



# Investment Firm Regulation – Risk Management Public Disclosures

2024



## Principal Activities

Irish Life Investment Managers (ILIM) manages assets on behalf of a wide range of institutional clients, including Irish Life Assurance plc, pensionschemes, large multinational corporations, charities, and domestic companies.

At end March 2024, the Company managed €114.8bn worth of assets.

## Background

ILIM is authorised as an investment firm in Ireland under Statutory Instrument No. 375/2017 EU (Markets in Financial Instruments) Regulations 2017, which gives effect to MiFID II.

Since June 2021 ILIM is subject to the requirements of the prudential regime applying to investment firms prescribed by the Investment Firms Regulation (IFR) and the Investment Firms Directive (IFD). Under IFR, the capital requirements are comprised of:

### Minimum Regulatory Own Funds Requirement

This involves calculating a minimum regulatory capital using one of several standard methodologies dependent on activities carried on by the business.

### Internal Assessment of Capital Needs

**Supervisory Review Process** (“SRP”) comprising:

#### The Internal Capital Adequacy Assessment Process (“ICAAP”)

The ICAAP requires firms:

- (i) to identify, measure and monitor its risks
- (ii) to identify the internal/economic capital requirements in relation to the firm’s risk profile

### Economic Capital

Economic Capital is the level of economic financial resources required to withstand a worst-case loss in economic value, at a target confidence interval, assessed over a specific time horizon, due to risks arising from business activities but excluding strategic risks associated with transformational changes to business design and plan.

ILIM consider economic capital to be the capital needed to stay solvent for one year, even if “worst case” risk scenarios arise.

## ILIM Material Risks

Material risks for ILIM from an ICAAP economic capital perspective are business (market)/strategic risk, concentration risk, significant operational risk, and credit risk.

### Stress Testing

Stress Testing, in the context of the ICAAP, is a technique used to evaluate the potential effects on an institution’s capital adequacy of a specific event or movement of a set of economic variables and focuses on exceptional but plausible events. An institution’s capital requirement can increase significantly under certain stress scenarios.

As part of ILIM’s 2024 ICA process, stress tests addressing the following risks were considered.

- > An orderly wind down of the business
- > Significant loss of Revenue (due to market or client exits)
- > Reverse stress test
- > Significant Operational Risks:
  - Sum of estimated financial impact of significant operational risks
  - Estimated financial impact of stressed case scenario

### The Supervisory Review and Evaluation Process

This is the Central Bank of Ireland’s process to review the firm’s ICAAP and the adequacy of the Economic Capital identified.

Adherence to the SRP ensures material risks are identified and managed.

### Public Disclosures

#### Enhanced Market Disclosure

The Public Disclosures requirements of IFR/IFD encourages market discipline whereby a firm develops disclosure requirements which allow market participants to assess key information on a firm’s capital, risk exposures and risk assessment processes.

In addition, the firm will disclose remuneration policies and practices, own funds requirements and governance arrangements, as introduced by IFR/IFD.<sup>2</sup>

The disclosures can be found at

<https://www.ilim.com/important-disclosure>



**Classification:**

IFR/IFD introduced a new firm 'classification' system, with each class of investment firm experiencing varying levels of regulatory requirements and supervisory overview tailored to their regulated activities. The categories of firms are divided into three profiles:

- > Class 1 – systemically important investment firms;
- > Class 2 – non-systemically important investment firms above certain thresholds; and
- > Class 3 – small and non-interconnected investment firms below the Class 1 and Class 2 thresholds.

ILIM is authorised to provide Portfolio Management services. As a result, ILIM is a Class 2 firm.

Class 2 firms are subject to the full scope of the IFR/IFD regime including the remuneration requirements and the K-factor requirements which facilitates firms to establish capital requirement aligned to the risk profile using the K-factor methodology.

Class 2 Firms are also required to hold liquid assets to the value of one third of the firm's fixed overhead requirement. The fixed overhead requirement is based on 25% of overheads from the previous year's audited financial statements.

The K-factors specifically target the services and business practices that are most likely to generate risks to the firm, to its customers and to counterparties, and include:

- > K-AUM – Assets under management
- > K-CMH – Client money held
- > K-ASA – Assets safeguarded and administered
- > K-COH – Client orders handled
- > K-NPR – Net position risk
- > K-CMG – Clearing member guarantee
- > K-CON – Concentration risk
- > K-DTF – Daily trading flow
- > K-TCD – Trading Counterparty Default

ILIM's capital requirements will be the larger of the fixed overheads requirements, permanent minimum capital or K-factor requirements (K-AUM 0.02% of total AUM less sub-advised AUM).

