SANDAIRE

Pillar 3 Disclosure

Executive Summary

The Pillar 3 disclosure provides information on risks, capital and risk management arrangements of Sandaire Investment Office ("Sandaire"), which comprises Sand Aire Limited ("SAL") and Lord North Street Limited ("LNS"). As at 30 September 2018:

- SAL's total capital resource (£3,003) exceeded Pillar 1 capital requirement (£1,869)
- LNS' total capital resource (£1,092k) exceeded Pillar 1 capital requirement (£550k)

Background

The Capital Requirements Directive IV ("the Directive") replaces previous Capital Requirement Directives and introduces new prudential requirements. In addition to the Directive, in scope firms are required to comply with the Capital Requirements Regulation ("CRR"). The FCA has continued to apply the requirements contained within the prior iteration of the Directive, known as 'CRD III', to certain firms.

The Directives consist of three 'Pillars':

- Pillar 1 establishes the minimum prudential capital requirements that we must have to meet credit, market and operational risk exposures;
- Pillar 2 involves an assessment by us, and the FCA, of whether our Pillar 1 capital is adequate to meet our risk exposures and whether there is any requirement to hold additional capital in respect of any risks not covered by Pillar 1; and
- Pillar 3 requires us to disclose specified information about our policies for managing risk, our capital requirements and compensation arrangements.

The disclosure requirements of Pillar 3 aim to complement the minimum capital requirements of Pillar 1 and the supervisory review process of Pillar 2 and aim to encourage market discipline by enabling market participants to assess key pieces of information on risk exposures and the risk assessment processes of the company.

Sandaire offers expert investment counsel to private clients, multigenerational families, charities and foundations seeking long-term support with their financial goals. SAL and LNS provide investment management, investment advice and other related family office services. Both companies are incorporated under the laws of England and Wales and are authorised and regulated by the Financial Conduct Authority ("FCA") in the United Kingdom, in accordance with the requirements of Pillar 3.

Materiality, Proprietary and Confidentiality

The rules provide that a firm may omit one or more of the required disclosures if it believes that the information is immaterial. SAL and LNS believe information should be considered as material if its omission or misstatement could change or influence the assessment or decision of a user relying on it to make economic decisions.

Additionally the firm is permitted to omit one or more of the required disclosures where it believes that the information is regarded as proprietary or confidential. SAL and LNS consider proprietary information to include information on products or systems which, if shared with competitors, would render SAL's and LNS' interests therein less valuable. Confidential information is considered to be where SAL or LNS has obligations to customers, suppliers or other counterparty relationships binding SAL or LNS to confidentiality.

SAL and LNS consider that they have made the disclosures in accordance with the rules.

Frequency of Disclosure

This Pillar 3 disclosure document ("the Disclosure") has been prepared by Sandaire.

Disclosures will usually be made on an annual basis and published as soon as practicable after the audit of the annual financial statements but this Disclosure may be updated at other times.

Location and verification

This Disclosure was approved by the Audit and Risk Committee and the Statutory Boards and then published on Sandaire's website www.sandaire.com. The Disclosure is not subject to audit.

Scope of application

The Disclosure covers the two regulated firms on an individual basis.

Risk management Governance

The governance structure, including that relating to risk management, and the main areas of risk are outlined below.

The Statutory Boards of SAL and LNS are responsible for the overall management and development of the Sandaire business in line with the strategy agreed with its parent company, Applerigg Limited ("Applerigg"). Sandaire has identified the key risks that the business faces and reflected these in a Risk Register, which covers both firms, and in our Risk Management Procedures. The Risk Register is subject to review at Executive Committee, the Audit and Risk Committee and the Statutory Boards.

In addition, the Statutory Boards receives regular reports from each business function and any material risks identified are managed and controlled as appropriate.

