Asset Management One International Ltd.

Pillar 3 Disclosure Statement as at 31 December 2018

Asset Management One International Ltd.,
Financial Conduct Authority Firm No. 186147

Contents

1. Purpose of Disclosures

This document sets out the Pillar 3 Disclosure for Asset Management One International Ltd. (“AMOI”).

The EU Capital Requirements Directive (“CRD”) establishes a regulatory capital framework governing the amount and nature of capital certain types of investment firms must maintain. In the United Kingdom, CRD has been implemented through the Financial Conduct Handbook within the General Prudential Sourcebook (GENPRU) and the Prudential Sourcebook for Banks, Building Societies and Investment Firms.

AMOI is no longer formally subject to CRD but remains subject to UK’s implementation Regulations of CRD prior to CRD IV.

The regulatory aim of the disclosures is to improve market discipline.

To comply with the regulatory framework three Pillars have to be followed:-

- Pillar 1 sets the minimum capital requirements to meet credit , market and operational risk;
- Pillar 2 requires firms and their regulator to consider whether additional capital should be held to cover risks not covered under Pillar 1; and
- Pillar 3 requires firms to disclose specified information which will allow market participants to assess information about a firm’s risks, capital and risk management procedures.

The Pillar 3 Disclosure is published on AMOI’s website.

2. Background to AMOI

AMOI is a company incorporated under the laws of England and Wales (registered company number 3472865) and is authorised and regulated by the Financial Conduct Authority (“FCA”) as a MiFID Investment Management Firm.

The firm is engaged in investment management and advisory business providing services to institutional investors.

The firm is categorised as a BIPRU €50k limited license firm by the FCA for capital purposes. The firm does not have retail clients, and is not authorised to hold client money or to take propriety trading positions.

AMOI is a wholly owned subsidiary of Asset Management One Co., Ltd., (“AMO”) a global asset management company registered in Japan.

3. Governance

The AMOI Board of Directors has responsibility for the overall risk governance and management of AMOI. The Board has ultimate responsibility to define AMOI’s risk appetite and underlying limit controls.

Risk management is a fundamental part of day to day management of the firm both within operational procedures to ensure that the risks associated with the provision of investment management services are mitigated by appropriate controls and within our fundamental approach to product strategy. The Chief Executive Officer (“CEO”), the Chief Finance

Officer ("CFO") and the Chief Investment Officer ("CIO") regularly assess the risk profile and capital requirements of AMOI within Board meetings and a number of governance committees. Key issues are reported to the Board. The parent company AMO in Tokyo is kept informed.

All senior management have a direct reporting line to the CEO and are encouraged to report issues early so that appropriate action is taken, including the timely updating of the risk register. The Board promotes an open culture to enable healthy challenge and continual improvement of processes and controls.

4. Risk Management and Risk Appetite

Senior management ensure that AMOI's risk management framework and Operational Risk Events Reporting policy are reviewed at least annually to ensure that they are appropriate and that risk management practices are identifying and managing AMOI's risks effectively. AMOI has a conservative approach to risk, resulting in a low risk profile in regard to capital, performance, reputation, liquidity and operational activity. In addition to the Risk Framework and boundaries defined with AMOI's risk appetite, AMOI ensures that processes are clearly defined and a strong control environment is in place. Operational and regulatory risks are reviewed monthly at the Compliance and Regulation Committee and market risk is reviewed monthly by the Investment Risk and Performance Committee. Operational, market and regulatory risk is reviewed monthly at the Risk and Compliance Committee meetings.

The internal audit function presents to the AMOI Board on request and at least annually to review the internal audit findings and operational risk events. The CEO, CFO and CIO encourage a culture of challenge to the risk register for all management to provide an open and effective management style.

AMOI undertakes an annual review of internal controls through the AAF 01/06 Assurance report on internal controls. AMOI had a clean opinion for the controls from external accountants relating to the year ended 31 March 2018.

5. Capital Resources

AMOI's capital resources as at 31 December 2018 and calculated in accordance with GENPRU 2 are shown in the table below:

		(£'000) **31 Dec 18 audited**
Tier 1:	**Permanent Share Capital**	**9,000**
	Profit and loss and other reserves	**(369)**
	Deductions	**0**
	Total Tier 1 Capital	**8,631**
Tier 2:	**Total Tier 2 Capital**	**0**
	Available capital resources after deductions	**8,631**

AMOI is subject to the capital resource requirement for a limited licence firm. In Pillar 1, the minimum capital resource requirement was taken as the fixed overhead requirement being the higher of the following:-

- The base capital requirement of €50k or
- Credit and market risk ("CR and MR"),
- Fixed overhead requirement ("FOR)

	Pillar 1 Capital Requirement
Fixed Overhead requirement (The FOR is calculated as 13 weeks' fixed expenditure based on financial statements as at 31ST December, 2018)	**2,155**
Pillar 1 total (Greater of (CR and MR) and FOR)	**2,155**
Current total capital	**8,631**
Surplus	**6,976**

6. Pillar 2 Capital Requirement

AMOI's overall approach to assessing the adequacy of internal capital is documented within Pillar 2, AMOI's Internal Capital Adequacy Assessment Process ("ICAAP").

The ICAAP process includes an assessment of all material risks and the controls in place to mitigate those risks. The risks are stress tested against various scenarios to determine the level of capital that needs to be held. The Board agreed at the July 2019 Board meeting to review the presentation of the ICAAP at the next Board Meeting. The Pillar 2 capital requirement has been assessed as being higher than Pillar 1. The AMOI holds a capital surplus over the Pillar 2 capital requirement.