**Risk Management Objectives and Policies****Risk Governance**

The key components of ILIM's risk governance framework are as follows:

1. **ILIM's Board** is responsible for the governance of risk in the Company and for establishing mechanisms and structures to control and manage this risk.

The Board delegates oversight of Risk and Audit matters to the Board Risk Committee and Board Audit Committee respectively.

**Board Governance**

In accordance with Article 48 of the Investment Firms Regulation, the firm is required to make disclosures with regards to the following:

- a. the number of directorships held by members of the Board
- b. the firm policy on Board diversity
- c. The establishment of a risk committee and the number of annual meetings

Directorships held by the members of the Management Body:

ILIM directors hold a total of 65 directorships.

**Policy on Board Diversity**

The Board recognises the value of appointing directors who bring a variety of opinions, perspectives, skills and backgrounds to its discussions and decision-making processes. Having a board with diverse membership is an important objective for the company and in selecting candidates the board's policy is to consider candidates from a variety of backgrounds without discrimination as to gender, race, religion, sexual orientation, disability, age or other factors.

**Risk Committee**

The Board delegates oversight of Risk and Audit matters to the Board Risk Committee and Board Audit Committee respectively. The Board and Board Committee each meet at least quarterly, per calendar year.

2. The day-to-day management of the business is delegated to the **ILIM Executive Management Team (EMT) and delegated sub-committees (ExCo's)**. The ILIM EMT and ExCo's have a formalised governance structure in place with monthly meetings, focusing on the operational agenda for the business and special meetings focused on the strategic agenda for the business. In addition the Executive Management Team meets weekly to review the on-going developments in the business.

The members of the EMT as at the end of March 2024 are the:

- > Managing Director ILIM
- > Chief Investment Officer (CIO)
- > Director Global Institutional Distribution
- > Head of Individual Markets
- > Director Business and Technology Services
- > Strategic Business Partner HR
- > Head of Compliance and Business Risk

- > Chief Financial Officer (CFO)
- > Chief Sustainability Officer (CSO)

The ExCo's of the EMT are as follows:

- > The Oversight ExCo (Compliance and Risk activity)
- > The Business ExCo (Finance, Business & Technology Services and HR activity)
- > The Investment ExCo (Fund Management activity)
- > The Customer ExCo (Distribution and client activity)

3. The risk management for the assets under management is overseen by the **Fund Management Executive (FME)** which is responsible for monitoring the fund mandates, reviewing performance of funds versus benchmarks, reviewing the output from quantitative models, and overseeing the fund management operations including the implementation of best execution policies and the development of house rules on the fund management systems. The monthly fund management report for the Investment ExCo includes updates from the Fund Management Executive. The FME has implemented a number of Committees to oversee Fund Management risks including the:

- > Strategic & Tactical Asset Allocation Committees responsible for determining the appropriate allocations on ILIM discretionary portfolios
- > Execution Committee which oversees trade execution processes and outcomes in ILIM
- > Responsible Investment Governance Committee responsible for oversight of ILIM Board approved Responsible Investment policies and reviews amongst other items active ownership activities and Investment Risk Sustainability Reports.

4. The development of new funds is overseen by the **Product Governance Committee (PGC)**. The main purpose of the committee is to ensure products are developed that are fit for purpose and in line with regulatory expectations. The Product Governance Committee reports directly to the Customer ExCo.

#### 5. On-Boarding Governance Committee

The Onboarding (OB) process is responsible for the oversight and coordination of:

- > The full life cycle development and implementation of new funds and services that meet specified criteria to merit on-boarding governance this may include incremental enhancement or expansion of existing fund suites, existing services, or existing business processes.
- > Portfolio activity associated with new client take-on, bespoke client requirements, etc.
- > Assessment of new operational risks in advance of product and service commencement through the Operational Risk Assessment (ORA) process.

The ILIM Onboarding team, in collaboration with all stakeholders, seek to deliver a successful overall outcome by making an initial assessment of all in scope new activity for size, complexity, operational risk and ILIM capability and coordinating activity across ILIM.

The team reports to the Director of Business and Technology Services and the Onboarding Governance Committee which meet on a regular basis, at least once a month, to review ongoing and upcoming activity, flag emerging risks and escalate known issues. The Onboarding Governance Committee will escalate issues or risks to ORSC for risk acceptance as deemed appropriate.

6. The **Project Approval Board (PAB)** supported by the Project Management Office (PMO) provide oversight of change management projects within the Firm and ensure appropriate governance structures are in place to manage the risks associated with significant change initiatives including strategic initiatives.

