



TRADING POINT ASSET MANAGEMENT LTD
RISK MANAGEMENT DISCLOSURES
YEAR ENDED 31 DECEMBER 2017

APRIL 2018

According to Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012

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1. Introduction

1.1 Corporate Information

Trading Point Asset Management Ltd (“the Company”) was incorporated in Cyprus on 13 January 2014, with Registration Number HE 328593 as a limited liability company under the Companies Law, Cap. 113. Trading Point Asset Management Ltd is a Cyprus Investment Firm (“CIF”), authorised and regulated by the Cyprus Securities and Exchange Commission (“CySEC”) to offer Investment and Ancillary Services under license number 256/14, dated 31 October 2014.

The Company has the licence to provide the following investment and ancillary services:

Investment Services	Ancillary Services
Portfolio Management	Safekeeping and administration of financial instruments, including custodianship and related services
	Foreign exchange services where these are connected to the provision of investment services
	Investment research and financial analysis or other forms

1.2 Pillar III Regulatory Framework

The Company has established a Pillar III disclosure policy, the purpose of which is for Trading Point Asset Management Ltd to comply with the disclosure requirements as laid down in Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (hereinafter the “Regulation” or “the CRR”), as subsequently amended, as well as the relevant requirements of the CySEC Directive 144-2014-14 for the Prudential Supervision of Investment Firms (“the Directive”) and Directive 144-2014-15 on the discretions of the CySEC arising from the Regulation, as amended.

To this respect, the Company prepares the present Pillar III Disclosures report with the purpose of setting out both quantitative and qualitative information required in accordance with Part Eight of the Regulation (Articles 431 to 455) and paragraph 32(1) of the Directive.

The Regulation is based on three pillars:

- Pillar I relates to the methodologies applied for calculating Own Funds and the minimum regulatory capital requirements for Credit, Market and Operational risk;

- Pillar II covers the Supervisory Review and Evaluation Process (“SREP”) which assesses the Internal Capital Adequacy Assessment Process (“ICAAP”) of institutions. Under this pillar, investment firms have to evaluate and assess their internal capital requirements; and
- Pillar III covers transparency and relates to the obligation of investment firms to publicly disclose information with respect to their risks, their capital and the risk management structures, policies and procedures they have in place.

The information that the Company discloses herein relates to the year ended 31st December 2017.

Basis and Frequency of Disclosure

This document represents the disclosures of Trading Point Asset Management Ltd, in accordance with the Pillar III requirements. These disclosures are made mainly in order to give information on the risks faced by the Company and how these are dealt with, as well as the basis of calculating the Company’s capital requirements.

All disclosures mentioned below are in line with the Company's Annual Report and audited Financial Statements, which are prepared in accordance with the International Financial Reporting Standards (“IFRS”).

The Company's policy is to publish the Pillar III disclosures on an annual basis on its website. The report can be found at: <http://www.trading-point.com/xm-asset-management>.

All disclosures made, prior to being published, were reviewed and verified by the Company's Board of Directors.

The Company has commissioned independent auditors (KPMG Limited, Cyprus) to review its Pillar III Disclosures. In accordance with the Directive, the Company is required to provide a copy of the auditor’s verification report to CySEC within five months of each financial year-end.

1.3 Scope of Application

The Company’s management, in accordance with the provisions of Part Eight of the Regulation and paragraph 32(1) of the Directive, has an obligation to publish information relating to risks and risk management on an annual basis at a minimum.

The information provided in this report is based on procedures followed by the Company to identify and manage risks for the year ended 31st December 2017 and on reports submitted to the Board of Directors and to CySEC for the year under review.

The Company is making these disclosures on an individual (solo) basis.

2. Risk Management Objectives and Policies

2.1 Strategies and Processes to Manage Risks

2.1.1 Risk Management Framework and Governance

The Company shall establish, implement and maintain adequate risk management policies and procedures which identify the risks relating to its activities, processes and systems. Furthermore, the level of risk tolerated by the Company should be set. The bodies and functions of the Company that are mainly involved in the management of risks, are analysed below.

2.1.2 Board of Directors

The BOD consists of four (4) members. Two (2) Executive Directors and two (2) Non-Executive and Independent Directors. The Board is the management body of the Company and it exercises substantial control over its activities and affairs.

