



Townsend Group Europe Limited

IFPR Regulatory Disclosure

Background

The Financial Conduct Authority (FCA) requires all FCA regulated firms within the scope of the FCA's Investment Firm Prudential Regime (IFPR) to establish capital adequacy, governance and disclosure requirements. They are required to make a public disclosure regarding their regulatory capital requirement. These requirements are set out in the FCA MIFIDPRU handbook.

This document describes the capital resource requirements for Townsend Group Europe Limited ("TGEL" or the "Firm"). For the purposes of these disclosures TGEL is categorised as a non-small non-interconnected ("non—SNI") MIFIDPRU investment firm under the IFPR's firm categorisation thresholds.

This statement confirms that TGEL's capital resources are sufficient in relation to the risk profile of the business as well as setting out the appropriateness of the Firm's framework for managing risk. This review is undertaken annually or more frequently if required and/or appropriate to do so.

The Townsend Group ("Townsend") was founded in 1983 by Terry Ahern and Kevin Lynch. Townsend Group Europe Limited is a wholly owned by the Townsend Group, LLC, which in turn is wholly owned by Townsend Holdings LLC. Townsend Group Europe Limited is a registered UK company (Company Register No: 06766828) and authorised by the FCA as a MiFID Investment Firm (FCA Firm Registration Number: 500908).

TGEL provides investment advice, both on an advisory basis or on a delegated basis to, primarily, pension fund trustees and sponsors. Townsend provides a core set of investment skills, exclusively focused on global real estate and real asset classes. Townsend provides customised investment solutions to help meet the needs and objectives of its clients' investment programs using primary funds, secondaries, and co-investments, among other types of investment solutions. These custom solutions may also include real assets such as timber, agriculture, and infrastructure. The exact scope of services provided to each client varies depending upon the terms of Townsend's engagement by that client.

Recommendations and investment decisions are based on analysis conducted by Townsend's investment professionals. These decisions are supported by Townsend's Investment Committee, which includes Townsend's most senior investment professionals. The Investment Committee reviews and approves all investment decisions at the investment and client-portfolio level. The Committee will review and approve each client investment recommendation for portfolio fit and consistency with strategic goals and opine on the final deliverable in order to maintain consistency and quality control.

TGEL's business strategy is based on continuing to service its existing client base, to provide manager research capabilities to assist its US parent in identifying, monitoring, and researching investment

opportunities within EMEA, and to assist its US parent company in managing, monitoring, and servicing client's within EMEA who are contracted to the US parent company.

Governance

TGEL is governed by its Board which currently comprises of 2 Directors. Given the small scale, nature and relative uncomplex operating structure of the UK operation this is considered sufficient. The Board receives support from the wider Townsend Group as well as Aon central support services for HR, Financial Crime, Compliance, and systems support. The Board is ultimately responsible for identifying, assessing, and managing all material risks and ensuring that appropriate and mitigation measures are in place and that the Firm also holds reasonable capital and liquidity should any of the identified risks materialise. Due to the size, nature and complexity of its business activities, TGEL does not have a Risk Committee, a Nomination Committee, or a Remuneration Committee as part of its governance arrangements nor is it required to establish these committees as set out in MIFIDPRU 7.1.4R.

The 2 directors of TGEL, Anthony Frammartino and Morgan Angus, hold no external directorships at any external commercial organisations. Mr Frammartino is also a director of Townsend Holdings LLC. This disclosure is made in respect to the requirements of MIFIDPRU 8.3.1(R).

The Firm is also committed to diversity, equity and inclusion and the ongoing wellbeing of its colleagues and strives to maintain an equitable work environment that unlocks the full potential of all its colleagues as part of the Aon Colleague Experience.

MIFIDPRU 8 Disclosures

Under IFPR, firms are required to assess whether the funds they hold are sufficient to enable it to continue with its on-going operations but also have sufficient liquidity and funds should the firm wind down its business (MIFIDPRU 8.4). The methodology and analysis of how TGEL was calculated the individual components to assess the amount of capital and liquidity ("Own Funds") required has been determined by:

1. Identifying and measuring quantitatively the risk of harm
2. Determining the capital requirements from its on-going operations and the residual risk from any material harm resulting in any additional own fund requirement over and above K-factor requirements
3. Determining the capital requirements for wind-down based on assessment of the firm's fixed overhead requirement (FOR) and whether any additional own funds are required

Own Funds (MIFIDPRU 8.4)

The firm's own funds are exclusively CET1 (Common Equity Tier 1 funds) capital. The Firm has complied with all externally imposed capital requirements in IFPR from its introduction on 1st January 2022. Tier 1 capital consisted of fully issued ordinary shares, satisfying all the criteria for a Tier 1 instrument as outlined in IFPR, and audited reserves with deductions as required.