7. The **Operational Risk Steering Committee ("ORSC")** exercises authority delegated to it by the ILIM Executive Management Team to provide governance to the management of operational risk within Irish Life Investment Managers ("ILIM"), and to monitor operational risk levels across ILIM are in line with ILIM's stated risk appetite.

As such ORSC is intended to ensure:

- > ILIM has a culture that encourages open discussion of risk and emerging issues, and for fostering an awareness of operational risk management in the organisation
- > ILIM management have an overall view of, and responsibility for the effective implementation of operational risk management
- > Cross functional review and assessment of the implications of business and macro related change activities and incidents.
- > A representative forum exists in ILIM to discuss all aspects of operational risk incidents which allows for open and forthright discussion of operational risk events.

The membership of the ORSC consists of senior management representatives from all the business areas and is supported by the Business Risk function.

The ORSC's principal objectives are:

- > To establish formal incident reporting policies and procedures, and to monitor errors, near misses and any resultant changes to procedures;
  - > To approve the design and monitor those key risk indicators (KRIs) which relate to ILIM's material operational risks and approve the quarterly indicators that are reported to the Group Compliance & Operational Risk Committee (CORC);
  - > To review and approve the output, including calculated capital, from the first line assessment reported in the quarterly operational risk assessments (RCSA);
  - > To assess the reporting output, and commitments from first line in relation to the control testing performed by ILIM Business Risk;
  - > To sign-off Operational Risk Assessments (ORAs) for significant new product, platform, or client introductions;
  - > To ensure sufficient permeation of the statement of ILIM's Risk Appetite to first line teams that it represents;
  - > To consider any implications of the output from audit activity and significant issues or themes arising;
  - > To consider the implications for ILIM that arise from changes in the macro environment;
  - > To provide a forum for the prioritisation and review of ILIM's existing and emerging material operational risks;
  - > To implement all relevant and appropriate Group Policies relating to Operational Risk, and report relevant information relating to operational risk and compliance with relevant policies in ILIM to Group Operational Risk;
  - > To oversee any risk acceptance;
  - > To ensure that ILIM maintains a robust and accurate internal capital adequacy assessment process (ICAAP). Including the development, review, and approval of operational risk stress tests;
  - > To proactively monitor outsourcing risk in line with the Outsourcing Policy;
  - > To proactively monitor and oversee fraud risk and controls in line with the Fraud Risk Management policy;
- > To consider any operational risk implications of the output from the business continuity programme and significant issues or themes arising. Ensure the business is kept up to date on business continuity planning issues;
  - > Retain an appropriate level of oversight of projects where they could pose significant operational risk to the business including client on-boarding and significant restructures.
8. In line with best practice the governance structure is based on the **three lines of defence** model of risk management. In this model the 1st line of defence resides in the business units, Risk Management and Compliance operates as part of the 2nd line of defence, and the Internal Audit function form the 3rd line.
  9. The **ILIM Head of Compliance and Business Risk** has a direct reporting line to the Irish Life Group Chief Risk Officer. Reporting lines of ILIM Compliance and Business Risk ensure independence from the business, provide improved reporting to the group, and ensure consistency across the Irish Life group's second line monitoring functions. The maintenance of dotted line reporting into the divisional Managing Director by ILIM Compliance and Business Risk, and the continued location of this function in the business division itself is designed to maintain the business partnership role.
  10. The primary objective of the **Compliance function** is threefold:
    - a. Support business in Trusted Advisor Role: plan for upstream regulatory developments, advise on strategic/operational developments and advise on conduct rules and develop policies.
    - b. Manage compliance risk through the annual compliance plan, risk-based compliance monitoring programme, on-going monitoring and management reporting and managing relationships and communications with regulatory bodies.
    - c. Promote compliance culture through staff training and regulatory updates and the Employee Code of Conduct.