The main responsibilities of the Board of Directors are:

- Ensure that the Company complies with its obligations under the legislation.
- Periodically assess and review the effectiveness of the policies, arrangements and procedures put in place to comply with the regulatory obligations and to take appropriate measures to address any deficiencies.
- Set the strategy of the Company and ensure its continuing operations.
- Meet on a frequent basis to ensure that operational and strategic issues are discussed and issue guidance to the Senior Management and the heads of the departments.
- Ensure that written reports concerning risk management, internal audit, compliance and anti-money laundering compliance are received on a frequent basis, and at least annually, indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies.
- Address any issues raised by the regulators and define the action to be taken in case corrective measures are required.

2.1.3 Risk Management Function

The Board of Directors has appointed a Risk Manager to head the Risk Management Function, which operates independently and is responsible for implementing the Risk Management Policy, as this is set by the Board of Directors, as well as for ensuring that this is properly followed under the supervision and control of the Risk Manager. The Risk Manager submits reports to the Senior Management and Board on a frequent basis, and at least annually, indicating whether the appropriate remedial measures have been taken in the event of any deficiencies.

The Risk Manager's main responsibilities are the following:

- Identify and evaluate the fundamental risks faced by the Company.
- Adopt and implement effective arrangements and procedures to manage all types of risks that arise from the Company's operations in respect of the level of risk tolerance.
- Monitor the adequacy and effectiveness of the Company's risk management policies and procedures.
- Monitor the level of compliance by the Company and its staff with the measures and arrangements set for managing the various exposures of the Company.
- Report to the Board, on an annual basis, his findings and suggestions regarding the remuneration policy of the Company.
- Monitor the adequacy and effectiveness of measures taken to address any deficiencies in the risk management policies, procedures, arrangements, processes and mechanisms, including failures by the relevant persons of the Company to comply with such arrangements, processes and mechanisms or follow such policies and procedures.
- Produce all the required reports related to the risks that the Company is exposed to, as well as the documents that are required by the applicable legislation to be submitted to CySEC, and keep records of these reports. Furthermore, where applicable and required, the Risk Manager should provide advice to the Senior Management of the Company in relation to any potential deficiencies and suggest remedial measures so as to be in full compliance with the relevant legislation.

2.1.4 Internal Audit Function

The Internal Audit Function is outsourced. The Internal Auditor reports to the Senior Management and the Board of the Company and is separate and independent from the other functions of the Company.

The Internal Audit Function has the following responsibilities:

- Establish, maintain and implement an audit plan which aims to examine and evaluate whether the Company's systems, internal control mechanisms and agreements are adequate, effective and in compliance with the legal framework.
- Issue recommendations based on the result of the audit plan's examinations.
- Verify compliance with any potential recommendations.
- Provide timely, accurate and relevant reporting in relation to internal audit matters to the Board and the Senior Management of the Company, at least annually. The internal audit report is presented to the Board for review and discussion. The minutes of the relevant meeting along with the report is submitted to CySEC within twenty days from the date of the meeting and not later than four months after the end of the year to which the report refers.

Furthermore, the Internal Auditor shall have clear access to the Company's personnel and books. Likewise, the Company's employees shall have access to the Internal Auditor for reporting any significant deviations from the guidelines provided.

2.1.5 Compliance Officer

The Compliance Officer liaises with all relevant business and support areas within the Company and monitors the adequacy and effectiveness of the measures and procedures of the Company. Furthermore, the Compliance Officer advises and assists the relevant persons responsible for carrying out investment and ancillary services and activities to comply with the Company's regulatory obligations and to meet supervisory expectations. The Compliance Officer also prepares related reports and policy documents and where applicable works on related changes to the Company's documentation. These reports include the annual Compliance Officer report which is submitted to the Board and, once approved, to CySEC, not later than four months following the end of the year to which the report relates. During 2017, the roles of the Compliance Officer and the Risk Manager were assumed by the same person.

2.1.6 Money Laundering Compliance Officer

The Board also retains a person in the position of Money Laundering Compliance Officer (hereinafter the "MLCO") to whom the Company's employees should report any knowledge or suspicion of activities involving money laundering and terrorist financing. The MLCO leads the Company's Money Laundering Compliance procedures and processes, and reports to the Senior Management. In addition, the MLCO prepares and provides, at least annually, a written report to the Board on anti-money laundering issues, which is also submitted to CySEC within the first three months after the end of the referenced year, together with the relevant Board minutes.