| | £,000 |
|--------------------------------------|--------|
| Fully paid-up ordinary share capital | £1,485 |
| Share premium account | £500 |
| Other reserves | £594 |
| Audited profit & loss account | £6,864 |

| | |
|--|---------------|
| AUDITED CAPITAL & RESERVES – 31/12/2023 | £9,443 |
| Deductions from Common Equity Tier 1 | - |
| Excess capital withdrawals | - |
| Net book value of intangible assets | - |
| COMMON EQUITY TIER 1 CAPITAL | £9,443 |
| ADDITIONAL TIER 1 CAPITAL | - |
| TIER 2 CAPITAL | - |
| TOTAL OWN FUNDS AT 31/12/2023 | £9,443 |

Own Funds Requirements (MIFIDPRU 8.5)

TGEL calculates its Own Fun Requirement as the greater of its Permanent Minimum Capital Requirements; Fixed Overhead Requirements; and K-Factor Requirement.

In accordance with MIFIDPRU 8.5.1, the table below outlines the K-Factor requirements for the firm. These have been set out into three groupings,

1. K-AUM (Assets under Management), K-CMH (Client Money Held) and K-ASA (Assets safeguarded and administered)
2. K-COH (Client Orders Held), K-DTF ((Daily Trading Flow).
3. K-NPR (Net Position Risk), K-CMD (Clearing Member – own account trading exposure), K_TCD (Trading counterparty default exposure), K-CON (Concentration Risk).

(Due to the nature of the authorised activities carried out by the Firm, only Risk to Client K-Factors are applicable for own funds calculation purposes. Namely, Assets Under Management or K-AUM)

In accordance with MIFIDPRU 4.6, these must be published plus the firm’s fixed overheads requirement (“FOR”), calculated in accordance with MIFIDPRU 4.5, based on the audited financial statements for the year ended 31st December 2023. The FOR is calculated as one quarter of the fixed overheads of the preceding year. The fixed overheads for the previous year include staff costs and general expenses less staff bonuses and tax expenditure in line with the applicable deductions.

| | |
|---|--------|
| Sum of K-Factors Σ K-AUM, K-CMH & K-ASA | £320 |
| Sumf of K-Factors Σ K-COH & K-DTR | - |
| Sum of K-Factors Σ K-NPR, K-CMG, K-TCD & K-CON | - |
| Fixed Overhead Requirement | £1,346 |

The Firm is further required to disclose its approach to assessing the adequacy of its own fund in accordance with the Overall Financial Adequacy Rule (“OFAR”) as outlined in MIFIDPRU 7.4.7R. The OFAR requires an investment firm, at all times, to hold adequate own funds and liquid assets to:

- ensure it can remain viable throughout the economic cycle, with the ability to address any potential harm from its ongoing activities;
- allow its business to wind-down in an orderly way.

The FCA monitor this by introducing the 'own funds threshold requirement' and the 'liquid assets threshold requirement' which firms determine through their ICARA (Internal Capital and Risk Assessment) process.

In MIFIDPRU 4.3 the own funds threshold requirement is defined as the higher of:

- Permanent Minimum Capital Requirement (PMR) [MIFIDPRU 4.4];
- Fixed Overhead Requirement (FOR) [MIFIDPRU 4.5];
- K-Factors Requirement [MIFIDPRU 4.6].

The Internal Capital Adequacy and Risk Assessment (ICARA) looks at the potential harms to the firm's clients, the firm itself and the market and considers whether increases to the firm's capital requirements is necessary.

There is also a liquidity requirement defined as:

- The Basic Liquid Assets Requirement; Plus the higher of:
- Liquid Assets Required for Ongoing Activities;
- Additional Liquid Assets Required for Wind-down.

ICARA Process

The purpose of the ICARA process is to inform the Board of the ongoing assessment of the firm's risks and potential harms it could cause by:

1. Identifying and measuring quantitatively the risk of harm.
2. Determining the capital requirements from it's on-going operations and the residual risk from any material harm resulting in any additional own fund requirement over and above K-factor requirements.
3. Determining the capital requirements for wind-down based on assessment of the firm's fixed overhead requirement (FOR) and whether any additional own funds are required.

The ICARA process comprised of three primary phases:

- Collating the different MIFID 4 minimum capital figures PMR, FOR & K-factor requirement and MIFID 4 Own Funds Threshold Requirement that is derived from them;
- Conducting a detailed, structured review of the potential harms the company could cause and assessing whether each was material to the firm and how much capital needed to be put aside to cover those risks.
- Developing a forward-looking financial model of the firm's operations and subjecting it to scenario testing and stress testing.