11. ILIM's **Business Risk team** is an independent function within the business. The primary objective of the team is to provide independent risk oversight of all risk-taking activities and embed a disciplined risk management culture across the Firm. The Business Risk team assists the Firm in the achievement of its goals and objectives by furnishing the Firm with risk analyses, reviews, recommendations, advice, opinions, and information concerning the activities from a risk perspective. In providing such influence and guidance, the Business Risk team must remain objective in the ongoing assessment of risk-taking activities. The primary duties of the Business risk team include:
- > **Risk Appetite Framework (RAF):** Develop and articulate with senior management and the Board the Risk Appetite preferences of the firm across all risk types and the identification and maintenance of metrics to measure the firms activities relative to thresholds. To promote a culture that embeds the risk appetite within everyday decision making of the firm.
  - > **Risk policies:** Managing both Group and ILIM risk policies in relation to the types and levels of risk that is permitted.
  - > **Risk governance and culture:** Support management and the Board with timely and informative risk management information. Work with management to identify, control and report on the risks for the business in line with risk appetite. Support risk reporting at the wider Group level. Communicate as appropriate with staff on risk matters and provide risk training as required. Play an active role in the shaping of risk culture across the firm.
  - > **Risk Opinions:** support the business in respect to all risk queries, provide risk management support to new business ideas and new product development.
  - > **Risk processes:** Ensure appropriate risk management governance, controls, oversight processes, methodology, systems, risk standards and guidelines are in place, without limitation, as it relates to:
    - > risk identification, assessment, and prioritisation;
    - > risk measurement and limit setting;
    - > risk management responses and mitigation strategies;
    - > risk monitoring and reporting; and
    - > escalation, compliance, independent assurance, and oversight at an aggregated and disaggregated level.
  - > **ICAAP:** Co-ordinate and report the results of the ICAAP, which is the collection of defined processes that align the Enterprise Risk Management framework with capital management and business planning.
  - > **Resourcing:** The Head of Compliance and Risk is responsible for ensuring that the Risk Function is staffed sufficiently and appropriately to discharge its responsibilities.
12. ILIM has an independent **Investment Risk Function**, reporting to the ILIM Head of Compliance and Risk which has three core areas of focus:
- > Provide challenge to the business on existing and emerging risks
  - > Independently monitor and analyse portfolio risk
  - > Oversee governance across investment functions and processes
- The ILIM Head of Investment Risk is responsible for measuring and monitoring investment risk and challenging Fund Management on existing and emerging risks and escalating any issues or concerns to the ILIM Head of Compliance and Business Risk and the Irish Life Chief Risk Officer. The team also comprises of an Investment Control Manager, and Investment Risk Manager and Investment Risk Analyst. Investment Risk has onboarded an industry leading 3rd party risk system (MSCI Risk Manager) to allow independent quantitative monitoring of all funds through techniques such as VaR, expected shortfall, exposures, liquidity, scenario analysis and stress testing. The team meet with Fund Management Division Heads and CIO regularly using these reports and analysis as a basis for discussion and challenge.
13. The **Group Internal Audit** function is the firm's 3rd line of defence and is separate and independent from the other functions and activities within ILIM and the Group. Group Internal Audit reports directly to the ILGL Board of Directors through the ILGL Board Audit Committee for audit assurance purposes and to the Irish Life Group Chief Executive for administrative purposes.
- Group Internal Audit also report to the ILIM Board Audit Committee. Internal Audit is responsible for carrying out a risk-based independent assessment of the adequacy, effectiveness and sustainability of Irish Life Investment Manager's governance, risk management and control processes. Internal Audit meets with ILIM management to discuss audit plans and to ensure they capture emerging risks in the business.
- The findings and resultant actions from internal audit reports are agreed with management before reports are issued. Internal Audit reports are issued to senior management in ILIM as well as senior management in the wider group. A database of agreed actions is maintained by the business risk unit and actions are monitored against agreed implementation dates.
- The business risk unit update the Central Bank on agreed audit actions. Internal Audit meet with the Executive Management Team on a quarterly basis to update management on audits undertaken, progress on findings and any trends identified across the group.
14. An **Operational Incident Event Reporting Policy** is employed in ILIM to capture and record all operational incidents and ensure controls and processes are updated to mitigate any risk that is highlighted by an operational incident. These incidents are reviewed at the ORSC meetings (see section below).
15. ILIM has implemented a **formal risk assessment process** where all client and portfolio activity, new services/funds and platform initiatives pass through the "On-boarding" process. Formal risk assessments are completed on all new services/ funds (which require new business processes or systems) with executive management team or ORSC signoffs as required.
16. ILIM benefits from the additional oversight from the **Irish Life Group** with operational risk and key risk indicators reported to the Group Compliance & Operational Risk Committee (CORC). The ILIM Managing Director and the Head of Compliance and Business Risk are members of the CORC.
17. Job profiles for all staff in ILIM include responsibility for mitigating risks.



### Risk Strategy and Appetite

ILIM's risk strategy and appetite statement which sets out the overall ILIM Board approved policy in relation to the type and level of risk that the company will assume in its strategic and operational objectives is a key component of ILIM's risk framework.

The Risk Appetite Statement outlines the company's preference and tolerance for different risks and specifies qualitative and quantitative limits. A RAG status report against risk tolerance limits is reported to the ILIM Oversight ExCo and the ILIM Board Risk Committee on a quarterly basis. Each of the risks identified in the risk assessment process is included in the risk appetite statement.

