Pillar 3 Disclosures

GAM UK Group

July 2018

1. Overview

1.1 Regulatory requirements for Pillar 3 Disclosures

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

The framework continues to consist of three "pillars":

Pillar 1: sets out minimum capital requirements firms are required to meet for credit, market and operational risk.

Pillar 2: requires firms and their regulatory supervisors to consider whether a firm should hold additional capital against risks not covered in Pillar 1. In the UK this is implemented through the Internal Capital Adequacy Assessment Process (ICAAP) undertaken by the firm and through the subsequent Supervisory Review and Evaluation Process (SREP) undertaken by the (FCA).

Pillar 3: requires firms to publicly disclose certain details of their risks, capital and risk management arrangements. The Pillar 3 disclosure requirements are contained in Articles 431 – 455 of the Capital Requirements Regulation ("CRR").

Pillar 3 was originally implemented in the United Kingdom by the Financial Services Authority ("FSA") by replicating the CRD articles and annexes in the FSA Handbook of Rules and Guidance, creating Chapter 11 Disclosure (Pillar 3) of the Prudential Sourcebook Banks, Building Societies and Investment Firms ("BIPRU").

On 1 January 2014, the fourth iteration of the Capital Requirements Directive ("CRD") came into effect in the form of a recast Capital Requirements Directive ("CRD IV") and a new Capital Requirements Regulation ("CRR"). Pillar 3 was further implemented via a new Prudential Sourcebook for Investment Firms ("IFPRU") designed to sit alongside the existing BIPRU Sourcebook. In addition, CRR, Part Eight (Disclosure by Institutions) also applies to firms governed by CRD IV / CRR.

The objective of this disclosure is for GAM UK Group (as defined in Section 1.2) to meet its CRR Pillar 3 disclosure requirements. These disclosures do not apply to the funds managed by GAM, which may be exposed to different risks.

1.2 Scope of disclosures (including significant subsidiaries)

The disclosures included herein relate to GAM's UK Group (the "UK Group" or "The Firm"), which comprises GAM (U.K.) Limited and its five active, wholly owned, FCA-regulated subsidiaries:

- GAM International Management Limited ("GIML") BIPRU 50K Limited Licence Firm-FCA FRN 122331
- GAM London Limited ("GLL"), IFPRU 50K Limited Licence Firm-FCA FRN 122330
- GAM Sterling Management Limited ("GSM") IFPRU 125K Limited Licence Firm-FCA FRN 119235
- Cantab Capital Partners LLP
- GAM Unit Trust Management Company Limited

No IFPRU regulated entities are 'significant' in accordance with the definition provided at IFPRU 1.2.3R.

All members of the UK Group share common management, systems and oversight in London.

GAM (U.K.) Limited is wholly owned by GAM Group AG (Zurich). GAM Group AG is itself wholly owned by GAM Holding AG (Zurich), which is also referred to as "GAM Holding" or the "Parent". GAM Holding and all of its subsidiaries are collectively referred to herein as the "Group". GAM Holding is a publicly traded company listed on the Swiss Stock Exchange under the symbol "GAM".

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

1.3 Materiality

CRR Article 432(1) provides that a firm may omit one or more of the required disclosures if the information provided by such disclosures is not regarded as material.

Per Article 432(1), the criterion for materiality is that a firm must regard 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.

1.4 Proprietary or confidential information

CRR Article 432(2) provides that a firm may omit one or more items of information included in the required disclosures if those items include information which is regarded as proprietary or confidential.

Per Article 432(2), the criterion for proprietary information is that a firm must regard information as proprietary information if sharing that information with the public would undermine its competitive position, where such proprietary information may include information on products or systems which, if shared with competitors, would render a firm's investments therein less valuable.

Per Article 432(2), the criterion for confidential information is that a firm must regard information as confidential if there are obligations to customers or other counterparty relationships binding the firm to confidentiality.

GAM Investments

1.5 Frequency of disclosures

These disclosures will be published at least once a year and as soon as practicable following material updates to the Firm's internal capital adequacy assessments. Given its size and complexity, the Firm assesses that this annual publication should meet its disclosure requirements.

1.6 Means of disclosures

These disclosures have been prepared solely for the purpose of fulfilling the Firm's Pillar 3 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 Boards of Directors are 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 only reasonable, but not absolute, assurance against material losses or financial misstatements.