For the third phase, a three-year financial model was produced that is driven by a fully adjustable set of parameters and assumptions to generate phased profit and loss accounts,

balance sheets and cash flow forecasts.

The ICARA process and assessments will be reviewed at least annually, and more frequently should there be any material changes to the risks or potential harms considered.

Approach to Risk Management

TGEL has adopted a risk framework that is appropriate for the nature, complexity and scale of its operations, and in meeting its own regulatory obligations while being consistent with the Townsend Group's global risk management framework.

This Risk Management Framework forms an integral part of the Group's overall risk management and governance structure, business philosophy and practices.

The Board is committed to and responsible for maintaining a strong risk management, control and compliance environment (commensurate with its risk profile) and ensuring that an appropriate framework is in place to deliver this.

The Board is responsible for defining the strategy and its appetite for risk. The maintenance of a strong capital base is considered essential.

TGEL has an appetite for risk that is very low. Generally speaking, it has a low or very low risk appetite in areas that are fundamental to the Firm's business model - the administration process, client service and regulatory compliance.

When addressing its risk appetite, the Board gives due consideration to its business strategy, objectives and goals in the context of its current business model, which it has no plans to alter in the short to medium term. That is, it intends to continue being a provider of solutions to a range of clients and client types.

Own Funds Adequacy

On a monthly basis, the Firm assesses the own funds headroom against the K-Factor requirements and the ICARA assessment. Should any of the OFAR thresholds be breached, the Firm would immediately inform the FCA.

Liquid Assets Adequacy

On a regular basis, the firm assesses its core liquid assets against the IFPR liquid assets threshold requirement requirements and the ICARA assessment. Should this or the wind-down threshold be breached, the firm would immediately inform the FCA.

PMCR

The Firm will hold a permanent minimum capital requirement in accordance with MIFIDPRU 4.4.4 in the measure of £75,000. The permanent minimal capital amount is derived from the authorisation of the investment firm.

TGEL is authorised to provide the following investment activities:

- reception and transmission of orders
- execution of orders

- investment advice
- placing without a Firm commitment basis

Additionally, TGEL is not permitted to hold client money or securities belonging to its clients and therefore is subject to a PMCR of £75,000.

Remuneration Disclosure Requirements

TGEL is not required to establish a Nomination Committee or Remuneration Committee under MIFIDPRU 7 as a non-SNI firm its on-balance sheet assets and off-balance sheet items over the preceding 4 year period is a rolling average of less than \$100 million. The Firm's remuneration structure aims to both reward and incentivise employee performance in alignment with its risk profile, including potential conflicts of interest. The Firm's remuneration structure is evaluated to ensure its continued alignment with relevant regulatory requirements. The objective of the remuneration structure is to align individual contributions with performance objectives in a manner that:

- does not encourage excessive risk taking;
- recognises that the Firm does not undertake proprietary trading, or hold client assets and therefore the Firm has a limited risk profile;
- aims to avoid conflicts of interest in accordance with the Firm's policies,
- is in line with the Firm's business strategy, regulatory obligations, objectives, values, and long-term interests.
- Is sufficient to attract motivate and retain high calibre staff.
- is consistent with and promotes sound and effective risk management

The assessment of performance to determine variable remuneration considers financial as well as non-financial criteria. The non-financial criteria are intended to consider the individual's conduct; and evaluate the individual's performance in relation to effective risk management and compliance with the Firm's policies. The Firm does not have a separate remuneration committee.

The Firm's total amount of remuneration to all staff was £3,266,172 in 2023, comprising of £2,135,832 in fixed remuneration and £1,130,340 in variable remuneration. The amounts above do not include remuneration in respect of other work UK-based individuals carried out on behalf of our parent company, the cost of which was borne by it; staff provided by centralised compliance and financial crime functions, the cost of which are borne centrally by the Aon Group. Similarly, emoluments for Directors and other staff based in the US were borne by our parent company and so are also not included in these figures. The firm has identified only one Material Risk Taker (MRT) and therefore is applying the exemption to disclose their remuneration under MIFIDPRU 8.6.8R(7).

Investment Policy

Under MIFIDPRU 8.7 non-SNI firms are required to disclose certain information on voting rights and behaviour in respect of certain investments held by the firm or on behalf of client mandates (provided these authorise the firm to vote on their behalf. This applies only to investments in shares listed on regulated markets and where the aggregate holdings controlled by the firm exceed 5% of total voting rights. The Firm' does not undertake trading on regulated markets with its investment activities utilising primary funds, secondaries, and co-investments, among other types of investment solutions.

