basis of the Firm's assets under management ("AUM")) and K-COH (calculated on the basis of the client orders handled by the Firm).

Lingotto's own funds requirement is currently set by its FOR as this is the highest of the three metrics. The potential for harm associated with Lingotto's business strategy, based on the Firm's own funds requirement, is low. This is due to the relatively consistent and stable growth in the Firm's revenues and asset base.

A method adopted by the Firm to manage the risk of breach of the Firm's own funds requirement is the maintenance of a healthy own funds surplus above the own funds requirement. In the event that the Firm's own funds drop to an amount equal to 110% of the Firm's own funds threshold requirement, the Firm will immediately notify its Governing Body, as well as the regulator. The Governing Body will consider the necessary steps required in order to increase the own funds buffer; this may include injecting more own funds into the Firm.

Concentration Risk

The potential for harm associated with Lingotto's business strategy, based on the Firm's concentration risk, is low.

The Firm has multiple clients, which provides for a diverse stream of revenue. Moreover, the investors are typically institutional professional investors that invest for the long term. The Firm, therefore, considers that its asset base is 'sticky' and not prone to substantial fluctuations, including during stressed market conditions.

The Firm deposits its cash with a well-established multinational institution.

Liquidity

The Firm is required to maintain sufficient liquidity to ensure that there is no significant risk that its liabilities cannot be met as they fall due and to ensure that it has appropriate (liquid) resources in the event of a stress scenario.

The potential for harm associated with Lingotto's business strategy, based on the Firm's basic liquid assets requirement, is low. As with regard to its own funds requirement, this is due to the e.g., relatively stable and consistent growth in the Firm's revenues and asset base and maintenance of a healthy core liquid assets surplus above the basic liquid assets requirement. The Firm retains an amount it considers suitable for providing sufficient liquidity to meet the working capital requirements under various conditions. Lingotto has always had sufficient liquidity within the business to meet its obligations and there are no perceived threats to this given the cash deposits its holds. Additionally, it has historically been the case that all debtors are settled promptly, thus ensuring further liquidity resources are available to the Firm on a timely basis. The cash position of the Firm is monitored by the Chief Compliance Officer on a regular basis, and the Firm would be able to call on its parent undertaking for further capital as required.

Risk Management Structure

Lingotto has established a risk management process in order to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business. The risk management process is overseen by the Chief Compliance Officer, with the Governing Body taking overall responsibility for this process and the fundamental risk appetite of the Firm. The Compliance Officer has responsibility for the implementation and enforcement of the Firm's risk principles.

The Firm's accountants produce the management accounts on a monthly basis, these are reviewed by the Compliance Officer. The governing Body of the Firm meets on a regular basis and the Compliance Officer will raise any issues pertaining to items such as; cash flow, regulatory capital management, business planning and risk management to this forum. The Governing Body engages in Lingotto's risks through a framework of policy and procedures having regard to the relevant laws, standards, principles, and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required.

Annually, the Firm formally reviews its risks, controls, and other risk mitigation arrangements and assesses their effectiveness; the conclusions to this review inform the overall risk appetite of the Firm.

A formal update on operational matters is provided to the Governing Body on a regular basis. Management accounts demonstrating the continued adequacy of Lingotto's regulatory capital are reviewed on a regular basis.

Appropriate action is taken where risks are identified that fall outside of the Firm's tolerance levels or where the need for remedial action is required in respect of identified weaknesses in Lingotto's mitigating controls.

Governance Arrangements

Overview

Lingotto believes that effective governance arrangements help the Firm to achieve its strategic objectives while also ensuring that the risks to the Firm, its stakeholders, and the wider market are identified, managed, and mitigated.

The Governing Body has overall responsibility for Lingotto and is therefore responsible for defining and overseeing the governance arrangements at the Firm.

In order to fulfil its responsibilities, the Governing Body meets on a quarterly basis. Amongst other things, the Governing Body approves and oversees the implementation of the Firm's strategic objectives and risk appetite, ensures the integrity of the Firm's accounting and financial reporting systems, including financial and operational controls, ensures compliance with the requirements of the regulatory system, assesses the adequacy of policies relating to the provision of services to clients, and provides oversight of the Firm's senior management.

A key document that is reviewed, discussed, and ratified by the Governing Body at least annually is the Senior Management Systems and Controls Document ("SYSC Document"), as this demonstrates how the Firm has met its obligations with regard to its governance arrangements. The SYSC Document provides the Governing Body with information on the functioning and performance of all aspects of the Firm, including the following areas:

- General organisational requirements, including steps taken by the Firm to ensure continuity and regularity in the performance of its regulated activities, and the Firm's accounting policies.
- Employees, including steps taken by the Firm to ensure that employees have the necessary skills, knowledge, and expertise for the discharge of the responsibilities allocated to them, and to ensure that they are fit and proper persons.
- Policies, procedures, and controls for meeting its compliance and financial crime requirements.
- Internal capital adequacy and risk assessment process.
- Outsourcing of critical or material operating functions or activities.
- Record-keeping controls and arrangements.
- Conflicts of interest management.
- Remuneration policies and practices; and
- Whistleblowing controls.