These disclosures have been reviewed and approved by the Firm's Boards of Directors.

These disclosures will be published on the Firm's public website (www.gam.com).

2. 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 processes, establishment of its risk appetite and mitigating and monitoring risk within that appetite.

2.1 Regulatory Requirements for Pillar 3 Disclosures

Board Composition and Diversity

The current and future needs of the UK business including equality and diversity are considered in the recruitment processes as set out in the UK Equality and Diversity Policy.

Board membership and succession planning for the UK subsidiary boards draws upon a range of criteria including relevant skills and expertise, suitability for the role, knowledge of the business, including continuity and longevity of service, and is cognisant of the business benefits of diversity of gender to maintain a balanced board capable of discharging its responsibilities effectively.

Boards of Directors

The Firm's Boards of Directors are expected to be aware of the major aspects of the Firm's risks, especially those risks for which it may need to set aside capital. To that end, the Boards periodically review the effectiveness of their systems and controls, including the Risk Management Framework, which establishes the principles of how risk is to be identified, assessed, monitored and controlled/mitigated.

The Boards have delegated the day-to-day executive management of the respective companies to the CF3 - chief executive with the exception of certain reserved matters for the Boards which include but are not limited to:

- Overseeing the Firm's overall strategy
- Setting the Firm's risk appetite
- Assessing and approving the Firm's capital adequacy via the ICAAP

Given the limited size, scale and complexity of the UK Group, the Boards have not established a separate risk committee, but instead deal with these matters directly. In this regard, the Boards ensure that the control functions operate effectively and independently from operational areas and advise the Boards on the establishment, implementation, and maintenance of adequate risk management policies and procedures. In particular, the Boards provide oversight on:

- Identifying risks relating to all of the activities, systems and processes of the Firm
- Setting the level of risk tolerated by the Firm
- Managing the risks identified within any risk tolerance
- Monitoring the effectiveness of risk management policies and procedures, including compliance with such policies and remedial actions

The Boards also place reliance on, and in some cases, delegate certain responsibilities to the following committees and/or individuals:

- UK Coordination Committee
- Investment Advisory Board (Managed Portfolios)
- Investment Management Committee (Alternative Investments Solutions)
- Product Development Committee
- Information Security Manager
- Health and Safety
- Crisis Management Committee
- Compensation Management Committee
- Conflicts of Interest Officer and Committee
- Independent Control Functions (See Section 2.2 on Three Lines of Defence)
- Counterparty Risk Committee
- UK Best Execution Committee
- Research Oversight Committee

UK Coordination Committee
The UK Coordination Committee is chaired by the CF3 and comprises members of senior management based in London who meet regularly to support the CF3 in managing the day-to-day affairs of the UK Group in accordance with the powers and discretions vested in him by the Board.

Investment Advisory Board (GAM Investment Solutions)
The Investment Advisory Board ("IAB") is chaired by the Group Head of GAM Investment Solutions and comprises senior investment specialists from both within and outside of GAM to advise the Managed Portfolios business on general investment strategy and asset allocation decisions. The IAB works closely with the Investment Management Committee and Product Development Committee.

Investment Management Committee (GAM Investment Solutions)
The Investment Management Committee is chaired by the Chief Investment Officer-Alternative Investments Solutions and is responsible for undertaking regular, detailed, formal reviews of all of GAM's Alternative Investments Solutions funds and accounts, including sharing, debating and agreeing team views across all asset classes and markets. These team-based reviews are designed to ensure that all team members are fully involved in the development and implementation of investment policy, and ensuring there is sufficient capacity and resources to manage Alternative Investments Solutions funds and accounts seamlessly in the event of the loss of key personnel.

Product Development Committee
The Product Development Committee is chaired by the Head of Product & Fund Development and is responsible for the review and approval of new funds and segregated accounts (or material changes to such existing products) offered by GAM. A log of all product development initiatives, including a list of approved products, is maintained in the detailed Product Development Activities Report, which is updated regularly and distributed to senior management on a quarterly basis.

Information Security Officer
The Information Security Officer reports to the Head of Risk and is responsible for the development, implementation and maintenance of the Firm's Information Security programme and provides regular reports on the results of the risk assessment process, risk management and control decisions, monitoring and testing, security breaches and resolutions, both internally and with respect to third-party service providers.

