Pillar 3 Disclosure and Policy

Regulatory Context

The Pillar 3 disclosure of Tiller Investments Ltd ("Tiller") is set out below as required by the FCA's General Prudential Sourcebook ("GENPRU") and Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU") specifically BIPRU 11.3.3 R. The Financial Conduct Authority ("FCA") is responsible for implementing and enforcing the Capital Requirements Directive ("CRD") of the European Union which establishes a revised regulatory capital framework across Europe governing the amount and nature of capital credit institutions and investment firms must maintain.

The framework consists of three "Pillars":

- Pillar 1 sets minimum capital requirements comprising base capital resources requirements; credit risk and market risk capital requirements; and the fixed overhead requirement.
- Pillar 2 requires firms to undertake an overall internal assessment of their capital adequacy, taking into account all risks to which the firm is exposed and whether additional capital should be held to cover risks not adequately covered by Pillar 1 requirements. This is achieved through the Internal Capital Adequacy Assessment Process ("ICAAP") and the Supervisory Review and Evaluation Process ("SREP") by the FCA.
- Pillar 3 complements Pillars 1 and 2 and improves market discipline by requiring firms to disclose information on their capital resources and Pillar 1 requirements, risk exposures and their risk management framework.

Frequency

Tiller will be making Pillar 3 disclosures at least annually. The disclosures will be as at the accounting reference date ("31 December") and published as soon as is practical following the finalisation of Tiller's ICAAP and the publication of its annual reports.

Media and Location

The disclosure will be published on our website http://www.tillerinvest.co.uk.

Verification

The information contained in this document has not been audited by Tiller's external auditors, as this is not a requirement, and does not constitute any form of financial statement and must not be relied upon in making any judgement on Tiller.

Materiality

Tiller regards information as material in disclosures if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. If Tiller deems a certain disclosure to be immaterial, it may be omitted from this Statement.

› Confidentiality

Tiller regards information as proprietary if sharing that information with the public would undermine its competitive position. Proprietary information may include information on products or systems which, if shared with competitors, would render Tiller's investments therein less valuable. Further, Tiller must regard information as confidential if there are obligations to customers or other counterparty relationships binding Tiller to confidentiality. In the event that any such information is omitted, we shall disclose such and explain the grounds why it has not been disclosed.

› Summary

Tiller is required to disclose its risk management objectives and policies for each separate category of risk which include the strategies and processes to manage those risks; the structure and organisation of the relevant risk management function or other appropriate arrangement; the scope and nature of risk reporting and measurement systems; and the policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants. Tiller has assessed business and operational risks in its ICAAP and set out appropriate actions to manage them.

Business Risk

Business Risk is defined by Tiller as the current or prospective risk to earnings or capital due from changes in the business environment and from adverse business decision making or improper implementation of strategic planning. To ensure adherence with the Board mandated risk appetite a framework of Key Performance Indicators and tolerances is monitored by the Board and Management team allowing corrective or remedial actions where necessary. Any subsequent impact upon budgetary forecasts and capital planning is assessed and considered within the overall business strategic objectives.

The most significant business risks facing Tiller have been assessed as:

- Economics (business model, competition, can't meet growth plans/numbers, poor customer experience, poor investment performance)
- Exceptional "shocks", such as changes in the regulatory environment, changes in the business model, activity or strategy.
- Client redemptions (for example due to sudden losses or persistent under performance);
- Reputational risk arising from losses or issues with Tiller.

Operational Risk

Operational Risk is defined by Tiller as the risk of loss resulting from inadequate or failed internal processes, controls, people and systems or from external events. Tiller places strong reliance on the operational procedures and controls that it has in place in order to mitigate risk and seeks to ensure that all personnel are aware of their responsibilities in this respect.

Tiller has identified a number of key operational risks to manage, including:

- System stability and security
- Trading related error;
- Operational processing error;
- Valuation/pricing error (including the related reporting risk);
- Compliance with on-going regulatory environment (including suitability & financial promotions);

- Misrepresentation and/or miss-selling and/or unauthorised marketing of Tiller leading to legal claims and regulatory action against Tiller;
- Financial Crime Risk;
- Failure of outsourced service providers;
- Interruption/Business Continuity and Disaster Recovery Risk;
- Loss of key people.

Appropriate polices are in place to mitigate against these risks, which include taking out adequate professional indemnity insurance, Business Continuity Planning, adequate internal procedures and reviews to shadow/oversee outsourced services.

