MIFIDPRU Public Disclosure

HgCapital LLP

For year ended 31 March 2025

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1. Introduction

This disclosure has been prepared by HgCapital LLP (FRN: 478870) ("Hg LLP"), to fulfil the regulatory disclosure requirements set out by the UK Financial Conduct Authority ("FCA") in Chapter 8 of the Prudential sourcebook for MiFID Investment Firms ("MIFIDPRU 8").

Overall Financial Adequacy Rule

The Overall Financial Adequacy Rule ("OFAR") requires a MIFIDPRU investment firm to hold own funds and liquid assets which are adequate, both as to their amount and quality, to ensure that: (i) it 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 (ii) its business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

Internal Capital And Risk Assessment Process

The Internal Capital And Risk Assessment ("ICARA") process requires a firm to identify the risks to which it is exposed and to take adequate steps to mitigate these risks. The ICARA process therefore considers the firm's business model, risk management arrangements, and internal governance framework. As part of the ICARA process, firms are required to calculate any additional own funds and/or liquid assets required to meet the OFAR – this is the firm's Own Funds Threshold Requirement ("OFTR") and Liquid Asset Threshold Requirement ("LATR").

Basis Of Disclosure

For the purposes of MIFIDPRU, Hg LLP is classified as a "non-SNI" firm (i.e. not as "small non-SNI" firms) and is subject to the standard disclosure requirements of MIFIDPRU 8. Therefore, Hg LLP must hold adequate "Own Funds"[1] and "Liquid Assets"[2] to meet its OFTR and LATR.

Hg LLP is authorised as a MiFID investment firm. Hg LLP acts as an investment adviser and provides advice and recommendations to Hg Pooled Management Limited ("Hg Pooled"), makes arrangements for Hg Pooled to enter into transactions on behalf of a number of alternative investment funds and collective investment schemes (the "Hg Funds"), carries out portfolio monitoring activities on behalf of Hg Pooled, and acts as delegated portfolio manager in respect of certain Hg Funds.

This disclosure has been prepared using the audited financials as at 31 March 2025, covering the financial period 1 April 2024 to 31 March 2025.

Validation & Approval

This disclosure has not been audited by Hg LLP's external auditor, does not constitute any form of audited financial statement and has been produced solely for the purposes of the FCA's MIFIDPRU public disclosure requirements.

This disclosure has been subject to internal review and has been approved by the Hg Group ("Hg") Audit & Risk Committee ("ARC") under delegated authority from the 'management body' of Hg LLP (the "Hg LLP Board"), which retains ultimate responsibility for its content.

2. Governance

Board Purpose and Composition

The Hg LLP Board maintains management and oversight responsibility and meets its obligations and duties under SYSC 4.3A.1R. The table below shows the composition of the Hg LLP Board and number of directorships held by each member as required by MIFIDPRU 8.3.1R (2).

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[1] As defined by MIFIDPRU 3.2.1R.
[2] Comprising "Core Liquid Assets" as defined by MIFIDPRU 6.3 and "Non-Core Liquid Assets"

Table 1: Directorships of Hg LLP Board Members

Board Member	External Roles[3]	
	Executive	Non-Executive
Nicolas Humphries	0	3
Matthew Brockman	0	0
Steven Batchelor	0	2
Justin von Simson	0	0
Andrew Sukawaty (NED)	3	1
Stephen Bough (NED)	0	0

Audit & Risk Committee

The ARC has been established by Hg, and further details are set out in the following section. The ARC is a committee of the Hg LLP Board and of the management bodies of Hg Pooled and Group Holdco 1 Limited (together, the "Hg Boards").

Diversity & Inclusion at Hg

Hg firmly believes that there is strength in collective differences. The world is changing rapidly, and by continuing to embrace diversity, Hg aims to build a resilient organisation that is prepared for the opportunities as well as the challenges that lie ahead.

Hg brings together the best talent from the broadest sources and is provided with a range of perspectives and ideas that positively impact its decision-making. Hg strives to foster a culture that values every viewpoint and remains committed to each employee having equal access to opportunities for advancement and development. Most importantly, Hg wants employees to feel a sense of belonging, comfortable to bring their 'whole selves' to work.

