

# APOLLO

APOLLO MANAGEMENT INTERNATIONAL LLP

PUBLIC DISCLOSURE STATEMENT

YEAR ENDING 31 DECEMBER 2022

## 1. INTRODUCTION

### 1.1 Purpose

Apollo Management International LLP (FRN 452877) (the "**Firm**") is authorised and regulated by the Financial Conduct Authority (the "**FCA**"). The Firm is a dedicated European investment management subsidiary of Apollo Global Management, Inc. ("**AGM**" and, together with its subsidiaries, including the firm, "**Apollo**"), specialising in the provision of investment management, research, and advisory services to professional clients and institutional investors.

This document (the "**Disclosure Statement**") sets out the information the Firm is required to disclose annually under chapter 8 of the MIFIDPRU Sourcebook in the FCA Handbook of Rules and Guidance. All information is as at the date on page 1 unless otherwise indicated.

### 1.2 Scope

The information in this Disclosure Statement relates to the Firm on an individual basis, i.e., it does not concern any other Apollo entities.

Unless otherwise noted, the information contained in this Disclosure Statement has not been audited by the Firm's external auditors and does not constitute any form of financial statement and should not be relied upon in making any judgment on the Firm.

## 2. GOVERNANCE ARRANGEMENTS

### 2.1 Role of the Management Committee

The Firm is governed by its Management Committee which has established two sub-committees – the Strategic Committee and the Operational Committee (collectively, the "**Committees**" and references to the "**Committee**" or a "**Committee**" are references to the committee which is appropriate to the relevant matter). The Management Committee has apportioned all of its functions between each of the Strategic Committee and the Operational Committee. The Firm is required to ensure that the Committees define, oversee and are accountable for the implementation of governance arrangements that ensure effective and prudent management of the Firm, including the segregation of duties in the Firm and the prevention of conflicts of interest, and in a manner that promotes the integrity of the market and the interests of clients.

The Firm seeks to achieve this through several means, including:

- through adopting an appropriate process for appointments to the Committees;
  - processes for the functioning of the Committees, including reporting of management information on risks the Firm is or might be exposed to, or the Firm poses or might pose to others;
  - obligations under the FCA Senior Managers and Certification Regime, as part of which certain senior members of staff ("**Senior Management Function-holders**") are required to be approved by the FCA and a number of other members of staff are required to be certified by the Firm as fit and proper to perform their roles;
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- legal obligations applicable to members of the Committees under the Limited Liability Partnership Regulations 2001 and fiduciary and agency law;
- policies and procedures, including in particular the Firm's compliance manual, conflicts of interest policy, remuneration policy, and its policies on personal account dealing and market abuse;
- its approach to the suitability of the management body, which seeks to ensure that:
  - individually, the members of the Committees are of sufficiently good repute, possess sufficient knowledge and experience to perform their duties, commit sufficient time to the role and demonstrate honesty, integrity and independence of mind; and
  - the Committees as a whole possess adequate collective knowledge, skills and experience to understand the Firm's activities, including the main risks and reflect an adequately broad range of experiences; and
- the appointment of legal and accounting advisers and compliance consultants and other advisers as required from time to time.

## 2.2 Composition of the Committees

The members of the Committees are set out in the following table, together with the number of additional directorships held by each member, excluding directorships: (i) held in organisations which do not pursue predominantly commercial objectives; or (ii) in entities within the Group or in entities in which the Firm holds a qualifying holding.

Name	Number of additional directorships (executive and non-executive)
<b>Strategic Committee</b>	
Gernot Lohr	1
Robert Seminara	0
AMI (Holdings), LLC	0
Apollo Management (UK) VI, LLC	0
<b>Operational Committee</b>	
Shaun Collins	0
Kevin Crowe	0
Philip Cuff	0
Alex Humphreys	0
Gernot Lohr	1
Bhavin Patel	0
Michele Raba	0
Robert Seminara	0
Seda Yalcinkaya	1
Alex Van Hoek	0

Adam James Petrie	0
AMI (Holdings), LLC	0
Apollo Management (UK) VI, LLC	0

### 2.3 Diversity of the Committees

The Firm is committed to promoting diversity and equal opportunities for staff throughout the Firm, including on its Committees. The Firm believes that diverse and inclusive teams help us achieve our corporate objectives, and this informs the Firm's recruitment and retention strategies, both across the organisation as a whole and at the level of the Committees.

All appointments are made on merit against objective criteria, and with regard to the individual's knowledge, skills and experience and the combined knowledge, skills, experience and diversity of the Committees as a whole.