Health and safety
The Firm's health and safety arrangements are overseen by Facilities with the assistance of a specialist third-party provider. The Head of Facilities is responsible for the general oversight of health and safety arrangements at the Firm's premises, for advising all managers and employees of their respective health and safety obligations and responsibilities and for proposing Firm policy on health and safety related matters. Regular reports on health and safety matters are provided to senior management as appropriate.

Crisis Management Committee
In view of the global nature of the business and how quickly crisis events can unfold, a Crisis Management Committee has been established for the Group which comprises members of senior management. In addition, the UK Group maintains its own business continuity and disaster recovery plans.

Compensation Management Committee
The Compensation Management Committee ("CMC") has delegated authority from the Group's Compensation Committee and is required to review, assess and implement any changes needed to remuneration practices and policies in line with the relevant local remuneration regulations. The CMC is responsible for assessing conduct, risk and compliance matters that should be taken into account to ensure that variable compensation decisions are made in line with the requirements of the regulations. The CMC is also tasked with identifying and maintaining the list of employees identified as Material Risk takers, Identified Staff or Code Staff to ensure compensation delivered is in line with the relevant local remuneration regulations.

Conflicts of Interest Officer and Committee
The Conflicts of Interest Committee is responsible for maintaining an effective Conflicts of Interests Policy and for providing ongoing oversight of the Firm's systems & controls for identifying, assessing, mitigating and monitoring potential conflicts of interests, including the review and recommended enhancement of related policies and procedures where appropriate. The Committee is also responsible reporting on such matters to the Board of the relevant UK entity.

GAM Counterparty Risk Committee
The GAM Counterparty Risk Committee defines policies, processes and criteria for the approval and monitoring of counterparties, including: banks, brokers, prime brokers, custodians, exchanges, intermediaries, clearing services, central counterparties, securities lending, etc. Counterparty Risk is mitigated where practicable through the effective use of counterparty selection criteria, limits, netting agreements (e.g. ISDA) and collateral management.

GAM's objective is to mitigate counterparty risk through the combined use, where practicable, of:

- Credit Quality Standards
- Limits, including limits on and diversification of exposures and counterparties
- Delivery Versus Payment (DVP) instead of Delivery Free of Payment ("DFOP")
- Clearing and Central Counterparty Services
- Netting Agreements (e.g. ISDA agreement with Credit Support Annex ("CSA"))
- Collateral Management

All new counterparties are subject to a thorough selection and approval process. Evidently the processes are dependent, to a degree, upon the services being provided. Approved Counterparty lists are reviewed and approved on a regular basis.

2.2 Risk management framework: Three lines of defence

The Firm has adopted a "three lines of defence" model which can be summarised as follows:

First line of defence
The first line of defence is comprised of the managers responsible for the Firm's business units and departments who are the primarily responsible for identifying and managing risks in their area and ensuring appropriate controls are operating. They also develop and communicate policies, guidance, and procedures necessary to manage those risks.

Second line of defence
The second line of defence comprises the Risk and Legal & Compliance functions, with the Finance function responsible for certain financial systems and controls.

The Risk function is responsible for facilitating the development, implementation and embedding of processes whereby management identifies assesses, monitors, controls and mitigates the risks in their areas.

The Legal & Compliance function is responsible for monitoring adherence to regulatory standards and for reporting its findings to relevant senior management and to the Board. The Legal & Compliance function is also responsible for the provision of technical regulatory/compliance advice and support.

The Finance function is responsible for the development, implementation and embedding of certain financial systems and controls, including the timeliness and integrity of the Firm's financial reporting and associated processes. Where appropriate, these are additionally subject to independent review by the Risk, Compliance and/or Audit functions.

Third line of defence
The third line of defence is the Internal Audit function. Internal Audit provides independent assurance of the suitability and effectiveness of the Firm's risk management framework, including management's execution of its responsibilities to ensure an effective system of internal controls, risk management, and compliance is embedded throughout the Firm.

