STRATA

Strata Remuneration Policy June 2023 (the "Policy")

---

1. Introduction

a. Management Body

Strata Technology Partners LLP (FRN 219675) ("Strata" or the "Firm") is a Small and Non-Interconnected ("SNI") firm according to MIFIDPRU 1.2 and as such, per SYSC 19G.7, does not require a formal remuneration committee.

Instead, the "Management Body" (Robert Lees and Alistair Armstrong-Brown) has a supervisory function and has overall responsibility for setting and implementing the remuneration policy of the Firm set out in this document.

b. Staff

For the purposes of this Policy, "Staff" shall include:

- Partners (Designated Members and Junior Members as per the Firm's partnership agreement);
- employees; and
- contractors (those who deliver transaction/project-based work to the Firm) or long-term back-office support (such as bookkeeping).

For the avoidance of doubt, Staff does not include:

- members of the partnership that not active in the operations of the Firm ("Investor Members"); or
- contractors who deliver ancillary services (such as presentation editing or website design services).

c. Performance Period

The Management Body (which itself has control over business process, HR, recruitment, risk management and compliance) has carefully considered and concluded that the financial year (i.e. not quarterly or any other period of time) is the most suitable for determining remuneration, in order to align remuneration with the Firm's overall financial performance.

The Policy period runs according to the Firm's financial year ending 31-Mar, with the relevant period subject to the Policy described in this document running from 1-Apr-23 to 31-Mar-24.

d. General

Per 19G.3.7R, the Management Body as a whole oversees the remuneration of Staff fulfilling the compliance and risk management functions. The Management Body includes the MLRO and Compliance Officer, which is inevitable in a small Firm.

In setting the Policy, the Management Body has considered the regulatory minimum capital requirements of the Firm as well as whether it is appropriate to go beyond any regulatory minimum requirement. However, at the current time, the Management Body has concluded that the regulatory minimum requirements determined by the Firm's ICARA process are sufficient. The Management Body will review the regulatory minimum capital requirements on an annual basis.

The Firm ensures that the remuneration policy is gender-neutral and that there will be no discrimination on the basis of an individual's protected characteristics both before and after employment is offered.

In preparation of this inaugural report, the Compliance Officer, on behalf of the Management Body, has considered the MIFIDPRU remuneration code in a manner that is appropriate to the Firm's size and internal organisation and to the nature, scope and complexity of its activities.

The Management Body implemented the policies outlined in this Policy for the first time for the financial year ending 31-Mar-23 and has updated the remuneration policy for the current year ending 31-Mar-24 by reviewing compensation as part of the annual compliance review conducted in Jun-23.

A copy of this Policy has been circulated to all Staff and will be available to all Staff (and indeed anyone else) on the Firm's website so that the Firm's remuneration policies are clearly documented. The process to determine the Firm's bonus pool and the precise amounts of bonus compensation to be awarded to each individual Staff member is set out in Schedule 4 of the Firm's partnership agreement, which is available only to Partners of the Firm, as disclosure of that calculation would lead to identification of individual Staff members' compensation.

By putting this Policy on the Firm's website, along with disclosing the aggregate amounts of fixed and variable remuneration paid in the last financial year, the Firm has achieved compliance with MIFIDPRU 8.6.

2. Remuneration Policy and Practices

a. Policy

Remuneration consists of two elements:

- **Fixed**, which is based on a Staff member's professional experience and organisational responsibility as set out in the Staff member's job description and terms of employment and is generally permanent, pre-determined, nondiscretionary, non-revocable and not dependent on performance. Fixed remuneration is specifically:

  - Fixed drawings for Partners (paid in cash), per SYS 19G4.4.2;
  - Base salary for employees (paid in cash); and
  - Potentially certain fixed cash payments for some consultants.

- **Variable**, which is based on performance of the individual as well as of the Firm, and consists of:
  - Partner profit share (as calculated in the partnership agreement and paid in cash), per SYS 19G4.4.3;
  - Cash bonuses for employees; and
  - Certain cash payments to consultants based on transactional and project-based work, linked to revenues generated for the Firm.

Variable consideration to Partners and employees is only paid in the event that the Firm generates revenues in excess of the fixed cost base (including the fixed element of remuneration paid out) in the year. The allocation of variable compensation is set out in the partnership agreement but can be summarised as consisting of the following elements:

- Payments to Partners based on their contribution to the origination and execution of revenue generating mandates;
- Payments to Staff members in the form of cash bonuses based on their contribution to support the Firm's origination and execution efforts, as well as contributions to non-project initiatives and activities of the firm (managing IT, data and other systems of the Firm; support of non-project-based marketing initiatives and events; and general assistance with the creation and maintenance of Firm-wide materials and precedents); and
- Payments to Staff members in the form of cash bonuses for their own origination of specific mandates.

b. Considerations

Key consideration points for determining the level of fixed remuneration:

- For Partners, it is set at a level that compensates them for the work they undertake to achieve the objectives of their functions, such as senior management, compliance, financial reporting and HR, and that is commensurate with them having the appropriate authority and independence to fulfil those functions (noting that as a small Firm there are a small number of individuals performing multiple roles);

- For employees and consultants, it is set at a level that encourages the achievement of their objectives of their functions in a way that is fit and proper, in accordance with the Firm's approach to risk and in accordance with the Firm's operating and compliance policies; and

- For all individuals, fixed remuneration is set at a level that represents the Partners' collective assessment of a sustainable level of fixed costs that the Firm can prudently incur over the economic and business cycle.

Key consideration points for the setting of variable remuneration:

- Contribution to overall revenue generation (in particular for Partners);

- Contribution to project execution and delivery of administrative and other back-office functions;

- That business has been conducted responsibly;

- That conflicts of interest have been properly managed; and

- That risk taking has been undertaken prudently and potential harms have been considered.