### 2.4 Risk governance

The Firm has well-established risk management processes to identify, assess, monitor, manage and mitigate operational risks facing the business as well as those associated with the Firm's activities. The risk management process is overseen by a dedicated Risk Working Group, with the Committee being ultimately responsible for the Firm's overall risk management and for maintaining an appropriate internal control framework. The Risk Function, along with the Compliance, Finance, Human Capital and senior management, have responsibility for the implementation and enforcement of the Firm's risk principles.

The Firm is not required to maintain a Risk Committee. Nonetheless, the Firm's Committee is supported in its responsibility for managing the risks inherent in the Firm's activities by its Global Risk Committee (which is responsible for overseeing the Firm's risk management framework, and for reporting to the Firm's Committee on all material risks).

## 3. RISK MANAGEMENT OBJECTIVES AND POLICIES

### 3.1 Potential for harm associated with the Firm's business strategy

The Firm is willing to take risks on new products, business lines and acquisitions to achieve growth and meet shareholders' expectations of profitability over the long-term, while maintaining the Firm's financial resilience. The Firm will only engage in activities that are aligned to the Firm's desired risk profile and long-term strategy.

The level of detail of information in this Disclosure Statement is consistent with this proportionality assessment.

### 3.2 Strategies and processes used to manage risks addressed by own funds and liquid assets requirements

#### *Basic Own Funds Requirement and Basic Liquid Assets Requirement*

The Firm is subject to a Basic Own Funds Requirement and a Basic Liquid Assets Requirement.

The Firm's Basic Own Funds Requirement is the higher of (i) a permanent minimum own funds requirement, (ii) one quarter of its preceding year's fixed overheads (its fixed overheads requirement, or "**FOR**") and (iii) a 'K-factor' requirement ("**KFR**") (a percentage scalar applied to particular activities the Firm carries on, e.g. its assets under ongoing advice and daily trading flow).

The Firm's Basic Liquid Assets Requirement is the sum of one third of its FOR.

Details of the Firm's own funds are set out at Schedule 1.

Details of the Firm's Basic Own Funds Requirement are set out at Schedule 2.

#### *Overall Financial Adequacy Rule*

The Firm must at all times comply with the overall financial adequacy rule (the "**OFAR**"). This requirement, which supplements the Firm's Basic Own Funds Requirement and Basic Liquid Assets Requirement, requires the Firm to hold sufficient own funds and liquid assets to:

- ensure it can remain viable throughout the economic cycle, with the ability to address any potential harm the Firm's ongoing activities might cause to its clients and counterparties, the markets in which it operates and the Firm itself; and
- allow its business to wind-down in an orderly way, minimising harm to clients and counterparties and to other market participants.

#### *The Internal Capital Adequacy and Risk Assessment*

The Firm uses an internal capital adequacy and risk assessment ("**ICARA**") process to identify whether it is complying with its OFAR and, if it is not, to identify what steps it should take to remedy this.

The focus of the ICARA process is on identifying and managing risks that may result in material harms to clients and counterparties, the markets in which the Firm operates and the Firm itself, measuring the effectiveness of the Firm's strategies to monitor and mitigate those harms, and determining whether additional own funds and/or liquid assets are required to mitigate any residual risks.

The FCA recognises that the risk of some material harms can be reduced through proportionate measures other than holding additional financial resources, for example implementing additional internal systems and controls, strengthening governance and oversight processes or changing the manner in which the Firm conducts certain business.

However, for other harms identified, it may be that the only realistic option to manage them and to comply with the OFAR is for the Firm to hold additional own funds and/or additional liquid assets above its Basic Own Funds Requirement and Basic Liquid Assets Requirement.

The Firm has therefore formed a judgment about what is appropriate and proportionate in its particular circumstances, informed by its risk appetite, which is set by the Committee.

The Firm's ICARA document is updated annually (or more frequently, as required) by Apollo's Finance, Human Capital, Risk Management, Legal and Compliance teams, with input from external advisers as required. The document and the key assumptions underlying it are then reviewed and approved by the Committee.

#### *Responsibilities of Senior Management Function-holders*

The Firm has a Senior Management Function-holder responsible for own funds and liquid assets compliance.

All Senior Management Function-holders recognise that the ICARA process is a key requirement of the regulatory system for the Firm and is an essential part of the Firm's internal systems and procedures for ensuring that the Firm's business is run prudently.

### **3.3 Concentration risk**

Concentration risk refers to the risks arising from the strength or extent of the Firm's relationships with, or direct exposure to, a single client or group of connected clients. The Firm has identified the following concentration risks and has put in place the following control strategies:

#### *Earnings*

This is the risk that the Firm has a significant amount of its revenue concentrated in a small number of clients, leaving it exposed if it loses one or more of those clients.