This is a guiding principle for Hg's business, crucial in meeting the needs of its stakeholders and the communities in which it operates. This dedication is reflected in Hg's achievements, approach to problem-solving, the experiences of Hg's people and perspectives and, ultimately, creates a dynamic environment for innovation and growth.

MIFIDPRU 8 requires firms to provide a summary of their policy for promoting diversity within their 'management body'. As a general policy, Hg aims to promote diversity across the group. Although it does not set targets at an individual entity level, its objectives relating to diversity inform its recruitments and retention efforts at every level including the Hg Boards.

Further information on Hg's approach to Diversity, Equity and Inclusion can be found in the Hg 2025 D&I Report[4] and on the Diversity & Inclusion page of Hg's website[5].

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[3] The relevant exemptions permitted by MIFIDPRU 8.3.2R are applied to the disclosure on directorships.
[4] D_I_Report_2025.pdf
[5] Diversity & Inclusion | Hg

3. Risk Management

Risk Governance

The Hg Boards have overall responsibility for approving and overseeing the implementation of Hg's strategic objectives, decision making processes, firm risk strategy and internal governance. This includes having oversight and being responsible for the implementation of governance arrangements to ensure the effective and prudent management of Hg LLP.

Hg has established a Risk Management Function which operates independently and whose purpose is to assess the risks the firm faces and advise the Hg Boards on them. The Risk Management Function reports directly to the ARC and to the Hg Boards, and in particular is responsible for:

- establishing, implementing and maintaining adequate policies and procedures to identify risks, setting the level of risk tolerance and having processes to manage the risks relating to Hg's activities in light of that risk tolerance;
- implementing strategies and policies for measuring, managing, monitoring, mitigating and reporting risks to which Hg is or may be exposed, including operational risks, professional liability risks and risks posed by the macroeconomic environment, and ensuring that data used to assess such risks is fit for purpose, taking into account the data quality, quantity and breadth;
- reviewing: i) the effectiveness of Hg's risk management policies and procedures; ii) the level of compliance of Hg and staff of Hg ("Hg Staff") with arrangements to manage risks, and ensuring adequate risk training is delivered to Hg Staff and the Hg Boards; and iii) the adequacy and effectiveness of measures taken to address any deficiencies in the relevant policies, procedures, arrangements, processes, and mechanisms; and
- overseeing and validating Hg's external reporting of risk, where relevant.

The Risk Management Function provides regular risk reports to the ARC. The Hg Boards maintain effective oversight of (and ultimate responsibility for) the activity of the ARC and also receive copies of the periodic risk reports. The ARC is required to:

- examine Hg's management process for ensuring the appropriateness and effectiveness of systems and controls (including accounting policies); examine the arrangements made by management to ensure compliance with the requirements and standards under the regulatory system; and provide an interface between management and external auditors;
- develop proposals for consideration by the Hg Boards in respect of overall risk appetite and tolerance, and the metrics used to monitor Hg's risk management performance; and
- advise the Hg Boards on, and provide oversight of, Hg's overall current and future risk appetite and assists in overseeing the implementation of, strategy vis-à-vis risk; provide oversight and challenge of the day-to-day risk management, strategy and associated procedures and controls; and provide advice, oversight and challenge necessary to embed and maintain a supportive risk culture throughout Hg.

Hg ensures that members of the ARC have the necessary knowledge, skills and expertise, and have adequate access to information on the risk profile of Hg (including, where necessary, external expert advice and support on any risk issue).

Risk Management Framework

Hg has conducted a comprehensive risk identification exercise across all business lines to ensure that all material risks have been identified. Such risks and their mitigants are set out in the Risk Management Framework.

On an annual basis, the Risk Management Function reviews whether the mitigating controls identified in the Risk Management Framework have been properly implemented. The Risk Management Framework is reviewed and approved on an annual basis by the ARC.

Conflicts of Interest

The overriding principle at Hg is that clients' and investors' interests are paramount. To this end, Hg maintains and operates organisational and administrative arrangements designed to ensure it takes all appropriate steps to identify, prevent or, where they cannot be prevented, manage and monitor conflicts of interest.

