Risk and Governance Statement

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Risk and Governance Statement

Risk Management Objective

This document sets out the Risk and Governance process of Timeline Portfolio Ltd (Timeline). Timeline is a financial services business focusing on investment management, headquartered in London. All Timeline regulated activities are covered by the Internal Capital Adequacy Assessment Process (ICAAP).

The major risks to Timeline were agreed upon by the Audit Risk and Compliance Committee and the ICAAP was subsequently approved and adopted by the board.

Timeline's general risk management objective is to develop systems and controls to mitigate risk to a level that meets our risk appetite of "Low" Risk and ensures that Timeline's allocation of Pillar 2 capital is minimised.

Governance Framework

The Board, being the Governing Body of Timeline, has delegated the formal management oversight of Timeline to the Timeline Executive Committee (Exco). It meets periodically and is composed of:

- Chief Executive Officer (CEO)
- Chief Operating Officer (COO)
- Chief Investment Officer (CIO)
- Chief Commercial Officer (CCO)
- Chief Technology Officer (CTO)
- Chief Marketing Officer (CMO)

Exco has chosen to delegate its day-to-day risk management activities to Timeline's Risk Committee ("Risk Committee") with the CEO having oversight. The Risk Committee is responsible for determining Timeline's risk appetite or tolerance for risk and ensures that Timeline has implemented an effective, ongoing process to identify risks, measure their potential impact and then ensure that such risks are actively managed.

In addition, Exco has chosen to delegate the day-to-day operational management of Timeline to a Management Committee which meets weekly, with a formal meeting taking place monthly. The minutes of these meetings are provided to Exco and highlight specific issues that require formal Exco approval or feedback.

Risk Framework

Timeline is an Investment Management Firm and acts solely as an agent for capital requirements under IFPRU. Timeline's main risks have been identified as Operational Risk, Credit Risk and Liquidity Risk.

Timeline is required to disclose its risk management objectives and policies for each separate category of risk which includes:

- The strategies and processes to manage those risks.
- The structure and organisation of the relevant risk management function or other appropriate arrangements.
- The scope and nature of risk reporting and measurement systems.

- The policies for mitigating risk and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigating controls.

Timeline has assessed its Operational, Credit and Liquidity Risks in its ICAAP where it also sets out appropriate actions to manage those risks.

- Timeline has an Operational Risk framework (described below) in place to mitigate Operational Risk.
- Timeline's main exposure to Credit Risk is the risk investment management fees cannot be collected. We regard Credit Risk to be low. Timeline holds all cash balances with banks that have been awarded high credit ratings.
- Timeline conducts Liquidity Scenario and Stress Tests on at least an annual basis. These stress tests incorporate all likely sources of Liquidity Risk and assess their combined impact on Timeline's cash flows, liquidity position, profitability and solvency.

Risk within Timeline is managed using the following:

- The Risk Committee with the financial risks being managed by the Chief Financial Officer, the legal and regulatory risks being managed by the COO and the Head of Compliance Director and the operational risks being managed by the CTO and the CEO of Timeline having oversight.
- The Head of Compliance and the COO meet weekly to have oversight of the day-to-day management of the compliance risk of Timeline.
- Timeline has a conservative approach to risk.
- Timeline has identified its risks and recorded them in its risk register (the "Risk Register").
- The ICAAP describes the various categories under which risks are considered within the business.
- The ICAAP is reviewed at an annual meeting of Exco.
- Timeline has undertaken scenario Analysis and Stress Tests. This informs Timeline what, if any, impact there is likely to be on its balance sheet, cash flow and profitability.

Risk management is about managing the threats that may hinder the delivery of Timeline's strategic aims, objectives and operational functions and services and maximising the opportunities that will help to deliver them. Therefore, effective risk management should be clearly aligned to strategic objectives and processes now and in the future which is summarised as:

- Operating in accordance with regulatory guidelines.
- Delivering services to the best of our ability that meets our customer's needs and expectations.
- Ensuring financial sustainability.

Timeline's risk management framework is set out in its Risk Management Policy (the "Policy") which describes how Timeline's staff undertake an assessment of all risks identified which are documented in the Risk Register. It involves three stages:

1. Determining the probability and impact of risk before considering the effect of any controls, known as an 'inherent risk assessment'. It is important to ensure that a realistic scenario is generated, otherwise, each inherent risk assessment will indicate a catastrophic impact. Whereas realistically for most risks, controls will restrict the impact if the risk occurs.