2.3 Risk appetite
The Firm's approach to setting risk appetite first considers the risks inherent in each of its strategies and objectives and then evaluates the most effective way to provide for these risks. For the key risks which cannot be perfectly controlled, the residual risks are quantified and a determination is made whether to provide for each risk with financial planning buffers or with capital (or a combination of both). Generally, expected losses are provided for with financial planning and a capital buffer and unexpected or extreme losses are provided for with capital. These quantifications of risk appetite are the basis on which the Firm's individual capital adequacy assessment (ICAAP) is developed.

2.4 Risk management by category of risks
As for other asset managers, risk is inherent in the nature of the Firm's business and activities. The key categories of risks to which the Firm is exposed are:

- Operational risks in relation to how it conducts its business activities
- Market risk in relation to the value of its assets under management that underpin revenue streams and the exposure of its financials to adverse movements in foreign exchange rates

The Firm has clear risk management policies and practices in place to manage each category of risk which are described in further detail below.

Operational risk
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Firm has a dedicated Risk Management function which facilitates the ongoing identification, assessment, monitoring, controlling and mitigation of risks. Key risks are developed into scenarios for capital modelling purposes at a 99.5% (1 in 200) confidence level over a one year period. Key risks are monitored by the Boards.

Other elements of the Firm's operational risk management framework include:

- **Key risk indicator:** (KRI) assessments and monitoring by business functions. Quarterly KRIs are submitted by functional heads and analysed by the Risk function for any key trends that should be reported to management and the Board.

- **Process, risk and control self-assessments:** The risk function works with each business unit and department to complete and maintain a self-assessment, which identifies at a detailed level all processes, risks inherent in those processes, existing controls against those risks and any residual risks that might not be adequately controlled. Both the top-down and bottom-up risk assessments use common scalars to assess Impact, Likelihood and Control Effectiveness to generate a Residual Risk score. The information is challenged where necessary at quarterly risk meetings between risk management and function heads. Information is also reviewed on an annual basis.

- **Errors management:** This process involves collecting and analysing loss events (errors) through the GAM Incident Management System (IMS). The process is designed to ensure swift resolution and senior management attention. The Risk function is responsible for analysing the impact and cause of any material errors recorded in IMS and agreeing any remedial action required with the relevant business function heads.

- **Reporting and analysis:** The Risk function is responsible for consolidating and reporting operational risk issues to the Board at their regular meetings and on a more frequent basis the CF3 – chief executive or other appropriate function head(s). Quarterly Risk Reports are produced taking into consideration KRIs, errors, and any material issues identified. A more strategic analysis of the UK Group called an Annual Risk Landscape Report is also produced taking into account business risks and changes in operating environment.

Market risk
Market risk arises indirectly in relation to the value of assets under management that underpin revenue streams. The Firm's balance sheet is not directly impacted by market risk as it does not regularly hold any material proprietary positions at the UK Group level.

Foreign exchange risk
Foreign Exchange Risk is the exposure of the Firm's financial condition to adverse movements in exchange rates. The Firm is primarily exposed to foreign exchange movements from its non-sterling revenue and expense streams and from its non-sterling assets and liabilities such as cash and net counterparty trade debtors and creditors. Whilst the Firm does not actively hedge its Profit and Loss exposure to foreign exchange movements at the UK Group level, this exposure may be managed on a global basis at the GAM Holding level. The UK Group separately manages its own foreign exchange Balance Sheet exposure.

Interest rate risk
Interest rate risk is the exposure of a Firm's financial condition to adverse movements in interest rates. Changes in interest rates do not affect the Firm's earnings by materially changing its net interest income nor the level of other interest-sensitive income and operating expenses. Such a movement in interest rates does not affect the underlying value of the Firm's assets and liabilities nor materially change the present value of future cash flows.

The Firm does not rely on interest income to fund its operations and has no material debt and as a result would not be materially affected by a 200 basis point movement in interest rates. Therefore, the Firm considers that interest rate risk is not material.

Credit risk
The Firm's credit risk arises from its cash deposits with banks and financial institutions, as well as credit exposures to debtors in respect of outstanding receivables. Cash deposits are diversified among several high quality institutions which are regularly monitored. There is an active credit control monitoring process whereby aged receivables are reviewed on a regular basis and where appropriate, an amount set aside as provision for debts that are not expected to be collected in full. The Firm does not have a history of bad debts arising from clients and does not consider such risk material.