The MLCO conducts an annual inspection of the Company's activities and a review of the periodic examinations of client engagements. Additionally, the MLCO retains a written record of the results of the annual review and inspection which serves to assess the level at which the Company meets the regulatory obligations. This is achieved by taking reasonable care in establishing and maintaining effective systems and controls for compliance with applicable requirements and standards under the regulatory system and to counter the risk of the Company being used as a vehicle to promote financial crime.

2.1.7 Risk Inventory

The Company is primarily exposed to the following risks:

Credit Risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has policies to limit the amount of credit exposure to any financial institution.

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and having available an adequate amount of committed credit facilities.

Market risk

Market risk is the risk of loss due to fluctuations in market prices, such as foreign exchange rates and interest rates. These market prices affect the Company's income or the value of its holdings of financial instruments.

Operational risk

Operational risk is the risk that derives from the deficiencies relating to the Company's information technology and control systems as well as the risk of failed or inadequate processes, human error and natural disasters. The Company's systems and processes are evaluated, maintained and upgraded continuously.

Reputational Risk

Reputational Risk is the risk of loss of reputation arising from any negative publicity relating to the Company's operations (whether true or false) that may result to a reduction of its clientele and/or revenue, as well as to legal cases against the Company. The Company applies procedures to minimize this risk.

Compliance Risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with laws and regulations of the state. Compliance risk is limited to a significant extent due to the supervision applied by the Compliance Function, as well as through the monitoring and other controls applied by the Company.

2.1.8 Risk Management Arrangements

The Board affirms the adequacy of the risk management arrangements of the Company. Moreover, the Board affirms that the procedures, mechanisms, systems and tools which are in place, are adequate and efficient for the identification and control of all fundamental prudential, operational, financial, reputational and legal risks within the Company and are in line with the Company's profile and strategy.

2.1.9 Risk Appetite Statement

Managing risk effectively in an adverse, complex and continuously changing risk environment requires a strong risk management culture. To this end, the Company has established an effective risk oversight structure and the necessary internal organizational controls to ensure that it identifies and manages its risks adequately, establishes the appropriate policies and procedures, sets the relevant limits and complies with the relevant legislation.

The management strives to have an appropriate control environment and sufficient capital in place to mitigate the level of risk it assumes in its business.

The Board expresses the Risk Appetite through a number of key Risk Appetite measures which define the level of risk acceptable across the below categories:

- Financial: Market, Business, Liquidity and Credit risks.
- Reputational: Regulatory, Political and External Reputational risk.
- Operational: The risk associated with the failure of key processes or systems as well as the risk of human error and natural disasters.

2.1.10 Internal Capital Adequacy Assessment Process

ICAAP overview

In accordance with the Directive:

- The Company shall have in place sound, effective and complete strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital that it considers adequate to cover the nature and level of the risks to which it is, or might be, exposed. To this respect, the Company shall adopt the relevant guidelines issued by CySEC.
- These strategies and processes shall be subject to regular internal review to ensure that they remain comprehensive and proportionate to the nature, scale and complexity of its activities.
- The ICAAP is an internal tool which will allow the Company to assess its position and determine the amount of internal capital it will need to hold in order to be covered against all the risks it is facing or to which it may be exposed in the future.

- The ICAAP falls under the scope of Pillar II, which can be described as a set of relationships between CySEC and the investment firm, the objective of which is to enhance the link between an investment firm's risk profile, its risk management and risk mitigation systems, and its capital. Pillar II establishes a process of prudential interaction that complements and strengthens Pillar I by promoting an active dialogue between the regulator and the investment firm such that, any inadequacies or weaknesses of the internal control framework and also other important risks, the fulfillment of which may entail threats for the investment firm, are identified and managed effectively with the enforcement of additional controls and mitigating measures.

The Company is in the process of preparing its ICAAP for financial year 2017.

2.2 Governance Arrangements

2.2.1 Recruitment Policy

The recruitment process of Board members combines an assessment of both technical capability and competency skills. Members of the Board should meet a set of criteria with regards to their good repute, appropriate skills, knowledge and expertise, relevant academic and/or professional qualifications, and experience. These characteristics are matched against the Company's framework and used to assess their applicability. Board recruitment is subject to the approval of the Board.