The Management Body

Enrico Vellano, Joint-Chief Executive Officer ("Joint CEO") and Partner (SMF1, SMF27)

Enrico Vellano is the Joint-Chief Executive Officer of Lingotto. He is a graduate in Economics at the University of Torino. In 1992 he started his professional career at Arthur Andersen. In 1995 he joined SAI Assicurazioni where he specialised in the management of equities and bonds portfolios. In 1997 he started his working experience at IFIL, the investment company controlled by the Agnelli Family. He held increasingly relevant positions until 2006 when he was named Chief Financial Officer of IFIL, which was merged in IFI in 2009 to create EXOR S.p.A.. From December 2016 EXOR S.p.A. was merged into Exor N.V. based in Amsterdam. He has been approved as SMF1 and SMF27 with LingottoLingotto Investment Management LLP since July 2021.

Marco Benaglia, Joint CEO and Partner (SMF 1, SMF27)

Marco is the Joint-Chief Executive Officer of Lingotto. He is a graduate in Economics from the University of Luigi Bocconi, Milan. He is qualified to practice as “Dottore Commercialista”, an accountancy qualification, and is a member of the Italian Register of Financial and Statutory Auditors. He started his professional career with Price Waterhouse SAS in Italy in 1988. In 1997, he joined the IFIL Group (now EXOR Group). He was CEO of EXOR SA in Luxembourg from 2007 to 2018, then transferring to the Chief Administrative Officer of EXOR NV in Amsterdam. He has been approved as SMF1 and SMF27 with LingottoLingotto Investment Management LLP since July 2021.

Lingotto’s management body is the Governing Body. The below table provides the number of directorships held by each member of the management body:

Management Body Member	Position at Lingotto	Number of Directorships Held	
		Executive	Non-Executive
Enrico Vellano	Co-CEO	3	2
Marco Benaglia	Co-CEO	3	6

Diversity of the Management Body

The Firm maintains an equal opportunities policy within the Employee Handbook. The policy commits the Firm to a recruitment process which does not discriminate based on age, disability, gender, race, religion etc. The Firm maintains this policy at the forefront throughout the hiring process at all levels.

Risk Committee Due to the nature, size, and complexity of the Firm, Lingotto does not have an independent risk management function. The Governing Body is responsible for the management of risk within the Firm and the individual responsibilities of the Governing Body members are clearly defined. Senior management reports to the Firm’s Governing Body on a frequent basis regarding the Firm’s risks. Lingotto has clearly documented policies and procedures, which are designed to minimise risks to the Firm and all staff members are required to confirm that they have read and understood these. Lingotto is not required by MIFIDPRU to establish a risk committee.

Own Funds

As at 31 December, Lingotto maintained own funds of £4,056,922. The below regulator-prescribed tables provide a breakdown of the Firm's own funds:

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	**TIER 1 CAPITAL**		
3	**COMMON EQUITY TIER 1 CAPITAL**		
4	Fully paid up capital instruments	4,057	Statement of Changes in Equity
5	Share premium	-	
6	Retained earnings	-	
7	Accumulated other comprehensive income	-	
8	Other reserves	-	
9	Accumulated other comprehensive income	-	
10	Accumulated other comprehensive income	-	
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-	
19	CET1: Other capital elements, deductions and adjustments	-	
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	-	

Own Funds: Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements			
		Balance Sheet as in Published/Audited Financial Statements	**Cross-Reference to Above Template**
		As at 31/12/2022	
Assets - Breakdown by Asset Classes According to the Balance Sheet in the Audited Financial Statements (in £'000)			
1	Investments	400	
2	Tangible assets	115	
3	Cash and cash equivalents	13,356	
4	Debtors	17,106	
	Total Assets	30,977	
Liabilities - Breakdown by Liability Classes According to the Balance Sheet in the Audited Financial Statements (in £'000)			
1	Creditors	10,450	
	Total Liabilities	10,450	
Shareholders' Equity (in £'000)			
1	Amounts due to members	16,470	
2	Members' capital classified as equity	4,057	Row 4 per the above table
	Total Shareholders' Equity	20,527	

Own Funds: Main Features of Own Instruments Issued by the Firm

Lingotto's own funds consist of common equity tier 1 capital and additional tier 1 capital. The main features of the own funds issued by the Firm are highlighted below:

