

September 2022

# Pillar 3 Disclosure

## 1. Overview

### 1.1 Background

The Investment Firms Regulation and Investment Firms Directive (“IFR / IFD”) established a revised regulatory capital framework governing the amount and type of capital that must be maintained by investment firms.

The disclosure which follows is designed to confirm those requirements and relates to CPH Capital Fondsmæglerselskab A/S (hereinafter referred to as “CPH Capital” or the “Firm”).

### 1.2 Scope of Disclosures

CPH Capital is an indirect, wholly-owned subsidiary of AllianceBernstein L.P. (“ABLP” or the “Parent”). The Parent is a publicly reporting United States Securities and Exchange Commission-registered investment adviser.

CPH Capital is regulated by the FSA (8310) and has no subsidiaries.

The disclosures included herein describe the Firm’s overall risk management arrangements and its approach to assessing its capital adequacy.

### 1.3 Frequency of Disclosures

These disclosures will be published at least once a year and as soon as practicable following the Firm’s capital adequacy assessments and finalization of the annual accounts. The disclosure may be updated more frequently in the event of a material business change.

### 1.4 Verification, Media and Location

These disclosures have been prepared solely for the purpose of fulfilling the Firm’s IFR / IFD disclosure requirements and are not used by management for any other purpose. They have not been audited nor do they constitute any form of audited financial statement.

The Firm’s Board of Directors (the “Board”) is ultimately responsible for the Firm’s systems and controls and for reviewing the effectiveness of those arrangements. However, such arrangements are designed to mitigate, not eliminate, risk and therefore can provide reasonable, but not absolute, assurance against material losses or financial mis-statements.

These disclosures have been approved by the Firm’s Board of Directors.

These disclosures will be published on the website of the Firm’s Parent ([www.alliancebernstein.com](http://www.alliancebernstein.com)).

## 2. Governance of CPH Capital

### 2.1 Board of Directors

CPH Capital is governed by its Board of Directors. The Board is responsible for the overall and strategic management of the Firm in accordance with its Articles of Association and any laws, rules and regulations to which the Firm is subject.

### Other directorships held by members of the Board of Directors

David Lesser – 11 directorships  
Christopher Hogbin – No other directorships  
Silvio Cruz – 6 directorships

This list of directors and directorships is current as at September 2022. The other directorships referenced are all for AllianceBernstein group entities.

### **Diversity**

CPH Capital aims to have a Board made up of individuals that have a variety of qualities, competencies and characteristics that provide new and challenging perspectives. CPH Capital promotes diversity to strengthen the Board's ability to effectively govern the Firm and provide meaningful and important insights that will ultimately benefit the Firm, its people and the way it conducts its business. CPH Capital has a policy on Promoting Diversity of the Board of Directors which commits the Board of Directors to self-evaluation and consideration of diversity as part of its selection process for new members of the Board.

### **Management Board**

The Management Board undertakes the day-to-day management of the Firm and is responsible to the Board of Directors for ensuring that the Firm, in its daily activities, complies with the requirements for investment companies under the relevant legislation.

### **Risk Committee**

The Firm does not have a separate Risk Committee based on the size and nature of its business. The Risk Management function meet with the business at least quarterly, and any material risks would be escalated to the Board of Directors and discussed at the meetings of the Board of Directors.

## **3. Risk Management Objectives and Policies**

The Firm's risk management objectives and policies are supported by its corporate governance arrangements, its risk management framework and its risk management process, including its processes for mitigating and monitoring its risk.

### **3.1 Risk Management Framework**

The Firm has adopted a "three lines" model. The first line is comprised of business units and departments who are primarily responsible for identifying and managing risks in their area. The second line is comprised of the Risk and Compliance functions. The third line is comprised of the Internal Audit function.

Risks are monitored using a set of Key Risk Indicators designed to highlight changes which can potentially challenge the firm's risk appetite. Red indicators are escalated by the Risk team to the Board and management action is taken if required.

### **3.2 Categories of Risk**

The Firm is primarily exposed to operational, credit, market and concentration risks. The overall risk management objectives and framework are established by the Board of Directors. The Board of Management is in charge of day-to-day compliance therewith and reports on compliance to the Board of Directors.

**Operational risk** refers to the risk of unforeseen losses resulting from internal procedure and control weaknesses. Operational risk is inherent in an investment company. Asset management, provision of advisory services and administration by the Firm is dependent on well-working IT systems, competent staff and a strong control environment, among other elements, for which reason the Firm focuses on monitoring and control and has established procedures for crisis management.

**Credit risk** refers to the risk of loss resulting from counterparties not meeting their payment obligations to the Company, either in whole or in part. The Firm is mostly exposed to Danish credit institutions, other group companies and collective investment schemes. The Firm considers such risk to be low since no loss has been recorded for

those counterparties.

**Market risk** refers to the risk of the market value of a financial liability increasing or decreasing due to fluctuations in share prices, interest rates and exchange rates. The Firm is only exposed to market risk if invoices are settled in foreign currency.