The overall objective of the risk appetite statement is for ILIM to ensure that it will take on only those risks which it understands and which it has the capability to manage.

The risk appetite statement underpins decision making by both the Executive Management Team and the ORSC.

The risk appetite statement confirms that ILIM has a limited appetite for operational risk but recognises that this risk is inherent in the business and that ILIM will carry out intensive operational risk management in order to minimise the risk of operational losses.

### Risk Policies

The Board approves a suite of Risk Policies that support the management of the various risk types across the Firm in line with the Firm's risk preference levels.

The overarching Risk Management Policy is the Enterprise Risk Management (ERM) Policy which establishes a formal, systematic and integrated, principles-based framework approach to identifying, managing and monitoring risks. The ERM Framework is the structure through which the Board and management establish the risk strategy, articulate and monitor adherence to risk appetite and risk limits and identify, measure, manage, monitor and report on risks. It aims to ensure that effective risk management processes are embedded into the day-to-day business operations and activities.

The ERM Policy is supplemented and supported by additional policies relating to the management and framework for specific risk types. Such policies include (but are not limited to) the Operational Risk Policy, Fraud Risk Management Policy, Outsourcing and Supplier Policy, Incident Reporting Policy, Technology Risk Management Policy, Business Continuity Policy, Strategic Execution Risk Management Standard.

### Recording of operational risk events

ILIM has in place an operational risk incident reporting policy.

The objective of operational incident reporting is to provide a consistent and structured approach to identify, capture, analyse and report on operational incidents.

The event reporting is to:

- > Highlight emerging trends and identify control gaps or weaknesses
- > Promote root cause analysis which can be used to drive improvement actions
- > Highlight correlations between risks and controls
- > Provide objective data which can be used for risk-based capital calculation
- > Provide an independent source of information which can be used to challenge RCSA and KRI data
- > Demonstrate compliance with international and local regulations

The policy requires the business areas to report all events as soon as they are discovered, this includes near miss incidents as well as incidents with an actual loss.

Each team's processes are required to facilitate prompt identification and recognition of an incident:

Once investigations have been completed by the business, an Operational Incident Reporting template is completed. The purpose of this template is to standardise the information that is reported to Business Risk. It aligns the information provided to Business Risk with the information required in Metric Stream GRC for Operational Loss reporting. It also aims to ensure that the information provided to Business Risk is complete when the Operational Loss Event is being reported.

The Metric Stream GRC operational risk database generates loss reports which are reviewed by the Irish Life Group Compliance and Operational Risk Committee, of which the ILIM Managing Director and Head of Compliance and Business Risk are members.

The ILIM ORSC is informed of all reported incidents as recorded on the Metric Stream GRC system. The policy is to encourage local management to identify all incidents and for management to ensure that appropriate actions or new controls are put in place. If required, ORSC will look for the Business Risk department to follow up with local management on material incidents.

Significant Incidents (Errors & Near Miss) are included in Business Risk monthly Oversight ExCo updates and quarterly Board Risk Committee reports.

### Risk Assessment

ILIM in accordance with the Group Operational Risk Policy carries out a Risk and Control Self-Assessment on a quarterly basis. This process is used to identify strategic/business and operational risks.

Each of the business areas is involved in completing the Risk and Control Self-Assessment. This necessitates identification of risks at a granular level for each business area. These assessments are facilitated by the Business Risk function.

Significant operational risks are identified based on detailed reviews of the business supplemented by reference to industry information and emerging market trends. Once a risk is identified it is assessed by the business owner in consultation with the Business Risk Team for significance to the firm by reference to defined qualitative probability and impact rating scales used to calculate both the inherent and residual risk which can be very low, low, moderate, high or very high. The output from this evaluation is used to identify the potential costs of significant operational risks for the Company and feeds into the internal assessment of capital needs' assessment.

Significant risks are reviewed by senior management and by the ORSC on a quarterly basis. The significant risks are approved by the ILIM ORSC each quarter. ILIM uses the Metric Stream GRC system to record the risks and their associated mitigating controls and actions.

Non-significant risks remain on local business area registers and are issued for review on a quarterly basis. These risks are kept under review to determine if at any point they meet the criteria to be deemed a significant risk.

Control procedures are also identified for each risk and risk treatments such as action planning and monitoring requirements are identified based on the materiality of the risk. The Business Risk function carries out a testing programme to verify the design and effectiveness of controls.