Class of Capital	Capital Contribution	Stock Options
Public or private placement	Private	Private
Instrument type	Tier 1	Tier 1
Amount recognised in regulatory capital (GBP thousands, as of most recent reporting date)	3,000	1,057
Nominal amount of instrument	3,000	1,057
Issue price	N/A	£6.38
Redemption price	N/A	£27.55
Accounting classification	Members Equity	Members Equity
Original date of issuance	N/A	01 July 2016
Perpetual	Perpetual	Dated
Maturity date	No maturity	31 December 2026
Issuer call subject to prior supervisory approval	N/A	N/A
Optional call date, contingent call dates and redemption amount	N/A	N/A
Subsequent call dates, if applicable	N/A	N/A
Coupons/dividends	N/A	N/A
Fixed or floating dividend/coupon	N/A	N/A
Coupon rate and any related index	N/A	N/A
Existence of a dividend stopper	N/A	N/A
Convertible or non-convertible	Non-convertible	Non-convertible
Write-down features	N/A	N/A
Link to the terms and conditions of the instrument	N/A	N/A

Own Funds Requirements

Lingotto is required to at all times maintain own funds that are at least equal to the Firm's own funds requirement. The own funds requirement is the minimum requirement of capital the Firm is required to hold, taken as the higher of the PMR and FOR.

The below illustrates the core components of Lingotto's own funds requirements:

Requirement	£'000
(A) Permanent Minimum Capital Requirement ("PMR")	75
(B) Fixed Overhead Requirement ("FOR")	2,600
(C) K-Factor Requirements ("KFR")	675
- K-AUM – *Risk arising from managing and advising on investments*	675
- K-COH – *Risk arising from order execution and reception and transmission of orders*	-
(D) Own Funds Requirement (Max. [A, B, C])	2,600

Lingotto is also required to comply with overall financial adequacy rule ("OFAR"). This is an obligation on Lingotto to hold own funds and liquid assets which are adequate, both as to their amount and quality, to ensure that:

- The Firm is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
- The Firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

Where Lingotto determines that the FOR is insufficient to mitigate the risk of a disorderly wind-down, the Firm must maintain 'additional own funds required for winding down', above the FOR, that are deemed necessary to mitigate the risks of a disorderly wind-down. Similarly, where the Firm determines that the KFR is insufficient to mitigate the risk of harm from ongoing operations, the Firm must maintain an amount of 'own funds required for ongoing operations', above the KFR, that is deemed sufficient to ensure the viability of the Firm throughout economic cycles.

The Firm's own funds threshold requirement is the higher of:

- The Firm's PMR;
- The sum of the Firm's FOR and its additional own funds required for winding down; and
- The sum of the Firm's KFR and its additional own funds required for ongoing operations.

This is the amount of own funds that Lingotto is required to maintain at any given time to comply with the OFAR.

To determine the Firm's own funds threshold requirement, Lingotto identifies and measures the risk of harm faced by the Firm and considers these risks in light of its ongoing operations and also from a wind-down planning perspective. The Firm then determines the degree to which systems and controls alone mitigate the risk of harm and the risk of a disorderly wind-down, and thereby deduces the appropriate amount of additional own funds required to cover the residual risk.

This process is documented and presented to, and ratified by, the Governing Body on at least an annual basis.

Remuneration Policy and Practices

Overview

As a Non-SNI MIFIDPRU Investment Firm, Lingotto is subject to the basic and standard requirements of the MIFIDPRU Remuneration Code (as laid down in Chapter 19G of the Senior management arrangements, Systems and Controls sourcebook in the FCA Handbook ("SYSC")). Lingotto, is due to become an alternative investment fund manager and will also classified as a collective portfolio management investment firm, and as such, is also subject to the AIFM Remuneration Code (SYSC 19B). The purpose of the remuneration requirements is to:

- Promote effective risk management in the long-term interests of the Firm and its clients;
- Ensure alignment between risk and individual reward;
- Support positive behaviours and healthy firm cultures; and
- Discourage behaviours that can lead to misconduct and poor customer outcomes.

The objective of Lingotto's remuneration policies and practices is to establish, implement and maintain a culture that is consistent with, and promotes, sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profile of the Firm and the services that it provides to its clients.

In addition, Lingotto recognises that remuneration is a key component in how the Firm attracts, motivates, and retains quality staff and sustains consistently high levels of performance, productivity, and results. As such, the Firm's remuneration philosophy is also grounded in the belief that its people are the most important asset and provide its greatest competitive advantage.