The Firm's revenue is reliant on the performance of the existing funds under its management and sub-advisory arrangements. Whilst this technically creates a concentration risk, the Firm considers that any downside of this is more than offset by the stability of revenue that the arrangement creates.

#### *Cash deposits*

This is the risk that the Firm's cash deposits are held with a narrow range of credit institutions, leaving it exposed if one or more of them becomes insolvent.

The Firm maintains cash accounts with a range of UK credit institutions, which it considers reduces its cash deposit risk to an acceptable level. The Firm keeps this under review.

## **4. REMUNERATION**

### **4.1 Remuneration governance**

The Compensation Committee of AGM (the "**Compensation Committee**") has overall responsibility for Apollo's remuneration policies and procedures. Remuneration is decided via the Compensation Committee (or its delegates) providing appropriate independent assessment in respect of each business unit.

The Firm's remuneration policies and practices are operated on a day-to-day basis by the Human Capital Department with support from the Compliance Department.

### **4.2 Material Risk Takers**

The Firm's material risk takers ("**MRTs**") are those individuals whose professional activities have a material impact on the Firm's risk profile. The Firm's MRTs comprise:

- Members of the Committees;
- The Firm's Money Laundering Reporting Officer and Chief Compliance Officer;
- Other Senior Management Function-holders; and
- Other MRTs.

During the course of the year, the Firm identified 78 MRTs in total.

### **4.3 Remuneration structure**

The Firm's remuneration arrangements seek to ensure effective risk alignment between the Firm's staff, the Firm itself, the Funds advised by the Firm, the Funds managed by the Firm and the Firm's clients.

The Firm awards both fixed remuneration (typically an annual salary or a fixed entitlement to a share of the Firm's profits) and variable remuneration (typically a form of discretionary annual bonus or variable profit share and, where applicable, the award of carried interest points). Different categories of variable remuneration are available to different types of staff, for example staff who are members of the Firm are entitled to receive a variable annual profit share whilst staff who are not members of the Firm are typically eligible to receive an annual discretionary bonus (with a restricted stock unit deferral element for certain employees). Eligibility for certain types of variable remuneration is also linked to positions held within the Firm.

Fixed remuneration is determined primarily by the market rate for the role performed, having regard to the skills, expertise and experience demonstrated by the particular individual.

Variable remuneration is determined by reference to a number of factors, including an assessment of an individual's performance based on Apollo's performance assessment criteria, operational performance for the department or division in which they operate and their impact on Apollo's overall operating performance and potential to contribute to long-term shareholder and fund value.

The total available pool of variable remuneration is determined using independent valuation methods, taking into account the Firm's regulatory capital and liquidity requirements, future working capital needs and any reasonably foreseeable liabilities or obligations, to ensure that remuneration is paid out on the basis of the performance of the Apollo-sponsored funds and Apollo globally. Individual performance is assessed by reference to both financial and non-financial criteria, including whether an individual has adhered to the Firm's internal compliance policies and procedures, demonstrated behaviours consistent with the Firm's corporate values, and contributed effectively to identifying and managing environmental, social and governance risks.

The Firm has obtained legal advice in relation to the requirements in SYSC 19G.

#### 4.4 Risk adjustment

The Compensation Committee (or its delegates) exercise(s) discretion each year in determining variable remuneration. The Firm is able to apply in-year adjustments to reduce (including to zero) the amount of variable remuneration that would otherwise have been paid to any member of staff (including MRTs).

Variable remuneration awarded to MRTs is subject to additional adjustments. In specific circumstances where an MRT has (i) participated in or been responsible for conduct which has resulted in significant losses to the Firm and/or (ii) failed to meet appropriate standards of fitness and propriety, the Firm may take one or more additional measures including malus (reducing the amount of variable remuneration awarded to an MRT) and/or clawback (requiring the MRT to make a payment to the Firm equal to all or some variable remuneration received within a specified time period).

The Firm ensures that any payments to MRTs relating to the termination of an employment contract reflect the individual's performance over time and do not reward failure or misconduct.

The Firm maintains policies and procedures governing its approach to risk adjustments and severance payments, including how the Firm takes into account current and future risks when adjusting remuneration.

#### 4.5 Quantitative disclosures

Certain required disclosures have been omitted on the grounds of data privacy where the Firm considers that disclosure would be inconsistent with Apollo's obligations under the retained EU law version of the General Data Protection Regulation (EU) 2016/679 ("UK GDPR").

