Pillar 3 Disclosure
incorporating Remuneration Code Disclosure

INTRODUCTION AND SCOPE

The Capital Requirements Directive ('CRD') of the European Union establishes a revised regulatory capital framework across Europe governing the amount and nature of capital that must be maintained by credit institutions and investment firms. In the United Kingdom, the Directive has been implemented by the Financial Conduct Authority ("FCA").

The FCA framework comprises three Pillars:

- Pillar 1 sets out the minimum capital amount that meets the firm's Credit, Market and Operational risks;
- Pillar 2 requires the firm to assess whether its Pillar 1 capital is adequate to meet its risks or whether additional capital is required and to document this in an ICAAP document. The results of the ICAAP are subject to annual disclosure to the FCA; and,
- Pillar 3 requires public disclosure of specified information about the capital position and the underlying risk management controls.

This Pillar 3 disclosure document covers T. Bailey Asset Management Limited ('TBAM'). This Pillar 3 disclosure has been prepared on an individual company basis.

Figures are based on the financial year ended 30 September 2018 and the ICAAP (Internal Capital Adequacy Assessment Process) document approved in November 2018.

TBAM provides investment management and investment advisory services and is authorised and regulated by the FCA. TBAM is categorised as a BIPRU limited licence €50k firm by the FCA for the purposes of Prudential Standards. TBAM is subject to CRD III.

It is the policy of TBAM to publish its Pillar 3 disclosure annually on the TBAM website (www.tbaileyam.co.uk). This disclosure is made on or around 31 January each year, and is based on the audited annual reports and financial statements for the previous year ended 30 September and the ICAAP document approved in the previous November each year. Information will not be disclosed if it is not regarded as material or if it is regarded as proprietary or confidential.

RISK MANAGEMENT FRAMEWORK

The Board of TBAM determines the business strategy and risk appetite for the firm together with the design and implementation of an appropriate risk management framework.

The Board is the the governing bodies ultimately responsible for the risk management framework. The Board is responsible for ensuring an appropriate governance regime is in place, including ensuring effective processes are in place to identify, monitor, report and manage the risks that the firm is, or may be, exposed to. Where appropriate, the Board has delegated powers to committees for the efficient and effective operation of the businesses and these committees, amongst other functions, report risks to the Boards.

Risk management is viewed as the responsibility of all employees and directors within the firm. A group operational risk register is maintained which monitors key risks and controls on an ongoing basis. Risks are assessed in terms of the probability of the risk occurring and likely impact. Reasonable steps are taken to reduce the probability of any risk crystallising and any impact arising. Regular Management Information is produced to ensure key risks can be monitored.

The Compliance department will also provide advice and guidance to the businesses on the quality and effectiveness of the control structures in place, and will work with the businesses to ensure internal control failures are addressed as necessary. The Compliance Director reports to the Board on any significant internal control failures and on the quality of the risk management framework in place, making suggestions for improvements where necessary.

ICAAP

TBAM is required to prepare an internal assessment of its capital adequacy, referred to as an ICAAP. This is prepared on a solo basis.

The purpose of the ICAAP is to document the firm's risk appetite (the degree of risk that the Board is willing to accept without applying further resources and capital to mitigate the risk) and to assess whether the Capital Resources are sufficient to meet all the principle risks to which the firm could be exposed. The ICAAP includes a series of stress tests and scenarios which are used to help assess whether TBAM is adequately capitalised to withstand a range of adverse circumstances and scenarios. The ICAAP also models a wind down over 12-18 months in order to demonstrate that sufficient capital is maintained to ensure that such a wind down can be conducted in an orderly manner.

MATERIAL RISKS

The following risks are considered within the risk management framework:

- Market Risk
- Credit Risk
- Interest Rate Risk
- Liquidity Risk
- Operational Risk

TBAM does not trade on its own account, and income is generated from the Collective Investment Schemes managed by TBFS, so Market Risk and Credit Risk are both assessed as low. Consideration is given, however, to both Credit Risk and Market Risk in the ICAAP as part of the 'Pillar 1 Plus' approach (see below). TBAM does not have any borrowings so interest rate risk is also assessed as low. A Liquidity Risk Management Framework is in place to ensure, as far as possible, that liquidity is sufficient to enable liabilities to be met as and when they fall due. Operational Risk is the risk that losses could be sustained (either directly or indirectly) through inadequate or failed internal processes, people, systems and/ or external events. As outlined above, the risk register is designed to assist in capturing all material operational risks and is used to rank the risks (likelihood, impact), identify mitigating factors (e.g. existing controls) and identify action points. As part of the ICAAP, these operational risks are taken into account as part of the 'Pillar 1 Plus' approach.