› Background to Tiller

Tiller is incorporated and registered in England and Wales under number 10234817, and is authorised and regulated by the FCA as an Investment Management Firm. Tiller's activities give it the BIPRU categorisation of a "Limited Licence" and a "BIPRU €50K" firm, as such its capital requirement has calculated in accordance with GENPRU 2 as the greater of:

(i) a base capital requirement of €50,000;
(ii) the sum of market and credit risk requirements; and
(iii) the Fixed Overhead Requirement ("FOR").

The FOR requirement is currently £474,781 against which, at 31 December 2017, Tiller held total capital resources of £1,599,119.

› BIPRU 11.5.1
Disclosure: Risk Management Objectives and Policies

Risk Management Objective

Tiller has a risk management objective to develop systems and controls to mitigate risk to within its risk appetite.

Governance Framework

The Board is the Governing Body of Tiller and has the daily management and oversight responsibility.

The Board is responsible for the entire process of risk management, as well as forming its own opinion on the effectiveness of the process. In addition, it decides Tiller's risk appetite or tolerance for risk and ensures that Tiller has implemented an effective, ongoing process to identify risks, to measure its potential impact and then to ensure that such risks are actively managed. Senior Management is accountable to the Board for designing, implementing and monitoring the process of risk management and implementing it into the day-to-day business activities of Tiller.

Risk Framework

Risk within Tiller is managed by use of the following:

- Tiller has a conservative approach to risk;
- Tiller has identified its risks and recorded them in a "Risk Register";
- The "Risk Register" is reviewed at regular meetings of the Board of Directors;

- Tiller has undertaken scenario Analysis and Stress Tests on the most significant risks identified. This informs Tiller how risks are likely to behave and what, if any, impact there is likely to be to our balance sheet;
- Tiller has in place an internal control framework to govern its processes and procedures and to mitigate any risks.

› BIPRU 11.5.4
Disclosure: Compliance with BIPRU 3, BIPRU 4, BIPRU 7 and the overall Pillar 2 Rule

BIPRU 3 ("Credit Risk")

For its Pillar 1 regulatory capital calculation of Credit Risk, under the credit risk capital component Tiller has adopted the Standardised approach (BIPRU 3.4) and the Simplified method of calculating risk weights (BIPRU 3.5).

Credit Risk Capital Requirement	Rule	Capital Component
Credit risk capital component	BIPRU 3.2	£25,586
Counterparty risk capital component	BIPRU 13 & 14	-
Concentration risk capital component	BIPRU 10	-
Total		**£25,586**

BIPRU 4 ("Advanced Credit Risk Approach")

Tiller does not adopt the Internal Ratings Based approach and hence this is not applicable.

BIPRU 7 ("Market Risk)

Tiller does not trade on its own account and has no exposure to foreign currency transactions and therefore it is not considered necessary to hold any capital in respect of market risk.

Overall Pillar 2 Rule

Tiller has adopted the "Structured" approach to the calculation of its ICAAP Capital Resources Requirement as outlined in the Committee of European Banking Supervisors Paper, 25 January 2006.

The ICAAP assessment is reviewed by the Board and amended where necessary, on a quarterly basis or when a material change to the business occurs. The Board reviews and endorses the risk management objective at least annually or when a material change to the business occurs at the same time as reviewing and signing off the ICAAP document.

› BIPRU 11.5.8
Disclosure: Credit Risk and Dilution Risk

Tiller is primarily exposed to Credit Risk from items held on its balance sheet. It holds all cash balances with Banks assigned high credit ratings. Consequently, risk of past due or impaired exposures is minimal. A financial asset is past due when a counterparty has failed to make a payment when contractually due. Impairment is defined as a reduction in the recoverable amount of a fixed asset or goodwill below its carrying amount.

The most significant risk for Tiller is the failure of clients paying for services. Tiller's revenues include annual management charges received from clients based on a percentage of client assets under management. These charges are made directly to the clients' portfolios, and therefore the credit risk relating to this income is minimal.

› **BIPRU 11.5.12**
Disclosure: Market Risk

Tiller has no Trading Book potential exposure. Any investments on Tiller's balance sheet are non-Trading Book and subject to credit risk requirements not market risk requirements.

› **BIPRU 11.5.2**
Disclosure: Scope of application of directive requirements

Tiller is subject to the disclosures under the Implementing Regulations. However, it is not a member of a UK Consolidation Group and consequently, does not report on a consolidated basis for accounting and prudential purposes.

› **BIPRU 11.5.3**
Disclosure: Capital Resources

Tiller is a BIPRU Investment Firm without an Investment Firm Consolidation Waiver deducting Material Holdings under (GENPRU 2 Annex 4). Tier 1 Capital comprises Ordinary Share Capital, Share Premium Accounts, Audited Reserves and Other Profit and Loss.