**Concentration risk** refers to the risk of a considerable share of the Firm's earnings centering on a single product, investor or a distributor. The Firm's earnings are very sensitive and will be affected if the product is discontinued, or a major investor cashes in their investment.

#### Other risks

Excess liquidity is held as cash, for which reason the Firm's financial exposure is limited. The Company's principal business risk relates to the development of assets managed, the development in customer intake as well as portfolio returns and the concentration risk exposure to customers, distributors and products.

## 4. Own Funds

CPH Capital Fondsmæglerselskab A/S - FSA reporting						
REPORTING FOR INVESTMENT FIRMS OTHER THAN SMALL AND NON-INTERCONNECTED in DKK or in '000 DKK						
code	template name	rows	item	30-Jun21	30-Sep21	31-Dec21
QUARTERLY (1.00, 2.00, 3.00, 4.00, 5.00, 6.00, 9.00, C 22.00, ksbs)						
<b>1. Own funds</b>						
IF 01.00	Own funds	0010	OWN FUNDS (tier1+ tier2)		101,051,176	41,925,097
IF 01.00	Own funds	0020	TIER 1 CAPITAL (CET1+ additional)		101,051,176	41,925,097
IF 01.00	Own funds	0030	COMMON EQUITY TIER 1 CAPITAL (CET 1)		101,051,176	41,925,097
IF 01.00	Own funds	0040	Fully paid up capital instruments (common stock & additional paid in capital)		17,500,000	17,500,000
IF 01.00	Own funds	0070	Previous years retained earnings (RE less dividends)		94,765,926	44,765,926
IF 01.00	Own funds	0220	(-) Deferred tax assets (A+L- def. taxes)		(11,214,750)	(20,340,828)
<b>2.1 Own funds requirements</b>						
IF 02.01	Own funds requirements	0010	Own Funds requirement		24,079,619	26,430,362
IF 02.01	Own funds requirements	0020	Permanent minimum capital requirement (EUR 75K @ q-end fx, AB internal FX)	175,000	557,635	557,818
IF 02.01	Own funds requirements	0030	Fixed overhead requirement (calculated in IF 03.00)		19,199,912	19,199,912
IF 02.01	Own funds requirements	0040	Total K-Factor Requirement - how risky is CPH to markets (client & fx positions)		24,079,619	26,430,362
				EUR/DKK→	7.4359	7.4376
				ICAAP as at 24Dec21→		26,190,000

## 5. Own Funds Requirements

### 5.1 Own Funds Requirements Summary

CPH Capital's Own Funds Requirement ("OFR") is equal to its K-Factor Requirement ("KFR") as this is greater than its Fixed Overhead Requirement ("FOR") and Permanent Minimum Capital Requirement ("PMR").

Own Funds Requirement Summary	€'000	DKK M
The highest of:		
(a) Permanent Minimum Requirement	75	-
(b) K-Factor Requirement		26.4
(c) Fixed Overhead Requirement	18,807	19.2
<b>Own Funds Requirement - highest of a, b, c</b>		<b>26.4</b>

### 5.2 Individual Solvency Requirements and Adequate Own Funds Assessment

The Firm undertakes its Internal Capital Adequacy Assessment Process (ICAAP) at least once annually (or as material changes in conditions warrant) and the Firm's most recent assessment was last approved by the Board of Directors in December 2021.

The assessment document describes the framework under which the Board of Directors carries out its assessment of the adequacy of the Firm's capital resources. In particular the document sets out:

- The key risk areas relevant to the Firm's capital. These include Earnings, Growth in Lending, Credit Risk, Concentration Risk, Market Risk, Interest rates risks outside the trading portfolio, Liquidity Risk, Operational

Risk, Gearing, Strategic Risk, Reputation Risk, External Risk, Group Risk, Settlement Risk and Control Risk. The process will determine which of these key risks are material to the Firm's capital adequacy.

- The adequacy of capital resources in relation to the overall risk profile and certain stress and scenario events, and hence the Firm's overall ability to meet its liabilities as they fall due;

The Assessment is undertaken on a proportionate basis, considering the Firm's size, and the nature and complexity of its activities.

### 5.3 Liquidity Requirements

The Firm is required to hold a minimum liquidity requirement, equating to one third of the Firm's FOR.

### 5.4 Total Capital Requirement

The Firm has a simple capital structure and does not use any exotic capital instruments. A summary of the Firm's capital requirements and resources appear in the tables below:

Total Capital Requirement	DKK M
The highest of:	
- Capital Resource Requirement (outcome of Adequate Own Funds Assessment)	26.2
- Own Funds Requirement	26.4
<b>Total Capital Requirement</b>	<b>26.4</b>

#### Capital Summary as at December 31<sup>st</sup> 2021

(DKK M)

Current total capital	41.9
Total Capital Requirement	26.4
Surplus capital	15.5

## 6. Remuneration Practices and Policies

The Firm's remuneration policy and practices will be detailed in the next annual disclosure, following completion of the full performance year under the new requirements.