2.2.2 Other Directorships

The table below provides the number of directorships each member of the management body of the Company holds at the same time in other entities (including the directorship held in the Company). It shall be noted that, directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit-making or charitable organizations, are not taken into account for the purposes of the below.

No.	Name of Director	Executive Directorships	Non-Executive Directorships
1	Aristodemos Cleanthous – Executive Director	1	-
2	Constantinos Cleanthous – Executive Director*	1	-
3	Marios Schizas – Non-Executive Director	1	2
4	Rishi Zaveri – Non-Executive Director	2	1

*Constantinos Cleanthous resigned on 7 March 2018 and was replaced by Stavros Mavrocostas.

2.2.3 Diversity Policy

The overall composition of the Board of Directors must reflect an adequately broad range of experiences, qualities and competences to be able to understand the Company's activities, including the main risks. There should be a sufficient number of members with knowledge in each area to allow a discussion of decisions to be made. The Board of Directors' overall composition must be "diverse". That is, the characteristics of the members including their age, gender, geographical provenance and educational and professional backgrounds must be different to the extent of allowing for a variety of views.

The Company aims to achieve the desired gender diversity by encouraging it not only in Board appointments but also in appointments of other key positions. The target set by the Company is for a minimum female participation of approximately 15-20% in the Board from the year 2020. An action plan in regards to the achievement of the target is already in progress.

2.2.4 Reporting and Control

In order for the Company to have in place procedures which will allow it to monitor its exposure in risky areas, it undertakes certain reporting requirements towards the top management where the decision making is being carried out.

All the supervisory functions of the Company (i.e. Compliance, AML Compliance, Risk Management, Internal Audit and Financial Control functions) have an open line of communication with the Board in order to communicate any findings and/or deficiencies they identify in a timely manner and ensure that these will be resolved through the guidance of the management body.

The following table depicts the various reports and information flow on risk-related areas submitted to the Board during 2017:

S/N	Report Name	Report Description	Preparer	Recipient	Frequency
1	Risk Manager's Report	Annual Risk Management Report	Risk Manager	Board	Annually
2	AML Report	Annual Anti-Money Laundering Compliance Officer Report	Money Laundering Compliance Officer	Board	Annually
3	Compliance Officer Report	Annual Compliance Officer Report	Compliance Officer	Board	Annually
4	Internal Audit Report	Annual Internal Auditor Report	Internal Auditor	Board	Annually
5	Audited Financial Statements	Audited Financial Statements	External Auditor	Board	Quarterly
6	Suitability Report	Suitability Report	External Auditor	Board	Annually

3. Own Funds

3.1 Main components of Own Funds

As at 31 December 2017, the Company's Own Funds comprised entirely of Common Equity Tier 1 ("CET1") capital. The Company's CET1 capital includes share capital and reserves, less the Company's contribution to the Investors Compensation Fund, which is deducted in accordance with CySEC's Circular C162 issued on 10 October 2016 (as presented in the table below):

Own Funds Components 31 December 2017	Amount (€000)
CET1 capital	
Share Capital	475
Retained Earnings	(276)
Total CET1 capital before deductions	199
Deductions	
Contribution to the Investors Compensation Fund	(46)
Total CET1 capital after deductions	153
Additional Tier 1 capital	-
Tier 2 capital	-
Total Own Funds	153

Authorised and Issued Share Capital

On 22 June 2017 the Company increased its authorised share capital to 400.000 ordinary shares of nominal value €1 each and on that date the Company issued an additional 50.000 shares of €1 each at par, at which time the total issued share capital amounted to €400.000.

On 15 September 2017 the Company increased its authorised share capital to 475.000 ordinary shares of nominal value of €1 each and on that date the Company issued an additional 75.000 shares of €1 each at par. As at 31 December 2017, the Company's issued share capital amounted to €475.000, divided into 475.000 ordinary shares of €1 each.