Tier 1 Capital	£1,619,295
Deductions	£ (20,176)
Tier 2 Capital	-
Deductions	-
Capital Resources	£1,599,119
Tier 3 Capital	-
Deductions	-
Total Capital	**£1,599,119**

Tiller holds regulatory capital in accordance with the Capital Requirements Directive. All such capital is classified as Tier 1 capital.

Tiller has capital resources of £1,599,119 against a Pillar 1 requirement of £474,781.

› **BIPRU 11.5.5**

This disclosure is not required as Tiller has not adopted the Internal Ratings Based approach to Credit Risk and therefore is not affected by BIPRU 11.5.4R (3).

› **BIPRU 11.5.6**

This disclosure is not required as Tiller has not adopted the Internal Ratings Based approach to Credit Risk and therefore is not affected by BIPRU 11.5.4R (3).

› **BIPRU 11.5.7**

This disclosure is not required as Tiller does not have a Trading Book.

› **BIPRU 11.5.9**

This disclosure is not required as Tiller does not make Value Adjustments and Provisions for Impaired exposures that need to be disclosed under BIPRU 11.5.8R (9).

› **BIPRU 11.5.10**
Disclosure: Firms calculating Risk Weighted Exposure Amounts in accordance with the Standardised Approach

This disclosure is not required as Tiller uses the Simplified method of calculating Risk Weights (BIPRU 3.5).

› **BIPRU 11.5.11**
Disclosure: Firms calculating Risk Weighted Exposure amounts using the IRB Approach

This disclosure is not required as Tiller has not adopted the Internal Ratings Based approach to Credit and therefore is not affected by BIPRU 11.5.4R (3).

› **BIPRU 11.5.13**
Disclosure: Use of VaR model for calculation of Market Risk Capital Requirement

This disclosure is not required as Tiller does not use a VaR model for calculation of Market Risk Capital Requirement.

› **BIPRU 11.5.15**
Disclosure: Non-Trading Book Exposures in Equities

This disclosure is not required as Tiller does not have a Non-Trading Book Exposure to Equities.

› **BIPRU 11.5.16**
Disclosures: Exposures to Interest Rate Risk in the Non-Trading Book

Although Tiller has substantial cash balances on its Balance Sheet, there is currently no significant exposure to Interest Rate fluctuations and any interest earned is not material to Tiller's overall income.

› **BIPRU 11.5.17**
Disclosures: Securitisation

This disclosure is not required as Tiller does not Securitise its assets.

› **BIPRU 11.5.18**
Disclosure: Remuneration

Tiller is subject to the BIPRU Remuneration Code and has applied the rules appropriate to as permitted under guidance on proportionality.

BIPRU Remuneration Code Staff

Tiller has identified, and maintains a record of, "BIPRU Remuneration Code Staff" – i.e. staff to whom the BIPRU Remuneration Code applies. This includes senior management and members of staff whose actions may have a material impact on Tiller's risk profile. All of Tiller's Code Staff fall into the "Senior Management" category of Code Staff (rather than the "Risk Taker" category) for the purposes of the BIPRU Remuneration Code.

Decision Making / Remuneration Committee

Due to its size of operations in the UK, Tiller has not established a Remuneration Committee in the UK. However, certain decisions about the remuneration arrangements applicable to Tiller are made by the Remuneration Committee of Sequential Ermitage Limited, an affiliate of the firm (the "Group Remuneration Committee"). Decisions regarding: (i) the group wide incentive plans that are applicable to Tiller; and (ii) the overall bonus pools: are made by the Group Remuneration Committee.

In determining remuneration arrangements, Group Remuneration Committee will give due regard to best practice and any relevant legal or regulatory requirements including the BIPRU Remuneration Code.

Any material decisions regarding remuneration applicable to Tiller are ratified by Tiller's Board of Directors.

Information on the link between pay and performance

The long-term interests of shareholders, investors and other stakeholders are taken into account by ensuring that the remuneration structures in place are designed to (i) reward the successful financial performance of Tiller; and (ii) by ensuring that remuneration is also linked to compliance with appropriate risk-taking behaviours.

Remuneration is benchmarked annually in order to ensure that remuneration is competitive, taking account of the size of the organisation and its activities. This means that Tiller can attract and retain talent. This is in line with long-term interests of shareholders, investors and other stakeholders.

The remuneration of control function staff is linked to their success in relation to their control functions (amongst other things). In addition, remuneration is benchmarked to ensure that employees in control functions are remunerated adequately.

Required statistics under the BIPRU Remuneration Code (Period ended 31 December 2017)

Remuneration Amounts in Sterling (£)	**BIPRU Remuneration Code Staff**
Number of Beneficiaries	6
Fixed	£38,200
Variable	-
Total	**£38,200**

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