Liquidity risk
Liquidity risk is the risk that current assets are not readily convertible to cash, that funds are either not available to service day-to-day funding requirements or are only available at a high cost, or need to be arranged at a time when market conditions are unfavourable and consequently the terms are onerous.

The liquidity requirements for the Firm arise from day-to-day routine financial activities including the settlement of non-trading book creditors, accounts payable and payroll, offset by the receipt of non-trading book receivables, particularly non-trading accounts receivable.

Whilst a certain amount of cash volatility is an inevitable consequence of general business activities, the Firm maintains controls to reduce this volatility through cash forecasting. The Firm retains a mixture of substantial cash balances and is confident of being able to settle transactions and continue operations even in the most difficult foreseeable circumstances. Cash requirements are monitored and forecast on a regular basis.

The Firm is not exposed to any significant liquidity risk as it funds its business from its internal resources and does not have trading book positions. Therefore, the Firm considers that liquidity risk is not material.

Pension risk
The Firm has a trust based Occupational pension scheme which has both a Defined Benefit and a Defined Contribution section.

The Defined Benefit section is closed to new joiners and the small number of active members elected to accrue benefits based on a frozen Pensionable Salary. The pension scheme is subject to independent actuarial funding valuations at least every three years.

The formal triennial actuarial valuation as at 31 March 2017 has now been agreed and signed. As part of the valuation process, the pension risk appetite was considered which resulted in an updated investment strategy. The revised strategy is seeking to increase diversification within the Scheme's assets and reduce risk by increasing both the interest rate and inflation hedge ratios from c20% and 0% respectively, to 35% of liabilities (on a gilts flat basis), and b) increasing the allocation to growth assets from 50% to 65% of the portfolio so to increase the expected return from the portfolio. BlackRock have been selected to manage the LDI mandate and the management of the growth asset portfolio continues to be delegated to GAM London Limited.

The Firm uses the Defined Contribution section to complete its Auto-enrolment obligations.

Other risks
Insurance risk, concentration risk, residual risk and securitisation risk have also been considered. These risks are not deemed to be material.

3. Internal Capital Adequacy Assessment Process and Capital
The Firm undertakes its Internal Capital Adequacy Assessment Process (ICAAP) at least once annually (or as material changes in conditions warrant) in fulfilment of its Pillar 2 requirements. The Firm's most recent ICAAP document was approved by the Board on 23 November 2017.

3.1 Internal Capital Adequacy Assessment Process (ICAAP)
The Firm fully reviews and updates the ICAAP document at least once anuually (or as material changes in conditions warrant. The Firm also monitors a set of Key Risk indicators on a quarterly basis (or adhoc should there be a material change or event) to ensure adequate capital is maintained. The ICAAP is the process under which the management of the UK Group oversees and regularly assesses:

- the UK Group's processes, strategies and systems
- the material risks to the UK Group's ability to meet its liabilities as they fall due
- the results of internal stress testing of these risks
- the amounts and types of financial and capital resources and whether they are adequate to cover the nature and level of the risks to which the UK Group is exposed.

The ICAAP document describes the framework under which the Boards carry out their assessment of the adequacy of the UK Group's capital. In particular the document sets out:

- the UK Group's internal organisation and governance structure
- the risk management framework
- the UK Group's risk appetite
- the key risk areas relevant to the UK Group's capital and liquidity
- financial and capital projections
- the adequacy of capital in relation to the overall risk profile and certain stress and scenario events, including reverse stress tests
- an orderly wind-down scenario
- the way in which the ICAAP is used in the business, including the process of challenge and adoption

The ICAAP is undertaken on a proportionate basis, taking into account the Firm's size, and the nature and complexity of its activities.

3.2 Approach to IFPRU capital requirements

The UK Group's total capital resources requirements with respect to Pillar 1 are the higher of:

- The Base Capital Resources Requirement
- The sum of Market Risk Capital Requirements ("MR") and Credit Risk Capital Requirements ("CR") or
- A Fixed Overhead Requirement ("FOR")

The UK Group's Pillar 2 requirements are calculated on a consolidated basis and the incremental Pillar 2 requirement is allocated back to the individual entities on a pro-rata basis in proportion to the respective Pillar 1 requirements (after adjusting for any entity specific risks), with the Boards having satisfied themselves that:

