IMARA
INVESTING
IN AFRICA

Asset Management

IMARA ASSET MANAGEMENT (UK) LIMITED

PILLAR 3 RISK DISCLOSURE, 30th APRIL 2017

Introduction

The European Capital Requirements Directive (CRD) introduced capital adequacy standards and an associated framework in the US based on Basel II rules. It affects financial institutions, including investment firms. The Directive was introduced into the UK by the Financial Services Authority ("FSA"), predecessor to the Financial Conduct Authority (FCA) and consists of three pillars.

Pillar 1
The minimum capital required by a firm to meet credit, market and operational risk.

Pillar 2
A regular assessment of a firm's regulatory capital, through a process known as the Internal Capital Adequacy Assessment Process (ICAAP), which is used to determine whether the amount of internal capital is sufficient to cover all the risks to which a firm is exposed or whether additional capital needs to be held against the risks not covered in Pillar 1.

Pillar 3
The introduction of public disclosure of qualitative and quantitative information aimed at encouraging market discipline by providing interested parties with access to key information on a firm's capital, risk exposures and risk management processes.

The rules of FCA's Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU") Chapter 11 set out the Pillar 3 requirements, allowing Imara Asset Management (UK) Limited ('**The Firm'**) to omit any information that it considers immaterial, such that its omission would be unlikely to change or influence the decision of those relying on that information, is propriety or confidential. No omissions have been made on these grounds. Disclosures in this document are made in respect of The Firm, which is authorised and regulated by the FCA, and do not include any statements for any other company. The Firm is not required by the FCA to report its financial returns on a consolidated basis for the period ended 30 April 2017.

Risk management

The Firm has established a risk management process in order to ensure that it has effective systems and controls in place to identify, monitor and manage different categories of risks arising in the business. The risk management process is overseen by a Compliance Officer, with the Board of Directors taking overall responsibility for this process. Formal and informal updates on operational matters are provided to the Board of Directors on a regular basis. The Firm's risk profile is assessed, as part of the ICAAP, at least annually and more frequently as and when the need arises, at the discretion of management. In that vein, management accounts demonstrating continued adequacy of the Firm's regulatory capital are also prepared on a monthly basis. These are distributed to all Board members.

Appropriate action is taken where risks are identified which fall outside of the Firm's risk tolerance levels or where the need for remedial action is required in respect of identified weaknesses in the Firm's mitigating controls.

Specific risks applicable to the Firm come under the headings of business, operational, credit and market risks.

Business risk

The Firm's revenue is reliant on the success of the wider group and its associated strategic business plan. The main risk that the Firm has considered relates to the fact that it is a member of the Imara Group, which provides financial services in African markets. The Firm also has the mandate to manage the African related assets of third party funds. The risk inherent in managing funds which invest in the emerging and frontier markets of Africa is part of the consideration of business risk affecting the Firm.

Operational risk

The Firm 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.

The Firm has identified a number of key operational risks to manage. These relate to systems failure, failure of a third-party provider, key man and the potential for serious regulatory breaches. Appropriate polices are in place to mitigate against these risks, including taking out adequate professional indemnity insurance.

The Firm has alternative arrangements in place should a disruptive event occur. These disaster recovery arrangements are tested regularly to ensure that they would be effective should they need to be invoked.

Credit risk

The Firm is exposed to credit risk in respect of investment management fees billed and cash held on deposit.

The number of credit exposures relating to the Firm's investment management client is limited. The Firm considers that there is little risk of default by its clients. All bank accounts are held with large international institutions.

Given the nature of the Firm's exposures, no specific policy for hedging and mitigating credit risk is in place. The Firm uses the simplified standardised approach detailed in BIPRU 3.5.5 of the FCA Handbook when calculating risk-weighted exposures in respect of its debtors. This amounts to 8% of the total balance due. All bank balances are subject to a risk weighted exposure of 1.6% in accordance with BIPRU 3.4 of the FCA Handbook.

Capital adequacy

Capital resources
As at 30 April 2017 the Firm held regulatory capital resources of £284,404 comprised entirely of Tier 1 capital.