Hg ensures that the performance of multiple functions by Hg Staff does not and is not likely to prevent those persons from discharging any function soundly, honestly and professionally and to prevent conflicts of interest.

Hg has established a Conflicts of Interests Policy, which is reviewed at least annually, and specifies procedures for the identification, management and disclosure of potential conflicts of interest. Hg has established a Conflicts Committee with responsibility for preventing or managing conflicts of interest between Hg Funds. The Head of Compliance & Risk reports to the ARC and the Hg Boards on actual and potential conflicts of interest.

Principal Risks

As described above, Hg has established processes to identify, evaluate, manage, monitor and escalate risks. Hg's Risk Management Framework has identified the following Principal Risks:

1) **Business risk**: this is risk to Hg arising from changes in its business, including the risk that the Hg may not be able to carry out its business plan and its desired strategy. Key business risks for Hg include strategy risk, investment performance risk, fundraising risk and the risk of losing key clients.

2) **Operational risk**: this is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Key operational risks for Hg include operational resilience, cybersecurity risk, outsourcing risk, fraud risk, valuation risk, insurance risk, compliance risk, legal and tax risk.

3) **People risk**: people risk is often considered a sub-set of operational risk. Key people risks for Hg include talent risk, culture and conduct risk (the risk of loss or reputational damage caused by misconduct by Hg or Hg Staff), key person risk and personal security risk.

4) **Compliance Risk**: this is the risk that Hg fails to implement adequate policies, procedures and arrangements to ensure compliance with its regulatory obligations, leading to a regulatory breach, client losses, negative reputational/financial implications for Hg, and/or criminal liability for Hg / or its senior managers.

5) **Legal & Tax Risk**: this is the risk of loss caused by a failure to: (i) enter into adequate binding contractual agreements; (ii) identify or adhere to Hg's legal obligations; or (iii) recognise changes in tax requirements or identify most optimal solutions under current rules, leading to suboptimal outcomes for Hg, the Hg Funds/investors and/or regulatory sanctions.

6) **Fund-specific risk**: Hg has adopted a separate 'Hg Risk Management Policy (Fund Risk)' setting out the policies and procedures in place to manage these risks. This includes, inter alia, concentration and liquidity risk at the Hg Fund level.

7) **Macroeconomic risk**: this is the risk that the geopolitical and/or macroeconomic environment negatively impacts the operating environment and Hg's ability to meet its strategic business objectives and/or provide satisfactory outcomes for its investors.

8) **Environmental, Social and Governance ("ESG") risk**: this is the risk that Hg's activities and/or those of the Hg Funds have a negative ESG impact, posing a financial and reputational risk to Hg, and having a broader societal impact.

Given Hg LLP's business model, the nature of its activities as an investment adviser and delegated portfolio manager, and its controls assessment, it is the conclusion of the Hg LLP Board that its overall potential for harm is low.

These risks are considered for further analysis in the annual ICARA by Hg LLP, overseen by the Hg LLP Board.

Reputational Risk

The reputation of Hg can be impacted by any of the Hg's principal risks. For this reason, Hg considers reputational impact across all aspects of the Risk Management Framework, rather than considering this as a standalone risk.

Emerging Risks

The Risk Management Framework is designed to be dynamic and assesses both the principal and emerging risks facing Hg. The Risk Management Function uses a range of approaches to identify emerging risks that may threaten Hg's business strategy and/or operations over the medium- to long-term, to enable early planning of how these risks can be managed or mitigated.

4. Own Funds & Liquid Assets

Hg LLP

Hg LLP is required under MIFIDPRU 4.3 to maintain an amount of Own Funds that is the higher of the:

- Permanent Minimum Capital Requirement ("PMR");
- K-factor requirement ("KFR");
- Fixed Overheads Requirement ("FOR").

Table 2: Hg LLP's Own Funds Requirement as at 31 March 2025

Own Funds Requirement	Hg LLP (£ '000s)
Permanent Minimum Capital Requirement (PMR)	75
K-Factor Requirement:	
i. Sum of K-AUM, K-CMH and K-ASA	0
ii. Sum of K-COH and K-DTF	0
iii. Sum of K-NPR, K-CMG, K-TCD and K-CON	0
Total K-Factor Requirement (KFR)	0
Fixed Overheads Requirement (FOR)	8,945
Own Funds Requirement (OFR) *Higher of PMR, KFR, or FOR, or Transitional Provisions under MIFIDPRU TP2*	**8,945**[6]

Hg LLP has further assessed risks within the ICARA process under MIFIDPRU 7 and determined that no additional own funds are required in respect of its ongoing operations and wind-down planning.