Sand Aire Limited Board

Executive

James Fleming (Chief Executive Officer)
Kevin Corrigan (Chief Investment Officer)
Charlotte Filsell (Head of Client Relationship Management
Bruce Offergelt (Chief Financial Officer)
Andrew Waldren (Chief Operating Officer)

Non-Executive

Warwick Newbury (Chairman)
George de Courcy-Wheeler
Mark Houghton-Berry

Christopher Scott
Vincent Thompson

Lord North Street Board

Executive

James Fleming (Chief Executive Officer)
Charlotte Filsell
Bruce Offergelt

Non-Executive

Warwick Newbury (Chairman)
George de Courcy-Wheeler

The executive directors together with Marc Cane, the Head of Risk and Compliance, and Andy Mattocks, Head of Corporate Development, form the management team and serve as members of the Executive Committee.

The key committees within Sandaire are the:

Audit and Risk Committee ("ARCo")
Executive Committee ("ExCo)
Business Acceptance Committee ("BAC")
Investment Committee ("InvCo")
Valuation Committee ("ValCo")
Remuneration Committee ("RemCo")

The SAL Board oversees the risk appetite and profile of the Firm and ensures that business developments are consistent with the Risk Appetite and goals of the Firm. The Board reviews and endorses Sandaire's risk management framework, which includes the establishment of policies for the control of risk. The Board receives information on the risk profile of Sandaire, breaches of the policy framework and external developments that may have some impact on the effectiveness of the risk management framework. It also approves significant changes to risk management policies and framework and approves the Firm's risk appetite annually. The Board also ensure that the risk culture remains strong and that controls are respected by staff – this is achieved by the Board setting clear expectations regarding appropriate behaviours; and implemented by the Firm's Senior Management through their leadership actions and communication, organisational governance, and the setting of incentives and consequences for Sandaire staff.

The SAL risk governance structure is made up of the following committees outlined below, which aid senior management and the Board in the identification, assessment, monitoring and management of risk in Sandaire.

SAL BOARD

Responsible for Risk Appetite, strategic decision-making and managing risk effectively.

EXECUTIVE COMMITTEE	AUDIT & RISK COMMITTEE	INVESTMENT COMMITTEE	VALUATION COMMITTEE	BUSINESS ACCEPTANCE CTEE.	REMUNERATION COMMITTEE
Responsible for the day to day operations of the business and for the delivery of the strategic plan. This includes managing all operational and other risks in line with the agreed risk appetite, ensuring that the business has in place appropriate systems, processes and procedures and maintains adequate capital resources at all times	Responsible for the oversight of SIO's strategy for, attitude to and appetite for risk. This includes the oversight of the risk and compliance policies, procedures and internal controls in place and the processes for compliance with applicable laws, regulations and ethical codes of practice, and the prevention of fraud. Communication with the external auditor	Responsible for discussing and considering all appropriate market, economic and other data and then to revise, as appropriate, the asset allocation that is used as the basis for ensuring that the individual investment decisions taken for each portfolio are suitable and in line with the client's risk appetite.	Responsible for the pricing of investments that are not effectively priced by an independent third party and for ensuring that the methodology is suitable and appropriate and consistent with our investment process.	Responsible for the assessment and evaluation of each prospective client and new business opportunity to ensure that it is appropriate and suitable for the client, consistent with our risk appetite and can be effectively delivered	Responsible for ensuring that the business has in place appropriate policies and procedures to create an effective framework for remunerating, rewarding and incentivising employees. These should encourage the "right" behaviour from all staff that is in line with our risk appetite and fully compliant with all regulatory and legal requirements.

The main areas of risk to which SAL and LNS are exposed are market risk, credit risk, operational risk and concentration risk. These risks are reviewed at least annually as part of the Internal Capital Adequacy Assessment Process ("ICAAP"). Individual risks are identified and their impact on the business and likelihood of occurring are assessed and recorded. Controls are then identified which mitigate the impact of each risk.

Sandaire performs detailed stress testing based upon a business plan/budget. This testing assesses the impact of a business downturn event on the companies' ability to continue trading.

The ICAAP is formally approved by the ARCo and the Statutory Boards.

The main areas of risk are defined as follows:

Market risk

Market risk is the risk arising from fluctuations in the values or income from assets, or from movement in interest and/or exchange rates. As neither SAL nor LNS have a trading book or invest in tradeable assets, the only market risk is to foreign exchange risk on our non-sterling balances arising from fees charged and settled in currencies other than sterling.

The risk is reduced through monitoring the balances and converting to sterling any funds not required to fund expenses in that currency when we have sufficient funds to achieve a market rate.