The significant operational risks identified for ILIM fall under the following categories:

- > Implementing Client Mandates
- > Fraud/Financial Asset Loss

- > Legal & Regulatory
- > Human Resources
- > Business Processes
- > Dependence on key providers
- > Information Technology (resilience and cyber)
- > Pricing of Client Funds
- > Business Continuity / Pandemic
- > Model Risk
- > Financial Reporting

In 2024 the risk assessments considered emerging risks to the business as result of developments in the business and other external factors.

In 2024 the business considered emerging risks under the following:

- > Pension reform
- > Growing adoption of non-life funds
- > Market risks caused by Geopolitical tensions, inflation and potential recession
- > Changing nature of Retail and Broker market and distribution models
- > Scalability and operating model constraints
- > New competition sources
- > Interest rate volatility
- > Channel contraction
- > Technology developments
- > ESG & Sustainability Risk
- > Managing high profile asset classes
- > Real estate challenges in current market environment

The non-operational risks identified for the business fall under the following categories:

- > **Market Risk**
- > **Client Concentration**
- > **Credit Risk**
- > **Liquidity Risk**

### Market Risk

The Company is not authorised and does not trade on its own account and therefore does not carry any market risk in respect of its own business.

### Credit Risk

Credit Risk is defined as “the risk to earnings and capital arising from an obligor’s failure to meet the terms of any contract with the company or its failure to perform as agreed”. ILIM does not trade on its own account and has minimal credit risk. ILIM is exposed to counterparty credit risk where the firm’s capital has been invested in liquid assets (cash deposits). The Company has assessed the exposure to credit risk as part of internal assessment of capital needs.

### Operational Risk

Operational Risk is defined as “the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events”. The Company has extended this definition to include damage to reputation as a result of operational risk failures (i.e. the current or prospective risk to earnings and capital arising from adverse perception of the image of the Company on the part of customers, counterparties, shareholders, investors, or regulators). Material operational risks are identified by risk assessment process detailed above.

The minimum regulatory capital considers the Credit Risk, Market Risk and Operational Risk of an institution. Since ILIM is not authorised to trade on its own account, or underwrite at entity level, there is no requirement for ILIM to set aside additional regulatory capital for operational risk under the minimum regulatory requirements. Capital requirements for operational risk are identified under the Internal Assessment of Capital process.

### Other Risks

As an asset management company, the Company also has exposure to business/strategic risk.

Business risk is defined as “the risk to earnings and capital in the short run (< 1 year) due to unforeseen changes in the competitive environment or failure to manage positive earnings performance”.

Strategic risk is defined as “the risk to earnings and capital arising from changes in the business environment and from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. This is regarded as commencing more than one year in the future.”

The risks associated with the Firms Strategy plans are classed under the following headings:

- > Reputational Risks
- > Business Risks
- > Regulatory / Conduct Risks
- > People Risks
- > Inter Project Risks

If the economic environment is such that asset values fall, this would translate into reduced management fees for the Company. A reduction in regular investment inflows or an increase in outflows of investments would also impact management fees adversely.

The ICAAP has stress tested adverse scenarios and has determined that there is no requirement to provide for additional economic capital for ILIM business risk.





## Remuneration Policy

The firm's remuneration policy is designed to ensure the firm appropriately, attracts, retains and compensates qualified and experienced employees who will perform in the best interests of the company and its stakeholders. The remuneration policy is gender neutral and encourages all employees to achieve goals in line with our Code of Conduct and sound risk management practices.

Key components of the remuneration framework include the following:

- > establishment of a Board Remuneration Committee to help the Board carry out its remuneration-related roles and responsibilities;
- > Annually, the Remuneration Committee, based on data provided, reviews compliance with the Remuneration Policy;
- > making sure there are specific remuneration arrangements (programmes) for the Board, senior leaders and the key control functions.

Remuneration consists of forms of payment and benefits made in exchange for professional services rendered by staff. The firm's remuneration packages consist of:

- > Fixed remuneration (determined based on skills, experience, job complexity and performance);
- > performance based bonus;
- > retirement benefits;
- > benefits during employment (Benefits in Kind)

There are a number of bonus schemes in operation across the Irish Life Group. Within the firm there are 3 main schemes which apply to our identified staff. Identified staff include senior management and those staff members whose activities have a material impact on the firm's risk profile, or assets managed.

We make our base salaries high enough to prevent employees being overly dependent on their bonuses.

Long-term incentives are made up of stock options, issued by our parent company, and performance share units.

Non-Executive Directors do not receive variable remuneration for their role; they are paid fees for performing their duties.