Ensuring that variable remuneration is only paid to Partners and employees when revenues exceed the fixed costs of the Firm means that Staff are incentivised for the Firm **as a whole** to be successful which supports and strengthens the Firm's collegiate approach, inclusive culture and low appetite for risk.

The mechanism / structure outlined above (and calculated in accordance with the provisions of the partnership agreement) for determining variable remuneration specifically takes into account the financial performance of the Firm (i.e. it does not just rely on non-financial criteria).

Non-financial criteria form a significant part of an individual's performance assessment (conducted annually).

As outlined above, non-financial criteria (such as failure to appropriately handle a conflict of interest, or inappropriate conduct, or failure to adhere to effective risk management policies) can and would be expected to override financial criterial. However, with a very small number of Staff outside of the Management Body, the Management Body does not consider it necessary or appropriate to introduce performance metrics over and above the existing performance review in the annual appraisals.

c. Conflicts of Interest

The Firm's approach to conflicts of interest is detailed in the Firm's compliance manual which is available to all Staff on the network drive and is reviewed and updated periodically.

However, to summarise, the Firm's procedures to manage conflicts of interest include:

- **101**. This is a new business committee where a someone (normally a Partner) outlines a potential new mandate, where the lead was generated, what the scope of work is, the deal team and the potential fees to be proposed to the prospective client. There are specific sections for risks as well as potential conflicts. The outcome of the 101 process is a green light (or red light) to proceed (or otherwise) to the submission of a fee proposal to a potential new client.

- **102**. The Firm's KYC client identification procedure to identify the potential client, its directors and beneficial owners in line with FCA regulation that categorises clients by type (retail, professional or eligible counterparty) as well as by risk category (low, medium or high). In the last year under review (ending 31-Mar-23) there were no high-risk clients. Should the detailed review of the potential clients identify any potential conflicts of interest, these will be discussed amongst the Partners.

- **Partner meetings**. Besides near daily calls between the Partners, the Partners meet formally on a quarterly basis (either online or in person) to discuss current mandates, staffing levels, potential new opportunities and marketing initiatives, recruitment, finance and compliance. Quarterly finance and compliance reports (which would describe any potential conflicts of interest identified in the relevant period) are approved at these meetings.

- **Quarterly business and compliance reviews**. There are two quarterly packs produced by the Partners: 1) a financial pack summarising current trading, profit & loss statement, balance sheet and transactions closed; and 2) a compliance review outlining other business and compliance matters (recruitment, training, new clients taken on, compliance issues, etc.) and which would also describe any potential conflicts of interest identified in the relevant period.

The Management Body oversees the implementation of the Policy, as such it specifically considers potential conflicts of interests arising where business interests have the potential to influence a member of Staff's role in their compliance and risk management function. However, the firm is small and the Management Body considers it has put in place the appropriate level of systems and controls, as described above.

d. Alignment

The Management Body considers the structure outlined above aligns Staff remuneration with the business strategy, objectives and long-term interests of the Firm. In particular:

- The Firm has a low appetite for risk, and a low exposure to environmental, social and governance risk factors;

- The structure of profit sharing encourages collegiate behaviour and cooperation; and

- Investments (whether monetary or in terms of effort) in people, training, systems, processes etc. with long-term rewards will benefit the whole Firm.

The Management Body believes this provides a balance of fixed and variable components of total remuneration and that fixed component represents a sufficiently high proportion of the total remuneration to enable the operation of a fully flexible policy on variable remuneration, including the possibility of paying no variable remuneration component.

The balance between fixed and variable remuneration in any given year is determined by the structure outlined above, however at the end of each period the resulting level coming out of the structure is assessed by the Management Body to determine if it provides an appropriate balance of fixed and variable remuneration. Note that per the current calculation it is possible for Staff (both Partners and employees/consultants) to receive only fixed remuneration. Generally, Staff members or Partners would not be in a situation where they receive only variable remuneration, the exception being for revenue generating consultants.

3. Remuneration and Capital

The Management Body considers that the Firm's policy on variable remuneration does not put the Firm's ability to ensure a sound capital base at any risk. Variable remuneration to employees and Partners is only paid once the fixed cost base is covered, which by definition means that the Firm is therefore profitable.

Specifically, no variable remuneration is paid to members of its Management Body, unless the Firm's revenues have exceeded its fixed cost base.

Variable remuneration would not be paid in the event it would threaten the Firm's sound capital base (nor threaten the Firm's timely exit from any exceptional government intervention, as described in SYS 19G6.2.2.2).

Given the Firm is an SNI and does not hold any capital other than Partners' invested capital which is considered to be Tier 1 capital (and specifically it does **not** hold "additional Tier 1 instruments", as per MIFIDPRU 8.1.1R.2), the Firm does not need to disclose risk management objectives and policies, its own funds and own funds requirements which are instead handled through internal ICARA report and compliance processes. Therefore, the disclosure of the remuneration policy and the aggregate amounts of fixed and variable remuneration paid in the last financial year (MIFIDPRU 8.6) fulfils MIFIDPRU 8 entirely.

4. Aggregate Remuneration

- **Remuneration YE March 2022**

  In the financial year ending Mar-22 aggregate remuneration across the firm was:

  - Fixed remuneration: £764,973
  - Variable remuneration: £950,064

- **Remuneration YE March 2023**

In the financial year ending Mar-23 aggregate remuneration across the firm was:

- Fixed remuneration: £784,291
- Variable remuneration: £1,130,094

Signed by:

Compliance Officer	Managing Partner

On behalf of the Management Body.