Credit risk

Credit and counterparty risk is the risk of loss arising from the default of a counterparty, which results in a loss to SAL or LNS.

The key sources of credit and counterparty risk are;

- Bank deposits
- Travel and other receivables
- Prepayments

SAL and LNS hold bank deposits with banks with good quality ratings and with whom we have a long established relationship.

Fees charged to clients are currently SAL's and LNS' only source of income. The small number of clients and the close relationship with each means that any fee related issues, including late payment, should be quickly resolved.

Prepayments are created where SAL and LNS pay in advance for a service that is received over an extended time period. SAL and LNS are careful in selecting their service providers to best ensure that the service will be delivered.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external causes.

These failures can be deliberate, accidental or natural. Operational risk is one of the most significant risks for SAL and LNS as people and systems play a major role in our operations.

Concentration risk

Concentration risk is the risk that a single or cumulative exposure has the potential to produce a loss large enough to threaten the financial stability of either SAL or LNS.

The strategy to focus on a relatively small number of clients is recognised as a potential threat, which is managed through establishing and maintaining good relationships with each.

Capital Resources

Throughout 2018, SAL and LNS complied with the Directives.

As of September 2018 SAL is a BIPRU Firm that it is not permitted to hold client money. Its capital resources requirements are the greater of;

- Base capital requirement of €50,000
- Fixed Overhead Requirement
- Sum of the market and credit risk requirements

As of September 2018 LNS is an IFPRU Limited Licence Firm that is permitted to hold client money. Its capital resources requirements are the greater of;

- Base capital requirement of €125,000
- Fixed Overhead Requirement
- Sum of the market and credit risk requirements

The capital resources and Pillar 1 capital requirements of SAL and LNS as at 30 September 2018 were:

Company	SAL	LNS
	£'000	£'000
Firm Classification	BIPRU	IFPRU
Tier 1 Capital	12,021	1,092
Deductions from Tier 1	(9,018)	0
Tier 2 Capital	0	0
Deductions from Tier 2	0	0
Tier 3 Capital	0	0

Deductions from Tier 3	0	0
Total Capital after deductions	3,003	1,092
Capital Resources Requirement	1,869	550
Surplus	1,134	542

Pillar 3 Remuneration Disclosure

SAL and LNS are subject to the FCA Rules on remuneration. These are contained in the FCA's Remuneration Code located in the SYSC Sourcebook of the FCA's Handbook. The Remuneration Code ("the Rem Code") covers an individual's total remuneration, fixed and variable and Sandaire incentivise staff through a combination of the two.

Our team is the most important element of our business. In light of this Sandaire, aims to recruit and retain talented people who, acting both individually and as a team, can add value to the business and help the business continue to grow and develop, in the best interests of all stakeholders, clients, shareholders and employees.

It is this direct alignment of interests that has been considered when developing and shaping Sandaire's Remuneration Policy to ensure that the overall remuneration plans (base salary packages, discretionary annual bonus and longer-term incentivisation schemes) are appropriate for the business and will help it to achieve its goals.

These are detailed in our Remuneration Policy Statement ("RPS") which has been approved by both Sandaire and is in line with remuneration guidelines approved by Applerigg. The RemCo comprises only the non-executive directors.

The RPS will be reviewed as part of an annual process and at other times, as appropriate, if a significant change to the business requires it.

In summary, our Remuneration Policy is designed to ensure that we comply with the Rem Code and that our compensation arrangements:

1. are consistent with and promote sound and effective risk management;
2. do not encourage excessive risk taking;
3. include measures to avoid conflicts of interest; and
4. are in line with Sandaire's business strategy, objectives, values and long-term interests

Diversity

Sandaire is an equal opportunities employer and our policy is to ensure that all employees and applicants seeking employment are treated fairly and on merit regardless of their gender, gender reassignment or sexual orientation, age, race, religious belief, disability, marital/civil partnership status, pregnancy or maternity. This applies to Executive and Non-executive directors.

We seek to create a working environment and encourage a culture where all staff are able to further develop their skills and knowledge and where progression is based upon merit.

Proportionality

Enshrined in the European remuneration provisions is the principle of proportionality. This has been considered and is reflected in this Disclosure.

