



MIFIDPRU 8 Disclosure

Regulatory disclosure: 31 December 2022

Introduction

The purpose of this document is to outline the approach Abundance Investment Ltd (“Abundance”, “the Firm”, “we”) takes to governance, risk management and remuneration as set out in MIFIDPRU 8 of the FCA Handbook.

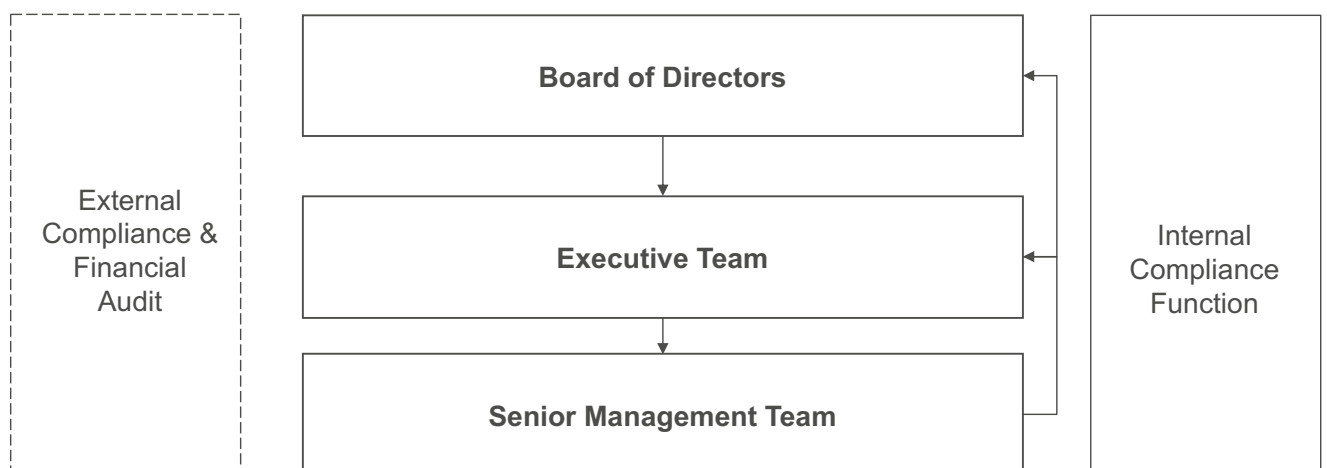
This public disclosure has been prepared on an individual firm basis and is based on the audited financial statements as at 31 December 2022. There are no significant changes in policy or practices relevant to the Disclosure from the prior year.

Abundance is an investment crowdfunding platform that was established to provide retail investors with the opportunity to invest into UK based low carbon and social infrastructure projects and by doing so: provide a new source of capital to the UK Net Zero infrastructure market and councils delivering Net Zero plans; create socially responsible investment opportunities for its clients; and accelerate the transition to a more sustainable and socially just society.

Abundance is a certified BCorp, which means it has a legal responsibility embedded in its company articles to consider the interests of its decisions not simply on its shareholders, but also its staff and customers as well as the environment and society.

Governance

Abundance has the following Governance structure with the Board of Directors taking ultimate responsibility for setting the Firm’s strategy and business objectives as well as the Firm’s Risk Management Framework (RMF) and Risk Appetite.



The Firm’s Board has been in place since it was first authorised and brings together over 75 years of financial services and regulated firm experience. The Firm takes a rigorous approach to recruitment of senior managers to ensure managers bring the appropriate level of experience and expertise.

The Executive Team and Senior Management team all work full time within the firm. Executive Directors Karl Harder and Louise Wilson each hold two additional directorships sitting on the boards of Abundance Security Trustee and Abundance Nominee Ltd.

The Firm does not operate an independent risk committee due to its relatively small size and low level of complexity. The Board is however supported by external audit and compliance firms.