Lingotto is committed to excellence, teamwork, ethical behaviour, and the pursuit of exceptional outcomes for its clients. From a remuneration perspective, this means that performance is determined through the assessment of various factors that relate to these values, and by making considered and informed decisions that reward effort, attitude, and results.

Characteristics of the Firm's Remuneration Policy and Practices

Remuneration at Lingotto is made up of fixed and variable components. The fixed component is set in line with market competitiveness at a level to attract and retain skilled staff. Variable remuneration is paid on a discretionary basis and takes into consideration the Firm's financial performance as well as the financial performance of each business unit, and the financial and non-financial performance of the individual in contributing to the Firm's success. All staff members are eligible to receive variable remuneration.

Lingotto's policy includes a framework for assessing the level of remuneration to be paid to staff members. The framework applies both ex-ante and ex-post risk adjustment criteria to the level of remuneration paid. Factors considered include:

- The current and future risks identified by the Firm;
- How the Firm takes into account current and future risks when adjusting remuneration;
- How malus (where relevant) and clawback are applied;
- The policies and criteria applied for the award of guaranteed variable remuneration;
- The policies and criteria applied for the award of severance pay.

Lingotto has set a ratio between the variable and fixed components of the total remuneration, by way of ensuring that the components are appropriately balanced and that the fixed component represents a sufficiently high proportion of the total remuneration to enable the operation of a fully flexible policy on variable remuneration. This allows for the possibility of paying no variable remuneration component, which the Firm would do in certain situations, such as where the Firm's profitability performance is particularly constrained, or where there is a risk that the Firm may not be able to meet its capital or liquidity regulatory requirements.

Governance and Oversight

The Governing Body is responsible for setting and overseeing the implementation of Lingotto's remuneration policy and practices. In order to fulfil its responsibilities, the Governing Body:

- Is appropriately staffed to enable it to exercise competent and independent judgment on remuneration policies and practices and the incentives created for managing risk, capital, and liquidity.
- Prepares decisions regarding remuneration, including decisions that have implications for the risk and risk management of the Firm.
- Ensures that the Firm's remuneration policy and practices take into account the public interest and the long-term interests of shareholders, investors, and other stakeholders in the Firm.
- Ensures that the overall remuneration policy is consistent with the business strategy, objectives, values, and interests of the Firm and of its clients.

Lingotto's remuneration policy and practices are reviewed annually by the Governing Body.

Material Risk Takers

Lingotto is required to identify its material risk takers - those members of staff whose professional activities have a material impact on the risk profile of the Firm (and of the assets that the Firm manages). The types of staff that have been identified as material risk takers at Lingotto are:

- Members of the management body in its management function;
- Members of the senior management team;
- Those with managerial responsibility for a client-facing or client-dealing business unit of the Firm;

- Those with managerial responsibilities for the activities of a control function[1];
- Those with managerial responsibilities for the prevention of money laundering and terrorist financing;
- Those that are responsible for managing a material risk within the Firm;
- Those that are responsible for managing information technology, information security, and/or outsourcing arrangements of critical or important functions; and
- Those with authority to take decisions approving or vetoing the introduction of new products.

Quantitative Remuneration Disclosure

The below table quantifies the remuneration paid to staff in the financial year January 2022 to 31 December 2022. For these purposes, 'staff' is defined broadly, and includes, for example, employees of the Firm itself, partners employees of other entities in the group, employees of joint service companies, and secondees:

Period: 1st Jan 2022 – 31 Dec 2022				
		Senior Management	All Material Risk Takers	Other Staff
Total Number of Material Risk Takers		-	6	
Remuneration Awarded	Fixed (£)	N/A	3,725,884	N/A
	Variable (£)	N/A	7,306,494	N/A
	Total (£)	N/A	11,032,378	N/A
Guaranteed Variable Remuneration	Amount (£)	N/A	-	
	# Staff Awarded	N/A	5	
Severance Payments	Amount (£)	N/A	-	
	# Staff Awarded	N/A	-	
Highest Severance Payment Awarded to an Individual (£)		-		

MIFIDPRU investment firms are typically required to split the quantitative data in the above table, where relevant, into categories for senior management and other material risk takers. However, the regulator allows firms to aggregate or altogether omit the information to be disclosed for senior management and other material risk takers, where splitting the information between these two categories would lead to the disclosure of information about only one or two individuals. Regarding the remuneration of Senior Managers, Lingotto has relied upon this exemption and has omitted the disclosure of fixed, variable and

[1] A control function is defined as a function (including, but not limited to, a risk management function, compliance function and internal audit function) that is independent from the business units it controls and that is responsible for providing an objective assessment of the Firm's risks, and for reviewing and reporting on those risks.

total remuneration awarded guaranteed variable remuneration, severance payments in order to prevent the identification of an individual material risk taker.