Specifically the FCA has sought to apply proportionality in SYSC 19A.3.34G, SYSC 19C.3.34G, FG17/6 General Guidance on Proportionality – The IFPRU Remuneration Code (SYSC19A) and FG17/7 General Guidance on Proportionality – The BIPRU Remuneration Code (SYSC19A) and Pillar 3 disclosures on Remuneration (BIPRU 11).

In accordance with these rules Sandaire has disapplied the following rules of the code:

1. SYSC 19A.3.40R and SYSC 19C.3.40R;
2. SYSC 19A.3.44R and 19C.3.44R;
3. SYSC 19A.3.47R and SYSC 19C.3.47R;
4. SYSC 19A.3.49R and SYSC 19C.3.49R;
5. SYSC 19A.3.51R – SYSC 19A.3.51AR and SYSC 19C.3.51R;

Application of the requirements

We are required to disclose certain information on at least an annual basis regarding our Remuneration Policy and practices for those staff whose professional activities have a material impact on the risk profile of the firm. Our disclosure is made in accordance with our size, internal organisation and the nature, scope and complexity of our activities.

The key components of the RPS are summarised as follows:

Base Salary – Sandaire aims to pay a market related salary noting that for the senior staff the focus is on total compensation rather than each component of remuneration individually.

Discretionary Annual Bonus – Sandaire recognises and rewards the performance of its staff in a given financial year through an annual bonus scheme, which covers all employees. This is linked to the consolidated pre-tax results so that there is a correlation between the annual results, the bonus pool generated or determined with respect to these results and distribution of this pool to the team.

All bonus awards, which are wholly discretionary in that there are no guaranteed bonuses or individual payments linked directly to the income received or the consolidated results for Sandaire, are approved by the RemCo of Sandaire and, where appropriate of Applerigg. The award takes account of an individual's total contribution, not just financial considerations, but a more general assessment of their role, responsibilities and overall performance as part of a small unified team, which is focused on a single set of common aims and objectives.

It should be noted that the level of Sandaire's income, and hence its overall result, is linked to the amounts that have been or will be invoiced to clients with respect to the same financial year as that used to determine the bonus pool. Future earning streams are not considered.

Sandaire's governance structure helps to mitigate the likelihood of any excessive risk taking or behaviour that may adversely impact the long term growth of the business and also ensures that all risk and compliance matters are communicated effectively and efficiently within and across the business and thus are readily available for consideration in determining individual bonuses.

Share Scheme – Sandaire has a share scheme, which allows employees to participate in the equity. Employees other than those classified as Code Staff below are eligible to participate. Employees have to pay the "Unrestricted Market Value" for these shares and therefore effectively only benefit from the gain in the shares after they have been acquired and not for any period prior to their issue. It should also be noted that as employees are committed to paying the full market value for the shares at the time of issue, they would suffer a loss if the value of the shares subsequently falls.

Code Staff

As SAL and LNS are relatively small companies, ultimate responsibility and accountability is focused on a limited number of individuals. Sandaire has classified the following as Remuneration Code staff as at the date of this statement (12/02/2019):

SAL

James Fleming – Director and Chief Executive Officer
Marc Cane – Head of Risk and Compliance (joined 2018)
Kevin Corrigan – Director and Chief Investment Officer
Charlotte Filsell – Director and Head of Client Relationship Management
Andy Mattocks – Head of Corporate Development
Bruce Offergelt – Director and Chief Financial Officer
Andrew Waldren – Director and Chief Operations Officer

LNS

James Fleming – Director and Chief Executive Officer
Marc Cane – Head of Risk and Compliance (joined 2018)
Kevin Corrigan – Chief Investment Officer
Charlotte Filsell – Director and Head of Client Relationship Management
Bruce Offergelt – Director and Chief Financial Officer
Andrew Waldren – Chief Operations Officer

Bruce Offergelt is also an executive director of Applerigg but is not a member of the Applerigg Remuneration Committee.

The Code Staff have been determined with respect to their involvement in the general management of the business and their individual responsibilities. The aggregate compensation expense for these Code Staff in the financial year ending 31 December 2018 was £1,392,621.