- such allocations would be reasonably similar to the requirements if they were prepared on an unconsolidated basis for each UK Group entity

- if necessary, resources are reasonably transferable among the UK Group entities in view of GAM (U.K.) Limited's 100% ownership of the other UK Group entities

Regulatory Capital Requirements

	Credit Risk Requirement (CR) £,000	Market Risk Requirement (MR) £,000	**Total of A and B £,000**	Fixed Overhead Requirement (FOR) £,000	Initial Capital Requirement £,000	**PILLAR 1 VARIABLE CAPITAL REQUIREMENT** (Higher of 1 or 2 or Intiial Capital requirement) £,000	**NET SURPLUS CAPITAL – at Pillar 1 £,000**
	A	**B**	**1**	**2**			
GAM London Limited	1,010	167	**1,177**	5,993	44	**5,993**	**8,779**
GAM Sterling Management Limited	602	37	**639**	131	220	**639**	**1991**
GAM International Management Limited	5,473	1,274	**6,747**	16,556	-	**16,556**	**27,835**
GAMUTMCL	13	0	**13**	19	111	**13**	**37**
Cantab Capital Partners LLP	671	169	**840**	1,705	497	**1,705**	**3,242**

Summary of Pillar 1 capital requirements
The UK Group approach to calculating its consolidated Pillar 1 Capital Resource Requirement first determines the respective Pillar 1 amounts for each of its regulated and unregulated entities and then aggregates by category to calculate the UK Group amount for each category. For Pillar 1, the UK Group minimum Capital Resources Requirement is equal to its Fixed Overhead Requirement of £38.5M since this amount is greater than the sum of its Credit Risk and Market Risk of £11.4M (£7.1M Credit Risk + £4.3M Market Risk).

Summary of Pillar 2 capital requirements
As described in Section 3.1, the UK Group has prepared an ICAAP which quantifies each of its key risks in order to understand its Pillar 2 capital requirements on a going concern basis. An orderly wind-down analysis has also been prepared which considers the net cash-flows associated with discontinuing the UK Group regulated activities. These results have been compared to the Firm's Pillar 1 requirements in order to determine the overall capital requirement, but are considered proprietary and therefore not disclosed herein.

4. Remuneration

This section sets out remuneration related disclosures for GAM Holding AG Group and all of its UK regulated subsidiaries (together "GAM Group" or the "Group").

The disclosure intends to capture disclosures required for the UK regulated entities as defined in Section 1.2 and was made in accordance with the requirements of Article 450 of Regulation (EU) 575/2013.

Article 450(2) requires firms to comply with CRR's remuneration disclosure rules in a manner that is proportionate to their size, internal organisation and the nature, scope and complexity of their activities ("the Proportionality Principle"). The FCA's General Guidance on Proportionality: The remuneration code (SYSC19A) clarifies that as IFPRU entities, GAM's UK regulated entities should fall within Proportionality Level 3 and thus be able to avail itself fully of CRR's Proportionality Principle. The PRA's Supervisory Statement SS2/17, Remuneration, outlines the precise disclosure obligation for firms that fall within Proportionality Level 3 – namely, compliance with CRR Article 450(1) (a),(b),(g) and (h).

The FCA's guidance for BIPRU entities (General Guidance on Proportionality: The BIPRU Remuneration Code (SYSC 19C) and Pillar 3 disclosures on Remuneration (BIPRU 11)) also confirm the same disclosure obligation as those set out above for IFPRU entities.

All disclosures in this document are made on the basis of compliance with these elements of CRR Article 450.

Decision-making process to determine remuneration policies
Under the GAM Group's framework ultimate responsibility in compensation matters is held by the Board of Directors. The Board is supported in compensation-related issues by the Compensation Committee ("CompC").

- The Board is responsible for establishing the Group Compensation Policy, and with support of the CompC regularly reviewing the Group Compensation Policy in order to meet any important regulatory developments and the objectives of the Group.

- The CompC is delegated with the role of supporting the Board in setting compensation guidelines, establishing share-based compensation plans and approving the aggregate variable compensation expenditure of the Group as well as determining and proposing to the Board the individual total compensation payable to the members of the Board (other than its Chairman) for approval. The CompC regularly reports to the Board on the status of its activities, the development of the compensation architecture within the Group as well as on the operational implementation of this Policy. The CompC consists of at least three members of the Board all of whom are Non-Executive Directors.

