Timberland Investment Resources Europe Pillar 3 Disclosure
June 2021

The Capital Requirements Directive ('CRD') and Alternative Investment Fund Managers Directive ('AIFMD') of the European Union establish a revised regulatory capital framework across Europe governing the amount and nature of capital credit institutions and investment firms must maintain.

In the United Kingdom, the CRD and AIFMD have been implemented by the Financial Conduct Authority ('FCA') in its regulations through the General Prudential Sourcebook ('GENPRU'), the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU') and the Interim Prudential sourcebook for Investment Businesses Sourcebook ('IPRU (INV)").

The FCA framework for the CRD consists of three 'Pillars'.

- Pillar 1 deals with minimum capital requirements;
- Pillar 2 deals with Internal Capital Adequacy Assessment Process ("ICAAP") undertaken by a firm and the Supervisory Review and Evaluation Process through which the Firm and Regulator satisfy themselves on the adequacy of capital held by the Firm in relation to the risks it faces, and;
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position to encourage market discipline. The AIFMD adds further capital requirements based on the Alternative Investment Fund ('AIF') assets under management and professional liability risks.

Pillar 3 disclosures will be issued on an annual basis and published on our website as soon as practical.

The Firm is incorporated in the UK and is authorised and regulated by the FCA. It is a Full Scope UK AIFM of EEA and EEA AIFs and also undertakes additional activities which result in the Firm being a BIPRU firm. The Firm 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. The Firm has assessed business and operational risks in its ICAAP and set out appropriate actions to manage them.

The firm is included in the its parents' submission to Companies House; however it is not required to prepare consolidated accounts for FCA prudential purposes. Accordingly, the figures presented in the ICAAP are unconsolidated.

The firm is permitted to omit required disclosures if it believes that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions about the firm.

In addition, the firm may omit required disclosures where it believes that the information is regarded as proprietary or confidential. Proprietary information is that which, if it were shared, would undermine the firm's competitive position. Information is considered to be confidential where there are obligations binding the firm to confidentiality with its customers, suppliers and counterparties.

The information contained in this document has not been audited by the Firm'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 the Firm.

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Risk Management objectives and policies

The business strategy and risk appetite of the firm are determined by the partners. Based on this, a risk management framework geared to the specific risks of the firm is devised and put into practice.

The firm's main categories of risk and its management objective and policies for these categories are as follows:

Risk	Strategy/process to manage risk	Structure of risk management function	Risk reporting & management systems	Policy for hedging & mitigating risk
Operational risk	All of the firm's procedures are documented in its compliance manual which is read by all key staff.	The firm is small and has a simple operating infrastructure. compliance is overseen by the compliance officer.	The compliance officer reports to the board on a regular basis and risk is discussed at meetings of the partners.	The opportunity to mitigate operational risk is reviewed regularly by the partners.
Business risk	The firm's risk appetite and its willingness to accept business risk is defined by the partners.	The risk management function is overseen by the partners.	Business risk is discussed at regular board meetings.	Business strategy is managed and updated on a day to day basis by the firm's partners.
Credit risk	No credit is extended to clients. The Firm does not adopt the Internal Ratings Based approach and hence this is not applicable.	A list of the firm's exposures to counterparties is maintained as part of the accounting function.	Monthly management accounts detail the firm's exposure to credit risk.	Management fees are collected on a regular basis
Market Risk	The Firm has Non-Trading Book potential exposure only. The main market risk relates to currency risk concerning any client payment in currency other than GBP.	Risk is monitored as part of accounting function.	Monthly management accounts are reviewed regularly by the partners.	Currency is converted an ad hoc basis depending on our current market views
Financial Risk	The risk of firm breaching regulatory capital requirements or falling short of its cash flow obligations is monitored as part of the accounting function.	The financial resource of the firm is reviewed by the partners. Where necessary external advice is sought from consultants and or accountants.	Internal reporting to the partnership is on a monthly basis. Regulatory reporting to the FCA is on a Six-Monthly basis.	Potential deficits are identified at an early stage and further capital/loans injected as necessary.