Total remuneration to <u>all</u> staff	
Total fixed remuneration	(GBP million)
Senior management	7.7
Other MRTs	20.1
Other staff	28.6
<b>SUB-TOTAL</b>	<b>56.4</b>

Severance payments made to MRTs	
Total payments made	(GBP million)
Senior management	
Other MRTs	
<b>TOTAL</b>	
<b>Amount of highest severance payment awarded</b>	

Guaranteed variable remuneration awarded to MRTs	
Total payments made	(GBP million)
Senior management	
Other MRTs	
<b>TOTAL</b>	

<b>Total remuneration to <u>all</u> staff</b>	
<b>Total variable remuneration</b>	<b>(GBP million)</b>
Senior management	113.5
Other MRTs	121.0
Other staff	44.2
<b>SUB-TOTAL</b>	<b>278.7</b>
<b>GRAND TOTAL</b>	<b>335.1</b>

<b>Severance payments made to MRTs</b>	
<b>Awards of severance payments made</b>	<b>No. of MRTs</b>
Senior management	
Other MRTs	

<b>Guaranteed variable remuneration awarded to MRTs</b>	
<b>Awards of guaranteed variable remuneration made</b>	<b>No. of MRTs</b>
Senior management	
Other MRTs	

**SCHEDULE 1 OWN FUNDS<sup>1</sup>**

<b>Composition of regulatory own funds</b>			
	<b>Item</b>	<b>Amount (USD thousands)</b>	<b>Source based on reference numbers/letters of the balance sheet in the audited financial statements</b>
<b>1</b>	<b>OWN FUNDS</b>	53,323	Page 14 of audited FS
<b>2</b>	<b>TIER 1 CAPITAL</b>	53,323	Page 14 of audited FS
<b>3</b>	<b>COMMON EQUITY TIER 1 CAPITAL</b>	53,323	Page 14 of audited FS
4	Fully paid up capital instruments	56,679	Page 14 of audited FS
5	Share premium		
6	Retained earnings	102,215	Page 14 of audited FS
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	<b>ADDITIONAL TIER 1 CAPITAL</b>		
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	<b>TIER 2 CAPITAL</b>		
26	Fully paid up, directly issued capital instruments		
27	Share premium		
28	(-) TOTAL DEDUCTIONS FROM TIER 2		
29	Tier 2: Other capital elements, deductions and adjustments		

<sup>1</sup> Calculated on the basis of the Firm's audited annual accounts for the year ending 2022.



**Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements**

<b>Assets</b>		<b>Balance sheet as at period end (USD thousands)</b>
1	Fixed Assets	25,671
2	Available for sale financial assets	60,614
3	Debtors	386,138
4	Cash at bank and in hand	29,437
5	<b>Total Assets</b>	501,860
<b>Liabilities</b>		<b>Balance sheet as at period end (USD thousands)</b>
1	Creditors	101,477
2		52,738
3	<b>Total Liabilities</b>	154,215
<b>Shareholders' Equity</b>		<b>Balance sheet as at period end (USD thousands)</b>
1	Partners capital accounts	56,679
2	Retained earnings	102,215
3	Amounts due to members	188,751
4	<b>Total Shareholders' equity</b>	347,645

**Own funds: main features of own instruments issued by the firm**

*Free text. A non-exhaustive list of example features is included below.*

- Eligible Members' Capital
- Other Reserves

## SCHEDULE 2 BASIC OWN FUNDS REQUIREMENTS

	Category of requirement	Amount (USD thousands)
<b>1</b>	<b>PERMANENT MINIMUM REQUIREMENT</b>	91
<b>2</b>	<b>FIXED OVERHEADS REQUIREMENT<sup>2</sup></b>	41,510
<b>3</b>	<b>K-FACTOR REQUIREMENT</b>	8,842
<b>A</b>	Sum of the Firm's: <ul style="list-style-type: none"> <li>• K-AUM (assets under management);</li> <li>• K-CMH (client money held); and</li> <li>• K-ASA (client assets safeguarded and administered) requirements</li> </ul>	8,053
<b>B</b>	Sum of the Firm's: <ul style="list-style-type: none"> <li>• K-COH (client orders handled); and</li> <li>• K-DTF (daily trading flow) requirements</li> </ul>	789
<b>C</b>	Sum of the Firm's: <ul style="list-style-type: none"> <li>• K-NPR (net position risk);</li> <li>• K-CMG (clearing margin given);</li> <li>• K-TCD (trading counterparty default); and</li> <li>• K-CON (concentration risk) requirements</li> </ul>	
	<b>BASIC OWN FUNDS REQUIREMENT (HIGHEST OF ROWS 1-3)</b>	41,510

<sup>2</sup> Calculated on the basis of the Firm's audited annual accounts for the year ending 2022.