2. Departments must assess the effectiveness of the controls in mitigating the risks identified. This is known as a 'residual risk assessment'. This enables the department to understand the key risk exposures and where there are weaknesses in the areas of control.

3. By reviewing the inherent and residual risk assessments, departments will be able to ascertain those risks which are not adequately controlled. In these instances, departments must prepare action plans that:

    - Clearly articulate the risk that requires management.
    - Assign achievable timescales to mitigate the risk.
    - Clearly detail the proposed solution, including resources required (where appropriate).
    - Ensure that a risk owner is assigned with responsibility for managing the action plan.

Risk Monitoring and Management

It is essential that key controls and the overall risk environment are subject to constant, ongoing monitoring to assess unacceptable levels of risk. This can be achieved by:

- Identifying and monitoring appropriate triggers and thresholds.
- Identifying and monitoring external risks.
- Identifying and monitoring internal risks.
- Assessing non-financial impacts.
- Having annual risk and control self-assessments.
- Implementing action planning.

Each department within Timeline currently monitors its own risk using the self-assessment process. Timeline believes that the self-assessment process is a valuable tool for building a better risk management culture as it facilitates accountability and transparency from the bottom to the top of the company.

The risk management system that hosts the Risk Registers also contains within it, the incident logs. The Head of Compliance manages, inter alia, the process of risk owners updating the risk registers, formalising the incident log submission process and producing a quarterly risk report for the Board.

Timeline controls its risks through the avoidance, transfer, prevention or reduction of the likelihood of the occurrence and/or the reduction of the potential impact of risk exposure. This includes:

- Embedding a risk culture throughout Timeline.
- Ensuring that robust internal processes, controls and systems are maintained.
- Using outsourcing arrangements, where appropriate.
- Accepting risks within the stated risk tolerance level.
- Providing for potential losses.

To ensure that appropriate controls are in place and being adhered to, the risk owners will review the controls at least on an annual basis and in response to the occurrence of any incident. Where controls are not sufficient, work will be undertaken to develop and deliver new controls or enhance existing controls in accordance with an action plan, to ensure the department is actively managing its own risks.

Each department's risk owner is required to confirm annually that all potential risks, including any new emerging risks, have been identified and are recorded. All controls must be reviewed for effectiveness and updated and action plans prepared, where appropriate.

Risk Assessment

Timeline has assessed its Operational, Credit and Liquidity Risks in its ICAAP where it also sets out appropriate actions to manage those risks, however in addition potential exposures to further risks are considered below.

Credit Risk

Timeline is primarily exposed to Credit Risk from the risk of non-collection of management fees. 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.

Operational Risk

Operationally, Timeline is also exposed to the following risks:

- People
- Regulatory
- Technology

People

Timeline's business is heavily dependent on the people who provide the services to Timeline's clients. Timeline accordingly ensures that it employs people with the necessary skill sets appropriate for its business needs. Recruitment policies are in place to ensure that staff of the right calibre are recruited and that the appropriate level of training and competence is achieved and maintained for the staff who are providing the relevant services. Timeline aims to attract and retain staff by paying market-related remuneration (that complies with SYSC 19A) but also by providing a work environment that is inclusive, supportive and flexible whilst maintaining high professional standards.

Regulatory

Regulatory risk involves the loss arising from the failure to meet regulatory requirements in those jurisdictions in which Timeline operates. The financial services sector is heavily regulated and breaches could lead to fines or disciplinary action both for Timeline and for individual staff. The Compliance function supports the business to meet such obligations. They closely monitor actual and planned changes in regulation to ensure ongoing compliance with regulatory standards and to this end, Timeline is assisted by professional consultants. Timeline carries professional indemnity cover in excess of the minimum FCA requirement. In addition to day-to-day oversight of matters that have a regulatory impact, the COO and Head of Compliance meet weekly to assess the risks and compliance-related topics that Timeline and the industry face. Some of the major strategic areas such as Conduct, Governance, Financial Crime, Systems and Controls are also key areas that are overseen by Exco and the Board. Staff receive training to address the key areas in the regulatory field.

Technology

Timeline is reliant on technology to maintain its infrastructure and services. Significant investment has been made in core IT systems over the last few years as part of a strategy of upgrading and strengthening procedures and management information. Timeline has used the services of IT consultants to assist in the development of those strategies and also to advise Timeline on any cyber security risks - Timeline has taken steps to address such risks. Timeline has a Business Continuity Plan in place.

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