Professional Liability Risk

The firm has a legal responsibility for risks in relation to investors, products & business practices including, but not limited to; loss of documents evidencing title of assets of the AIF; misrepresentations and misleading statements made to the AIF or its investors; acts, errors or omissions; failure by the senior management to establish, implement and maintain appropriate procedures to prevent dishonest, fraudulent or malicious acts; improper valuation of assets and calculation of unit/share prices; and risks in relation to business disruption, system failures, process management. The Firm is aware of, and monitors, a wide range of risks within its business operations and towards its investors. The Firm has in place appropriate internal operational risk policies and procedures to monitor and detect these risks. These procedures and risks are documented, demonstrating how the Firm aims to mitigate these risks. This is reviewed annually.

Liquidity risk

The Firm is required to maintain sufficient liquidity to ensure that there is no significant risk that its liabilities cannot be met as they fall due or to ensure that it can secure additional financial resources in the event of a stress scenario. The Firm retains an amount it considers suitable for providing sufficient liquidity to meet the working capital requirements under normal business conditions. The Firm has always had sufficient liquidity within the business to meet its obligations and there are no perceived threats to this. Additionally, it has historically been the case that all management fee debtors are settled promptly, thus ensuring further liquidity resources are available to the firm on a timely basis. The cash position of the firm is monitored by the Compliance Officer on a regular basis. The Firm maintains a Liquidity risk policy which formalises this approach.

Remuneration Code Risk

As a CMPI, which is a BIPRU firm, the Firm is subject to the UK Remuneration Code as implemented in the rules in SYSC 19B and SYSC 19C, and the relevant proportionality guidance as applicable to the Firm**.**

According to SYSC 19C.1.1A, the AIFM Remuneration Code (SYSC 19B) also applies to a BIPRU firm which is a full-scope UK AIFM. Such a full-scope UK AIFM that complies with SYSC 19B will also comply with SYSC 19C. This is relied upon by the Firm and therefore the Firm is not required to demonstrate compliance with SYSC 19C.

Enshrined in the European remuneration provisions is the principle of proportionality. The FCA have sought to apply proportionality in the first instance by categorising firms into three levels. The Firm is a Remuneration Code Proportionality Level 3 Firm and has applied the rules appropriate to its Proportionality Level.

The Governing Body is responsible for the Firm's remuneration policy. All variable remuneration is adjusted in line with capital and liquidity requirements. The Firm does not link remuneration directly solely to the performance of the funds and portfolios under management or the amount of assets under management. Variable remuneration is determined on a discretionary basis according to the Firm's overall performance, the Firm's objectives, the departments' objectives and the personal objectives of the employees that are set and reviewed on an annual basis as part of the employees' annual performance appraisal.

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Capital Resources Requirements

As an AIFM the firm's capital requirements are the higher of:

1. Funds Under Management Requirement of its AIFs (£), i.e. Base Capital Requirement (€125,000) + 0.02% of AIF AUM in excess of (£250,000,000) and

2. the fixed overheads requirement ('FOR'), i.e., one quarter of the Firm's annual fixed overheads.

Plus, Professional Negligence Capital Requirement of either

- Additional Own Funds Requirement (equal to 0.01% of the value of the AIFs); OR
- professional indemnity insurance (PII) cover meeting certain criteria (and for which any excess is to be held in addition to the own funds requirement).

As a BIPRU firm, the Firm is also required to hold in parallel regulatory capital which will be the highest of:

- its base capital requirement of €50,000; or
- the sum of its market and credit risk requirements; or
- its Fixed Overhead Requirement.

The latest ICAAP establishes that the Firm is not required to maintain any additional capital resource under Pillar 2.

Calculations for a CPMI firm, which is a BIPRU firm as at March 2021 (£)

Own funds (permanent share capital and retained earnings)	**£ 201,000**
Own funds requirement	**£142,000**
The higher of:	**£116,000**
(i) Funds under management requirement (€125k)	
(ii) Fixed overheads requirement;	
Plus either:	
(i) Professional negligence capital requirement; or	**£26,000**
(ii) PII capital requirement	
Total AIFMD requirement	**£142,000**
Current total capital (less material losses)	**£201,000**
Surplus	**£59,000**

Calculations for a BIPRU firm as at March 2021

Capital requirement	**£**
Market risk + Credit risk	£40,000
Fixed Overheads Requirement	£39,000
Base Capital Resource Requirement	£43,000
MIFID ICAAP Capital required (Pillar 1+ Pillar 2)	**£40,000**
Current total capital (less material losses)	£201,000
Surplus	**£161,000**