The Firm aims to promote diversity on the Board, and considers diversity criteria when we make new hires to the Board. However, as a small company our Board does not change regularly. As a Firm, Abundance is committed to promoting equal opportunities for all staff and those who apply to work with us.

Risk Management Framework

Risk is defined in Abundance as any unexpected future event that could damage our ability to achieve our strategic, financial or overall business objectives, including damage to earnings capacity, capital position, business reputation or cash flows.

To mitigate risk, we therefore operate a rigorous Risk Management Framework (RMF) which identifies and establishes processes for managing the key risks facing Abundance. The Firm's RMF has been designed to comply with relevant regulation and is designed to protect the interests of Abundance's shareholders, staff and clients, with priority given to retail investors in the event of a conflict.

The objectives of the RMF are to:

- Reduce unacceptable performance deviations by evaluating the likelihood and impact of major risks occurring, and developing effective responses;
- Align and integrate varying views of risk management into critical management activities, including strategy setting, business planning and capital assessment;
- Build confidence of shareholders, customers, regulators and other stakeholders by demonstrating the Firm's capabilities for understanding and managing risk;
- Enhance corporate governance by ensuring strong Board and executive management oversight, clear roles, responsibilities and accountabilities and clear authorities and risk boundaries;
- Successfully respond to changing business environments by identifying, prioritizing and planning for risk;

- Align strategy and corporate culture by creating risk awareness and an open, positive approach with respect to risk and risk management.

Three Line of Defence

The Firm has adopted a ‘three lines of defence’ model to assist in risk management, defined as follows:

- **First Line:** The Board provide direction to the Executive Team and in turn to Senior Management by setting the Firm’s Risk Appetite and having ultimate accountability for the Risk Register and control environment. The Firm maintains an Internal Capital Adequacy and Risk Assessment (“ICARA”) which considers whether the Firm requires additional capital to manage risks to the Firm, it’s clients and the wider market, in the case where they cannot be adequately mitigated by internal systems and controls. The Board receives regular reports on the status of the Risk Register and performance of the various risk management systems and controls. The Board reviews the Risk Register at its Board meetings and material changes to risk are highlighted and discussed. If a risk exceeds the Firm’s Risk Appetite, the Board request that the Senior Management amend the risk control or stop the activity if effective control is not possible.
- **Second Line:** Executives and Senior Management are accountable for specific risks and risk categories. Senior Managers and Staff are then responsible for the day-to-day risk management and control, with Senior Management identifying new risks and updating the Risk Register. Any changes to the Risk Register and ongoing performance of the Firm’s systems and controls are reported at Senior Management meetings. The entire process is underpinned by a comprehensive set of KPIs, which are reported against at the Senior Management meetings and Board meetings as appropriate.
- **Third Line:** The Compliance Officer monitors and facilitates the implementation of effective risk management across the business and assists the Senior Manager who are accountable for individual risk managing those risks. The Compliance Officer runs a compliance monitoring programme, but also regularly meets the Senior Management and attends Board meetings. This enables him to monitor and provide oversight over the entire Risk Management Framework.

The Firm’s internal compliance function is supported by external firms who provide independent audits of the Firm’s financial statements and financial systems and controls as

well as the Firm's client money processes. The Board will also request from time to time a broader audit of the Firm's Compliance and Risk Management Framework.

Risk Appetite Statement

The Firm's Risk Appetite Statement defines the Firm's risk appetite across the business. The Risk Appetite Statement is used as a control by the Board to assess new business and projects as well as drive general decision making.

The Firm's Risk Appetite Statement is as follows:

"We will not knowingly take on activities or new business that threaten the integrity of our business model or which we judge do not offer a fair risk adjusted return to our investing clients. In addition, we will conduct our activities in a manner that balances our obligations as a BCorp firm with the needs of our clients, staff and shareholders.

The Firm's overall risk appetite is Medium with a preference for Low.

This means we will accept carrying out activities that have high potential negative impact as long as we consider the probability of occurrence to be low. We will also consider carrying out activities that have a medium impact, but where our systems and controls cannot fully mitigate the risk materialising – for instance the risk of changes to government policy."