3.2 Balance sheet reconciliation

The following table presents the reconciliation of the Company's equity, as per audited Financial Statements, with the regulatory Own Funds:

Balance Sheet Description 31 December 2017	Amount (€000)
Share Capital	475
Retained Earnings	(276)
Total Equity as per published financial statements	199
(Less: Contribution to the Investors Compensation Fund)	(46)
Total Own Funds	153

3.3 Own Funds under the transitional and fully phased-in definition

The table below presents the calculation of Own Funds, under the transitional and the fully-phased in provisions:

Own Funds 31 December 2017	Transitional Definition	Fully - phased in Definition
	€000	€000
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and the related share premium accounts	475	475
Retained earnings	(276)	(276)
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-	-
Funds for general banking risk	-	-
Common Equity Tier 1 (CET1) capital before regulatory adjustments	199	199
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Intangible assets (net of related tax liability)		
Additional deductions of CET1 Capital due to Article 3 CRR	(46)	(46)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	(46)	(46)
Common Equity Tier 1 (CET1) capital	153	153
Additional Tier 1 (AT1) capital	-	-
Tier 1 capital (T1 = CET1 + AT1)	153	153
Total regulatory adjustments to Tier 2 (T2) capital	-	-
Tier 2 (T2) capital	-	-
Total capital (TC = T1 + T2)	153	153
Total risk weighted assets	290	290
Capital ratios and buffers		
Common Equity Tier 1 ratio	52,76%	52,76%
Tier 1 ratio	52,76%	52,76%
Total capital ratio	52,76%	52,76%

Definitions:

The Common Equity Tier 1 ratio is the CET1 capital of the Company expressed as a percentage of the total Risk Weighted Assets for covering Pillar 1 risks.

The Tier 1 ratio is the Tier 1 capital of the Company expressed as a percentage of the total Risk Weighted Assets for covering Pillar 1 risks.

The Total Capital ratio is the Own Funds of the Company expressed as a percentage of the total Risk Weighted Assets for covering Pillar 1 risks.

4. Minimum required Own Funds for Credit, Market and Operational risk
4.1 Risk Weighted Assets and Capital Adequacy Ratio

Risk Type	Risk Weighted Assets	Capital Requirement
31 December 2017	€000	€000
Credit Risk	35	3
Market Risk	-	-
Operational Risk - Additional amount due to Fixed Overheads Approach	255	20
Total	290	23

As at 31st December 2017, the capital adequacy ratio of the Company stood at 52,76%, which exceeded the minimum required ratio of 8%, applicable for Pillar I risks. Further to this, CySEC may impose additional capital requirements for risks not covered by Pillar I.

4.2 Credit Risk

The Company uses the Standardized Approach for measuring Credit Risk. The table below presents the allocation of Credit Risk by exposure class as at 31st December 2017:

Asset Classes	Risk Weighted Assets	Minimum Capital Requirement
31 December 2017	€000	€000
Institutions	35	3
Total	35	3

4.3 Market Risk

The Company uses the Standardized Approach for measuring Market Risk. The Company had no capital requirements for Market Risk as at 31st December 2017, since its overall net FX position did not exceed the 2% of Own Funds threshold, due to the fact that its exposures to non-reporting currencies were minor.

4.4 Operational Risk

Due to the limited authorisation of the Company, the Company falls under Article 95(1) of CRR and therefore performs the calculation of its capital requirements for Operational Risk based on the Fixed Overheads of the preceding financial year. Under this method, the Company calculates its total Risk Weighted Assets as the higher of the following:

- (a) Sum of Risk Weighted Assets for Credit and Market Risk
- (b) Risk Weighted Assets for Operational Risk based on the fixed overheads of the preceding year.

The following table shows the calculation of the capital requirements for Operational Risk as at 31st December 2017:

Operational Risk (Fixed Overheads Approach) 31 December 2017	Minimum Capital Requirements
	€000
25% of the fixed overheads of the preceding year	23
Additional capital requirement due to the Fixed Overheads Approach	20

5. Exposure to Credit Risk

5.1 Past due and impaired assets

As at 31st December 2017 the Company did not have any past due receivables and did not recognise any provisions for impairment in respect of trade and other receivables.

5.2 Original and Average Exposure by exposure class

The table below outlines the Company's original exposure amount and average exposure by exposure class, for the year ended 31 December 2017. The Company did not make use of any credit risk mitigation techniques.