## Capital Resources and Capital Adequacy

The Company's regulatory own funds as at 31 March 2024 is made up of the Ordinary Share Capital, the Profit and Loss reserve account, a Capital Contribution reserve account and a Capital Conversion reserve fund. Where applicable, current year losses are taken into account. At 31 March 2024 and during the previous 12 months, the Company complied with all externally imposed capital requirements and held a buffer over and above the minimum regulatory capital requirements.

ILIM's core capital objective is to meet or exceed all relevant regulatory capital requirements and to hold sufficient economic capital to withstand a plausible worst-case loss in economic value due to risks arising from business activities. It is the Company's policy to maintain a strong capital base commensurate with its risk appetite and to hold a buffer over and above the minimum regulatory capital requirement. ILIM is regulated by the Central Bank of Ireland which sets and monitors regulatory capital requirements in respect to the Company's operations.

ILIM's Minimum Regulatory Capital requirements are set in accordance IFR/IFD and is based on the higher of:

1. the Own Funds Requirement or
2. the Internal Assessment of Capital Needs.

The **Own Funds Capital Requirement** of the Company is currently calculated using the larger of:

- a. the permanent minimum capital requirement (set at €75k),
- b. the "Fixed Overhead Requirement" methodology (this is for investment firms to hold own funds equivalent to 25% of their preceding year's fixed overheads less depreciation) or
- c. the K-Factor requirement which measures the risk the firm is exposed to (for ILIM it is K-AUM (Assets Under Management)).

Own Funds Requirement	As at 31 Mar 2024
a. Permanent Minimum Capital	€0.075m
b. Fixed Overhead Requirement	€14.62m
c. K-Factor (K-AUM)	€13.97m

The **Internal Assessment of Capital Needs** considers the operational and credit risks of the Firm. The Own Funds Capital requirement currently exceeds Economic Capital levels assessed under the Internal Assessment of Capital Needs.

### Own Funds for Solvency

As at end March 2024 the Minimum Regulatory Capital requirement was €14.62m driven by the fixed overhead requirement calculation. ILIM's current own funds for solvency as at end March 2024 is €27.89m.

Appendix 1 includes the Own Funds Disclosure as required under Articles 49 of the IFR as at end December 2023. It includes;

- a. a full reconciliation of the Firms Common Equity Tiers

and applicable filters and deduction applied to own funds of the Firm and the balance sheet in the audited financial statements;

- b. a description of the main features of the Common Equity Tiers including additional instruments issued by the Firm;
- c. a description of all restrictions applied to the calculation of own funds and the instruments and deductions to which those restrictions apply.

Formal procedures are in place to monitor and manage capital resources on an active and timely basis. Responsibility for ongoing monitoring of capital adequacy rests with the Finance Team, and quarterly reports are signed off by Senior Management. Periodic reports are prepared and distributed to the ILIM Board Risk Committee and Board.

As of the assessment date, Senior Management of the Company was of the opinion that there are adequate resources and contingency in place to support current and foreseeable activity.

### Internal Capital Adequacy Assessment Process (“ICAAP”)

Under the IFR/IFD, the Company is required to undertake an ICAAP, which is an internal assessment of capital requirements. This is undertaken annually or more frequently if required.

In implementing the ICAAP, an Internal Capital Assessment (ICA) has been prepared by ILIM. This ICA documents the ICAAP within the Company.

The ICA is presented to the Board of the Company for formal review and approval. The data and assumptions used in the assessment of risk and capital adequacy are continually assessed and updated. Should new risks materialise or be identified by the Company, then these risks will be reviewed in the overall process. The most recent formal ILIM Board review of the ICA was in May 2024.

### Further Information

For further information please contact:

[compliance@ilim.com](mailto:compliance@ilim.com)

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Republic of Ireland

## Appendix 1: Own Funds Disclosure

Template EU IF CC1.01 (EBA/ITS/2021/02) - Composition of regulatory own funds (Investment firms other than small and non-interconnected)