Own funds

A breakdown of our own funds is as follows:

Composition of regulatory own funds			
	Item	Amount	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	£869,325	
2	TIER 1 CAPITAL	£818,325	
3	COMMON EQUITY TIER 1 CAPITAL	£818,325	
4	Fully paid up capital instruments	2	
5	Share premium	£8,075,294	
6	Retained earnings	(£7,256,968)	

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	Additional Tier 1: Other capital elements, deductions and adjustments		
25	TIER 2 CAPITAL	£51,000	
26	Fully paid up, directly issued capital instruments	£51,000	
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			
		a	b
			c

		Balance sheet as in published/audi ted financial statements	Under regulatory scope of consolidation	Cross- reference to template OF1
		As at 31 Dec 22 £'000	As at 31 Dec 22 £'000	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Debtors	£769,821		
2	Cash at bank	£360,850		
3	Tangible assets	£5,219		
	Total Assets	£1,130,671		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Creditors	£266,563		
2	Other Creditors			
3	Subordinated loan	£51,000		
	Total Liabilities	£317,563		
Shareholders' Equity				
1	Equity	£8,075,294		
2	Current year earnings	£33,126		
3	Retained earnings	(£7,290,094)		
	Total Shareholders' equity	£818,328		

Equity consists of Ordinary Shares of £0.001 each.

Remuneration Arrangements and Policy

The Firm's remuneration policies and practices are designed to ensure compliance with the FCA Remuneration Code and to ensure that Abundance has a risk-focused remuneration policy, which is consistent with and promotes effective risk management and does not expose Abundance to excessive risk.

The Board of Abundance does not consider it appropriate to have a separate remuneration committee due to the size and the nature of the Firm's business activities. The Abundance Board therefore reviews the packages and remuneration for compliance with the Remuneration Code. The Firm's remuneration arrangements represent a combination of fixed remuneration, variable remuneration and a share option scheme. It is designed to ensure the long-term sustainability of the Firm and to align the interest of the Firm and its employees with those of its clients.

Remuneration Policy

The Firm is dedicated to ensuring that individuals are not remunerated for exceeding the risk tolerances of the Firm. The Firm takes account of financial as well as non-financial criteria when assessing performance, including compliance with applicable regulations, interactions with customers and adherence with firm culture. The Firm does not pay any variable remuneration to employees linked to monthly or annual sales or growth targets.

Variable remuneration for employees in general is principally awarded in the form of share options, which the Firm believes is the best way of aligning employees' interests with shareholders and customers. The Board decide on share options annually and make their decision based on the long-term commitment of the employee to the performance and values of the business.

Abundance does not pay severance pay or guarantee any variable remuneration.

Material Risk Takers

The Firm classifies those staff whose professional activities have a material impact on its risk profile as Material Risk Takers (MTR's) in line with the FCA's Remuneration Code. The Firm classifies 9 employees as MTR's as at January 2022. These are employees who lead the due diligence and structuring of investments listed on the platform as well as employees who are accountable for the operations and technology systems that underpin the delivery of the Firm's products and services.

Split of remuneration

The Executive Directors are founders of the business, personally invested in the firm and are committed to the long-term success of the Firm. Considering this the Executive Directors, and two of the MTR's who have worked for the Firm since launch, have therefore chosen to take their remuneration in two parts. The first is a fixed sum and the second is a variable sum, which is not guaranteed and is paid depending on how well the Firm meets certain KPIs regarding its long term sustainable performance of the Firm. As an example, at the start of the Covid Crisis the Board agreed to reduce the variable component of the executive directors salary to increase capital and cash buffers to ensure the Firm was best placed to weather the crisis.

Type of Staff	Fixed	Variable	Total
Senior Management	£20,600	£185,400	£206,000
Other Material Risk Takers	£363,500	£67,000	£430,500
Other Employees	£639,192	0	£639,192