- The Compensation Management Committee ('CMC', 'the Committee') has delegated authority from the CompC to provide support and advice to the CompC to ensure that the compensation policy and practices across GAM Holding AG Group operate in line with EU regulations that apply to its regulated entities and delegates. The CMC comprises of five members including senior members from Risk, Legal, Compliance and Human Resources functions of the Group.

GAM Group's compensation philosophy is aligned with the Group's overall long-term objective of sustainable growth and profitability as well as its tolerance for risk. The Group's approach provides for compensation that attracts and retains employees in a given local market and motivates them to contribute to the development and growth of our business. The policy promotes sound and effective risk management and does not encourage inappropriate risk taking.

From time to time, GAM Group receives independent advice on technical remuneration issues. This advice is provided by PricewaterhouseCoopers LLP as well as from other advisers on an ad hoc basis depending on the specific issues.

Link between pay and performance
As described above, GAM Group operates a Group-wide remuneration policy, which applies to all employees across the Group including the above entities. The compensation structure is simple and straight-forward. It is first and foremost designed to safeguard the long-term success and prosperity of the shareholders. A robust performance management system forms part of the compensation process and enables us to reward success and minimise the possibility of payment for failure.

The composition of the elements within an individual's overall compensation is the result of the function and performance of the individual, including alignment with the Group's risk tolerances, market competitiveness and overall profitability. The Group's total compensation approach comprises fixed and variable compensation.

Fixed compensation includes base salary, which reflects seniority, experience, skills and market conditions, together with fixed allowances for certain employees in Switzerland consistent with customary local practice.

Variable compensation is awarded annually and is dependent on Group, business area and individual performance. Cash bonuses that are driven by activities that leave meaningful amounts of future risk with the Group, either via direct balance sheet exposure or through the potential for other negative income events are prohibited.

For members of the Group Management Board, a portion of variable compensation is paid in the form of deferred, share-based awards, reflecting their accountability for the operating results achieved and the impact of their decisions on the Group's future development.

In addition to members of the Group Management Board, other senior employees of the Group have a portion of their variable compensation deferred to provide alignment with long term interest of clients and shareholders.

Discretionary compensation decisions are based on individual's achievement of pre-set targets and contributions to the Group's development. This fosters a work ethic that is driven by high performance and tangible results.

Material Risk Takers identification
For the UK regulated entities subject to the IFPRU and BIPRU Remuneration Codes, GAM UK has identified individuals who may have a material impact of the risk profile of these entities ("Material Risk Takers" or "MRTs").

Under the IFPRU Remuneration Code, the identification process includes careful consideration of the relevant criteria set out in the regulatory technical standard issued by the European Bank Authority ("EBA"), which include:

- 15 qualitative criteria relating to the role and the decision making power of staff members. If an individual is identified under these criteria, they are automatically identified as a Material Risk Taker; and

- 3 quantitative criteria relating to the level of total remuneration of the staff member concerned in respect of the prior year. Individuals identified under these criteria may be excluded as MRT if he/she does not have any impact on the risk profile of the firm.

Under the BIPRU Remuneration Code, the MRTs have been identified as those fall into the following categories:

- Senior management and risk takers;

- Staff engaged in control functions;

- Employees receiving total remuneration that takes them into the same remuneration bracket as the lowest paid senior manager or risk taker and whose professional activities are also deemed to have a material impact on the risk profile of the regulated entity.

For the performance year 2017, in total 21 individuals fell within the MRT identification criteria under both the IFPRU and the BIPRU Remuneration Code. The lists of MRTs are subject to regular review by the CMC and approved by the local entity's Board of Directors. All MRTs are notified of their identification and the implications of this status annually.

Quantitative remuneration disclosures
As set out above, 21 individuals were identified as MRTs for the performance year 2017, of which 9 are classified as Senior Management. As a single line asset manager, GAM UK is considered to be a single business unit.

Total remuneration represented salary, discretionary bonus awards, formula bonus, equity participation plan awards and employer pension contributions.

	Senior management £m	Other MRTs £m	Total £m
Total remuneration	2.3	1.7	**4.0**

The above table only includes the remuneration that the individual received as a result for their role for which they are termed MRTs.