The Firm maintains capital resources as follows:

	30 April 2017 £000
Tier 1 capital, less innovative Tier 1 capital	284
Tier 2 capital	-
Tier 3 capital	-
Deductions from Tiers 1 and 2	-
Total capital resources	**284**

Capital requirement
As at 30 April 2017, the Firm's Pillar 1 capital requirement was £65,074. This has been determined by reference to the Firm's Fixed Overheads Requirement ("FOR") and calculated in accordance with the FCA's General Prudential Sourcebook ("GENPRU") at GENPRU 2.1.53. The requirement is based on the FOR since this is greater than the base capital requirement of €50,000 and the total of the credit and market risk capital requirements the business faces.

The FOR is based on annual expenses net of variable costs deducted. The Firm monitors its expenditure monthly and considers any material fluctuations in order to determine whether the FOR remains appropriate to the size and nature of the business or whether any adjustment needs to be made intra-year. This is monitored by senior management and reported to the Board of Directors monthly.

Satisfaction of capital requirements
The Firm's ICAAP (Pillar 2) process has not identified capital to be held over and above that currently held by the Firm. The Firm, which is now loss-making, has sufficient capital to meet its commitments over the coming financial year and it is the Board's opinion that no further capital injections are necessary at this stage. This situation will be monitored monthly and all directors shall be kept informed.

Remuneration Code Disclosure
The Firm is subject to the FCA's rules on remuneration contained in the FCA's Remuneration Code ('The Code") located in the SYSC Sourcebook of the FCA Handbook and, as a "Small Authorised Firm" under the Alternative Investment Fund Manager Directive (AIFMD) , to consider the AIFMD Remuneration Code. Both codes cover fixed and variable remuneration of an individual. So as to ensure the Firm attracts and retains people with the right talent and integrity its remuneration policy is designed to align the Firm's interest with those of its clients.

For puposes of The Code. the Firm is classified by the FCA as "tier 3" which proportionally are considered the lowest risk category. The Firm operates three types of remuneration :-

- Fixed annual salaries, generally in line with industry scales

- Discretionary bonus payments based on various targets achieved by the individual, including but not limited to the profitability of the overall asset management division within the broader group.
- A deferred incentive scheme which is a longer-term incentive scheme under which employees are granted deferred units in the Group's Investment Funds, which vest annually over a three-year cycle.

These arrangements are linked to the performance of the asset management division as a whole and are based on pre-tax profits after accounting for and considering previous accumulated losses and future commitments and contingencies. The Firm does not make any ongoing guaranteed bonus payments and adjusts any bonuses to account for any current or future risks.

The Board of Directors do not consider it necessary to establish a separate Remuneration Committee given the scale of the Firm's activities. However, the broader Imara Group had until April 2017, a Remuneration Committee at which fixed annual salaries and discretionary bonus arrangements were established. All matters recommended by the Remuneration Code for consideration by such a committee are now considered by the Firm's Board of Directors.

The Remuneration Code Staff (Code Staff) includes: -

- Those individuals who make, or participate in making, decisions that affect the whole, or a substantial part, of the Firm's business; or
- Who have the capacity to significantly affect the Firm's financial standing; or
- Who may materially affect the whole, or a substantial part, of the Firm's business or its financial standing through their responsibilities for: (1) enforcing policies and implementing strategies approved by management; or (2) the development or implementation of systems that identify, assess manage, or monitor risks in relation to the Firm's business; or (3) monitoring the appropriateness, adequacy and effectiveness of its risk management systems.

During the year-ended 30th April 2017 six individuals were identified as Code Staff. Their aggregate remuneration from the firm, for the year ended 30th April 2017 represented 100% of the Firms total paid remuneration. The number of code staff within the firm fell towards the end of the reporting period from six to three. The Firm believes that its systems and processes relating to remuneration, do not pose a risk to the firm as a whole, the industry, or the FCA's objectives. Compliance personnel and the Board are responsible for maintaining the list of the Firm's Code Staff and ensuring they remain in adherence with the obligations and spirit of the Code.