The adequacy of the capital held by AMOI is assessed at least annually as part of the ICAAP and is subject to Board approval.

AMOI focused on market risk, operational risk, reputation risk and credit risk in assessing AMOI's Pillar 2 capital requirements. These risks are considered along with foreign currency risk and liquidity risk as being the most material risks for AMOI. AMOI's exposure to these risks categories and AMOI's strategies with respect to material risk categories are shown below:-

Risk type	**Treatment**
Market Risk	Market risk is defined as the risk of loss arising due to factors that affect the overall performance of the financial markets. It is a risk that cannot be eliminated through diversification. AMOI calculates its market risk capital requirement as the risk of lower fee income due to the impact of adverse changes in the financial markets affecting the size of client assets under management. AMOI may enter into forward foreign exchange contracts to hedge the foreign currency risk from investment management and advisory fees being denominated in currencies other than Pounds Sterling.

Risk type	Treatment
Operational Risk	Operational risk is the risk of loss/negative impact resulting from inadequate or failed internal processes, people and IT systems, cybercrime or from external events (such as regulation) and includes legal, financial crime and market abuse risks. AMOI employ a bottom-up approach to the identification of operational risks within each business area and AMOI management have reviewed various operational risk scenarios including:- • Poor investment performance • Loss of key fund manager or director (CEO, CFO and/or CIO) • Non-compliance with customer mandates • Customer claims or legal action against firm AMOI seeks to manage operational risk with control measures in place such as: • Regular review of results and establishing clear policies, procedures and controls • Identification of key risks and the segregation of duties, enforced through IT access privileges and process controls • The regular testing and annual review of Business Continuity and Disaster Recovery plans. • Dual or triple authorisation procedures in place for dealing and payments, and transaction checking controls. • Pre-employment screening to aid the recruitment and development of appropriately skilled individuals, with staff training on an ongoing basis. Central to the management of Operational risk is the monitoring of key controls. The firm has a programme of insurances designed to reduce its liability exposure to protect its assets. Management in reviewing operational risks have also confirmed that there is no gap in the professional indemnity insurance coverage and that insurer's rating or parent company of the insurer's rating is investment grade rating. AMOI's monthly Risk and Compliance Committee, the monthly Management Committee and internal audit review operational risks.
Reputational Risk	Reputation risk covers the risk that the firm's reputation is damaged resulting in a significant loss of revenue due to the impact on the client base or loss of key staff. When assessing reputation risk, management have addressed the following areas:- • Loss of largest customers • Poor customer service • Conflicts of interest In assessing reputation risk consideration has also been given to:- • The risk of misconduct by employees • The risk that legal and regulatory requirements are violated • The risk that AMOI has not complied with client contracts and the resulting claim or legal action is significant • The risk that AMOI suffers a significant cost due to fraud or theft

Risk type	Treatment
Counterparty Credit Risk	Counterparty Credit risk is defined as the loss resulting from counterparty's failure to repay amounts in full. AMOI's risk assessment includes the risk of AMOI's own surplus cash losing value such as a counterparty defaulting. AMOI places funds on short term deposit with institutions having a minimum credit rating of A-1 by S & P or P-1 by Moody's to minimise this risk. AMOI uses the standardised approach, under which the capital requirement is calculated as 8% of the risk weighted exposure amounts.
Liquidity Risk	Liquidity risk is the risk that AMOI cannot settle planned liabilities and unexpected cash flows as they become payable. The Financial Controller monitors cash reserves and commitments for currencies so that liquidity risks can be identified early. The majority of AMOI's cash holdings as at 31 December 2018 were on short term deposit. AMOI is not reliant on debt financing.

7. Remuneration Disclosures

AMOI as a BIPRU €50k limited license firm is within proportionality level 3 for the purposes of the FCA Remuneration Code. The Code governs the remuneration policies of regulated firms and aims to ensure that firms establish, implement and maintain remuneration policies, procedures and practices that promote effective risk management.

AMOI's remuneration policy is set by the CEO, CFO and the CIO.

In addition to the fixed remuneration, AMOI provides other benefits and bonus (which can be either discretionary or calculated to a formula), including discretionary awards and termination payments.

In certain cases there may be a guaranteed bonus.

Salaries are determined taking into account market influences and market rate for the role.

AMOI provides for its employees a range of discretionary benefits. These benefits are reviewed from time to time by the Company having regard to their value, effectiveness and market practice. They may be increased, varied or withdrawn at the Company's absolute discretion at any time during employment.

For all employees, assessment of financial performance of AMOI will be based principally on profits (rather than revenues). The fact that AMOI makes a loss may, but will not necessarily, result in no bonuses being paid. Bonuses may still be paid in these circumstances if justified on other grounds. Discretionary bonuses are awarded in line with business strategy, objectives, values and the long term needs of AMOI, and take into account individual and corporate performance and retention. Assessment of individual performance is measured both informally through feedback throughout the year, and formerly via annual appraisal review, which includes an assessment of the individual‘s control and risk awareness. When determining the size of the bonus pool the cost of economic or regulatory capital liquidity is taken into account. Subject to certain qualifying criteria, employees are eligible for consideration for a discretionary bonus based on a number of performance measures as outlined above.

Overall remuneration in terms of salaries, costs and bonus levels are reviewed annually by the Board.

AMOI’s one business area is the investment management business in which AMOI has three Code Staff that are Board Directors. The aggregate fixed and variable remuneration (including pension contributions) awarded to AMOI’s code staff for the year ending December 2018, was £837k.