CAPITAL RESOURCES

Individual Company Position

TBAM is small and its business is not viewed as complex following the guidance in the FCA handbook (BIPRU 2.2). It does not have to calculate a Market Risk or Operational Risk capital requirement since it is BIPRU Limited Licence firm with no trading book. TBAM's Base Capital Requirement is €50,000 and its total variable capital requirement is the greater of:

- The sum of the Market and Credit risk requirements; and,
- The Fixed Overhead Requirement plus Pillar 2 adjustment.

TBAM's Fixed Overhead Requirement is £390k, a figure which is greater than the sum of the Market and Credit risk requirements. This is therefore the basis of the Pillar 1 requirement.

When considering the adequacy of Pillar 1, an assessment of risks is performed. The Pillar 2 adjustment is zero making TBAM's ICAAP Capital requirement total **£390k**.

Tier 1 Capital

TBAM's individual company capital position as at the end of the financial year ended 30 September 2018 is summarised in the table below.

Capital item	**£k**
Called up Share Capital	1,395
Share Premium	3,076
Audited Reserves	(517)
Tier 1 capital less innovative Tier 1 capital	3,954
Total of Tier 2, innovative Tier 1 and Tier 3 capital	-
Deductions from Tier 1 and Tier 2 Capital	-
Total capital resources net of deductions	**3,954**

Tier 1 Capital is made up of Permanent Share Capital, Share Premium and Audited Reserves.

TBAM, therefore, maintains an adequate level of total capital resources to satisfy the regulatory capital requirements.

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REMUNERATION CODE

TBAM has policies and practices for those staff whose professional activities have a material impact on the risk profile of the combined activities. TBAM is a BIPRU firm and is therefore subject to the BIPRU Remuneration Code.

The Remuneration Policy:

(i) Is consistent with and promotes sound and effective risk management;
(ii) Does not encourage risk taking that exceeds the level of tolerated risk of the firm;
(iii) Encourages behaviour that delivers results which are aligned to the interests of TBAM's clients and the UCITS funds it manages;
(iv) Aligns the interests of Code Staff with the long-term interests of TBAM's clients and the UCITS funds it manages;
(v) Recognises that remuneration should be competitive and reflect both financial and personal performance. Accordingly, Remuneration for Code Staff is made up of fixed pay (salary and benefits, including pension) and variable (performance-related) pay;
(vi) Recognises that fixed and variable components should be appropriately balanced and that the variable component should be flexible enough so that in some circumstances no variable component may be paid at all. Variable pay is made up of short-term awards typically based on short-term financial and strategic measures for the area of the business in which the member of Code Staff works;

In accordance with BIPRU 11.5.18R the following disclosures are made:

1. **Decision making process for determining remuneration policy, link between pay and performance**

   There is no remuneration committee. The Board of T. Bailey Holdings Limited (TBH), TBAM's immediate parent company, oversees the setting and review of remuneration levels performed by the operating Board of TBAM. Remuneration is set within the context of a 5-year plan which ensures any threats to capital adequacy, liquidity and solvency caused by excessive remuneration would be identified. The bonus and commission arrangements including the staff bonus pool are set annually as part of the annual operating plan and any changes to the pool require approval by the CEO of TBAM and the Board of TBH.

   The main shareholders are represented on the Board of TBH which ratifies the annual operating plans. The annual operating plan includes the level of remuneration for all staff including Code Staff.

   To assist with the above process, a benchmarking exercise was conducted in 2015 which incorporated information from external consultants in connection with remuneration.

2. Policy on link between pay and performance

The staff bonus scheme is operated so as to allow for meaningful rewards to be paid to staff whose performance during the year merits recognition but within the context of an annual operating plan. The TBH Board bears in mind the projected performance of the companies when making any adjustments to the scheme. Payment of scheme bonus to individuals is linked to their performance against agreed objectives from staff appraisals.

3. Required statistics under the Code (year ended 30 September 2018)

The remuneration for Code Staff was as follows:

Number	**(4)** **£k**
Fixed	468
Variable (all cash)	72
Total	540

The remuneration for Code Staff in the group broken down by senior management and staff with a material impact on risk profile was as follows:

Number	**Senior Management** **(3)** **£k**	**Staff with Material Impact** **(1)** **£k**	**Total** **(4)** **£k**
Fixed	433	35	468
Variable (all cash)	34	39	72
Total	466	74	540

From an average headcount of 9, there were 4 Code Staff. Of the 4, 3 were Board Directors, 0 were Senior Managers and 1 was a member of staff whose actions have a material impact on the risk profile of the firm.

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