Exposures by Asset Class	Original exposure amount, net of specific provisions	Average exposure
31 December 2017	€000	€000
Institutions	173	232
Corporates	-	1
Total	173	233

The table below outlines the Company's original exposure by exposure class and geographic area, based on the country of incorporation of the counterparty:

Original Exposure by Exposure Class and Geographic Area	Cyprus	United Kingdom	Total
31 December 2017	€000	€000	€000
Institutions	172	1	173
Total	172	1	173

The table below outlines the Company's original exposure by exposure class and counterparty industry sector:

Original Exposure by Exposure Class and Industry Sector	Financial	Other	Total
31 December 2017	€000	€000	€000
Institutions	173	-	173
Total	173	-	173

The table below analyses the Company's original exposure by exposure class and residual maturity:

Original Exposure by Exposure Class and Residual Maturity	< 1 month	≥ 1 month	Total
31 December 2017	€000	€000	€000
Institutions	173	-	173
Total	173	-	173

5.3 Application of External Ratings from Recognised ECAIs

For its exposures to institutions, the Company has used the ratings provided by Moody's to determine the applicable risk weight. The Company has used the credit step mapping table below to map the credit assessment to credit quality steps:

Credit Quality Step	Moody's
1	Aaa to Aa3
2	A1 to A3
3	Baa1 to Baa3
4	Ba1 to Ba3
5	B1 to B3
6	Caa1 and below

The ECAIs are not taken into account where preferential treatments as set out by the CRR apply.

5.4 Exposures before and after Credit Risk Mitigation

The table below outlines the Company's exposures before and after Credit Risk mitigation by Credit Quality Step:

Credit Quality Step	Exposure values before & after Credit Risk Mitigation
	€000
CQS 2	1
CQS 5	172
Unrated	-
Not Applicable	-
Total	173

6. Remuneration Policy and Practices

The remuneration policy of the Company is set by Senior Management and the Board of Directors. It is subject to annual central review which is coordinated by the Senior Management and, ultimately, the Board of Directors, upon the recommendation from the Risk Manager. In addition, it undergoes an independent, internal review by the Compliance Function at least annually. Furthermore, the Board is responsible for the ultimate validation of the policy, including principles, budgets and individual allocations. The Company's Board adopts and periodically reviews the general principles of the remuneration policy and is responsible for overseeing its implementation.

The governance applied by the Company ensures an exhaustive and independent review of the remuneration policy through:

- An annual central and independent internal review.
- An ultimate validation of this policy, including principles, budgets and individual allocations, by the Board after review by the Risk Manager.

The remuneration policy is consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk of the Company. The policy is in line with the business strategy, objectives, values and long-term interests of the Company, and incorporates measures to avoid conflicts of interest.

The Company's Board adopts and periodically reviews the general principles of the remuneration policy and is responsible for overseeing its implementation. The Board reviews the reports submitted by the Risk Manager and takes the action it considers necessary in relation to the Risk Manager's findings and suggestions.

6.1 Components of Remuneration

The remuneration policy makes a clear distinction between criteria for setting:

- Basic fixed remuneration, which should primarily reflect relevant professional experience and organizational responsibility as set out in an employee's job description as part of the terms of employment, and
- Variable remuneration which should reflect a sustainable and risk-adjusted performance, as well as performance in excess of that required to fulfil the employee's job description as part of the terms of employment.

The allocation of variable remuneration is not contractual, it depends on both individual and collective performance and takes into account previously defined quantitative and qualitative criteria. It also takes into consideration the economic, social and competitive context. The criteria used to set variable remuneration, as well as its allocation, take into account all risks through quantitative and qualitative adjustments.

The Company may reward its employees with the payment of an annual bonus based on both individual and collective performance and results achieved. The Company may also reward an employee with an ad-hoc bonus upon the successful conclusion of a project assigned to the certain employee.

During 2017, the variable remuneration granted was in the form of cash. Furthermore, the Company did not make or award any severance payments and there were no sign-on or deferral

payments/arrangements. Finally, the variable remuneration granted during the year did not exceed 100% of the fixed component of total employee remuneration.

6.2 Aggregate information on remuneration broken down by business area

The table below provides a breakdown of aggregate remuneration by business area, for those categories of staff whose activities have a material impact on the risk profile of the Company:

Business Area 31 December 2017	Aggregate quantitative information on remuneration €000
Control Functions	121
Total	121