A firm's Own Funds are the sum of its Common Equity Tier 1 capital ("CET1"), Additional Tier 1 capital ("AT1") and Tier 2 capital ("T2"). Hg LLP's own funds consist of fully paid-up capital instruments, share premium and accumulated retained earnings.

The tables below show:

1) The composition of Hg LLP's Own Funds; and

2) A reconciliation of Hg LLP's Own Funds to its balance sheet as at 31 March 2025, per the audited financial statements.

[6] As a former CAD Exempt firm, Hg LLP is able to apply the Transitional Provisions set out in MIFIDPRU TP2 of the FCA Handbook

Table 3: Hg LLP – Composition of Regulatory Own Funds

	Composition of regulatory Own Funds	Amount (£ '000s)	Cross reference to Table 4 – Balance Sheet
1	**OWN FUNDS**	82,961	**-**
2	**TIER 1 CAPITAL**	82,961	**-**
3	**COMMON EQUITY TIER 1 CAPITAL**	82,961	**-**
4	Fully paid-up capital instruments	-	-
5	Share premium	-	-
6	Retained earnings	82,961	Item 9
7	Accumulated other comprehensive income	-	-
8	Other reserves	-	-
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**	-	
21	Fully paid up, directly issued capital instruments	-	
22	Share premium	-	
23	**(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1**	-	
24	AT1: Other capital elements, deductions and adjustments	-	
25	**TIER 2 CAPITAL**	-	
26	Fully paid up, directly issued capital instruments	-	
27	Share premium	-	
28	**(-) TOTAL DEDUCTION FROM TIER 2**	-	
29	T2: Other capital elements, deductions and adjustments	-	

Table 4: Hg LLP – Reconciliation of Own Funds and Balance Sheet

		a	b	c
	Item	Balance sheet as in published/audited financial statements (£ '000s)	Under regulatory scope of consolidation (£ '000s)	Cross reference to Table 3 – Own Funds
		As at 31 March 2025	As at 31 March 2025	
Assets - *Breakdown by asset classes according to the balance sheet in the audited financial statements*				
	NON-CURRENT ASSETS			
1	Tangible fixed assets	4,025		-
2	Intangible assets	121		-
3	Investments in subsidiaries	235		-
4	Investments at fair value through profit and loss	3,486		-
5	Debtors: amounts falling due after one year	321		-
	CURRENT ASSETS			
6	Debtors: amounts falling due within one year	40,153		-
7	Cash and cash equivalents	96,525		-
Liabilities - *Breakdown by liability classes according to the balance sheet in the audited financial statements*				
8	Creditors: amounts falling due within one year	(61,905)		-
	NET ASSETS	**82,961**		
Members' Interest				
9	Other reserves classified as equity	**82,961**		Item 6
	TOTAL MEMBERS' INTERESTS	**82,961**		

Hg LLP maintains core liquid assets in compliance with the Basic Liquid Asset Requirement under MIFIDPRU 6. Hg LLP has assessed liquid assets required to fund ongoing operations and additional liquid assets required to fund wind-down as part of the ICARA process and maintains liquid assets in compliance with the Liquid Assets Threshold Requirement.

5. Remuneration Policy & Practices

Chapter 8.6 of MIFIDPRU requires firms to make certain disclosures in respect of their remuneration policy and practices.

Hg Staff are employed by Hg LLP, although certain staff are seconded by Hg LLP to Hg Pooled in order for Hg Pooled, which is not subject to the requirements under MIFIDPRU, to discharge its responsibilities.

The disclosures set out herein are considered by Hg to be appropriate to its size and internal organisation, and to the nature, scope, and complexity of its activities.

Qualitative Remuneration Disclosures

Hg complies with the remuneration requirements in the FCA's Senior Management Arrangements, Systems and Controls Sourcebook that are applicable to it.

The Hg Boards are responsible for the overall Remuneration Policy which is reviewed annually.

Although Hg LLP is not required to establish a Remuneration Committee, it has opted to do so. The Remuneration Committee is constituted in a way which enables it to exercise competent and independent judgment on Hg's remuneration policies and practices and the incentives created for managing risk. The Remuneration Committee is responsible for preparing decisions regarding remuneration, including those that have implications for risk and risk management of Hg LLP, the Hg Funds and Hg as a whole.

Approach to remuneration and objectives of incentives

Hg's approach to remuneration aims to:

- promote sound and effective risk management;
- reflect the business strategy, objectives and long-term interests of Hg;
- consider Hg's risk appetite and strategy (including ESG risk factors), culture and values and long-term effects of investment decisions;
- avoid conflicts of interest, particularly with the Hg Funds;
- encourage responsible business conduct and the fair treatment of clients;
- promote risk awareness and prudent risk taking; and
- avoid encouraging inappropriate risk taking which would be inconsistent with the risk profile of the Hg Funds.

Hg maintains a gender-neutral remuneration policy that complies with the Equality Act 2010.

Staff identified as material risk takers ("MRTs")

Senior management and members of staff whose actions have a material impact on the risk profile of Hg or any of the Hg Funds are classified as MRTs.

The components of remuneration and their categorisation

Hg categorises various remuneration components paid to Hg Staff as fixed remuneration including i) fixed salary / income; ii) fixed pension contributions; iii) life assurance benefits – death in service; iv) long term income protection – permanent health insurance; v) personal accident cover; vi) travel insurance; and vii) private medical cover.

Variable remuneration paid to Hg Staff includes annual variable discretionary bonuses and carried interest awarded/paid by Hg Funds (valued at the time of its award).

The aim of financial incentives awarded to Hg Staff is to encourage the alignment of the risks taken by relevant Hg Staff with those of Hg, Hg Funds and the investors in those funds.

Financial and non-financial performance criteria

The following criteria, amongst others, may be taken into account when determining variable remuneration / discretionary bonuses (where relevant to the individual):

- individual performance (including an evaluation of financial and non-financial criteria, such as compliance with applicable rules and regulations and Hg's policies and procedures, and sound and effective risk management);
- achievement of annual objectives;
- performance of the Hg Funds as well as overall results of Hg; and
- for Hg LLP partners, their longer-term contribution to development of Hg and the Hg Funds.

Hg LLP pays Hg Staff a mixture of fixed and variable remuneration. Hg ensures that the fixed and variable components of remuneration awarded to Hg Staff are appropriately balanced.

In-year adjustments and malus (reducing the amount of variable remuneration awarded) and/or clawback (requiring some or all variable remuneration received within a certain period to be paid back to Hg) may be applied in respect of an MRT where, *inter alia*, they participated in or were responsible for conduct which resulted in significant losses to Hg, and they failed to meet appropriate standards of fitness and propriety.

Policies and criteria applied for the award of guaranteed variable remuneration and severance pay

Hg ensures that all guaranteed variable remuneration, where permitted, and severance pay awarded to MRTs is subject to malus and clawback, and is appropriate taking all relevant circumstances into account.

Hg LLP Quantitative Remuneration Disclosures

In accordance with MIFIDPRU 8.6.8, Hg LLP makes the following disclosures:

	Total
Number of MRTs (including Senior Management) during financial year ended 31 March 2025	27

Remuneration for financial year ended 31 March 2025			
Employee Category	Total fixed remuneration (£'000s)	Total variable remuneration (£'000s)	Total remuneration (£'000s)
Senior Management & MRTs	10,977	11,408	22,385
All other Staff	35,120	25,251	60,371

The total amount of guaranteed variable remuneration awarded to MRTs during the last financial year was £2,215k (3 individuals).

The total amount of severance payments awarded to MRTs during the last financial year was £0 (0 individuals).

Disclosures relating to senior management and MRTs relating to total fixed remuneration, total variable remuneration, total remuneration, guaranteed variable remuneration and severance payments have been aggregated to prevent the identification of any individuals, as permitted by MIFIDPRU 8.6.8 (7).