		(a)	(b)
		Amounts	Source based on reference numbers/letters of the balance sheet in the audited financial statements
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>			
1	<b>OWN FUNDS</b>	47,592,350	
2	<b>TIER 1 CAPITAL</b>	47,592,350	
3	<b>COMMON EQUITY TIER 1 CAPITAL</b>	47,592,350	
4	Fully paid-up capital instruments	2,539,479	Note 11 & Note 12
5	Share premium		
6	Retained earnings	48,859,494	Note 12
7	Accumulated other comprehensive income		
8	Other reserves		
9	Minority interest given recognition in CET1 capital		
10	Adjustments to CET1 due to prudential filters		
11	Other funds		
12	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	- 3,806,623	
13	(-) Own CET1 instruments		
14	(-) Direct holdings of CET1 instruments		
15	(-) Indirect holdings of CET1 instruments		
16	(-) Synthetic holdings of CET1 instruments		
17	(-) Losses for the current financial year		
18	(-) Goodwill		
19	(-) Other intangible assets	- 1,895,032	Note 3
20	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	- 266,759	Note 15
21	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds		
22	(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds		
23	(-) CET1 instruments of financial sector entities where the institution does not have a significant investment	- 1,644,833	Note 4
24	(-) CET1 instruments of financial sector entities where the institution has a significant investment		
25	(-)Defined benefit pension fund assets		
26	(-) Other deductions		
27	CET1: Other capital elements, deductions and adjustments		
28	<b>ADDITIONAL TIER 1 CAPITAL</b>		
29	Fully paid up, directly issued capital instruments		
30	Share premium		
31	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1		
32	(-) Own AT1 instruments		
33	(-) Direct holdings of AT1 instruments		
34	(-) Indirect holdings of AT1 instruments		
35	(-) Synthetic holdings of AT1 instruments		
36	(-) AT1 instruments of financial sector entities where the institution does not have a significant investment		
37	(-) AT1 instruments of financial sector entities where the institution has a significant investment		
38	(-) Other deductions		
39	Additional Tier 1: Other capital elements, deductions and adjustments		
40	<b>TIER 2 CAPITAL</b>		
41	Fully paid up, directly issued capital instruments		
42	Share premium		
43	(-) TOTAL DEDUCTIONS FROM TIER 2		
44	(-) Own T2 instruments		
45	(-) Direct holdings of T2 instruments		
46	(-) Indirect holdings of T2 instruments		
47	(-) Synthetic holdings of T2 instruments		
48	(-) T2 instruments of financial sector entities where the institution does not have a significant investment		
49	(-) T2 instruments of financial sector entities where the institution has a significant investment		
50	Tier 2: Other capital elements, deductions and adjustments		



Template EU IFCC2 (EBA/ITS/2021/02): Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements

		a	b	c
		Balance sheet	Under regulatory scope of consolidation	Cross reference to EU IF CC1.01
<b>Assets - Breakdown by asset classes according to the balance sheet</b>				
1	Property, plant and equipment	2,158,990	263,958	Line 19
2	Investment in subsidiary undertaking <sup>1</sup>	1,692,925	48,093	Line 23
3	Deferred tax	266,759		Line 20
4	Cash and cash equivalents	23,761,620	23,761,620	
5	Bonds	29,800,000	29,800,000	
6	Trade and other receivables	10,155,634	10,155,634	
7	Current tax receivable	94,239	94,239	
8	<b>Total Assets</b>	67,930,167	64,123,544	
<b>Liabilities - Breakdown by liability classes according to the balance sheet</b>				
1	Trade and other payables	16,531,194	16,531,194	
2	Current tax payable	-	-	
3	<b>Total Liabilities</b>	16,531,194	16,531,194	
<b>Shareholders' Equity</b>				
1	Called up Share Capital presented as equity	2,500,003	2,500,003	Line 4
2	Capital redemption reserve	39,476	39,476	Line 4
3	Retained earnings	48,859,494	48,859,494	Line 6
4	<b>Total Shareholders' equity</b>	51,398,973	51,398,973	

<sup>1</sup> 90% of the Investment in Summit Asset Manager Ltd, a subsidiary of ILIM has been included.

**Template EU IF CCA (EBA/ITS/2021/02): Own funds: main features of own instruments issued by the firm**

		a
		Free text
1	Issuer	N/A
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	
3	Public or private placement	
4	Governing law(s) of the instrument	
5	Instrument type (types to be specified by each jurisdiction)	
6	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	
7	Nominal amount of instrument	
8	Issue price	
9	Redemption price	
10	Accounting classification	
11	Original date of issuance	
12	Perpetual or dated	
13	Original maturity date	
14	Issuer call subject to prior supervisory approval	
15	Optional call date, contingent call dates and redemption amount	
16	Subsequent call dates, if applicable	
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	
18	Coupon rate and any related index	
19	Existence of a dividend stopper	
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	
22	Existence of step up or other incentive to redeem	
23	Noncumulative or cumulative	
24	Convertible or non-convertible	
25	If convertible, conversion trigger(s)	
26	If convertible, fully or partially	
27	If convertible, conversion rate	
28	If convertible, mandatory or optional conversion	
29	If convertible, specify instrument type convertible into	
30	If convertible, specify issuer of instrument it converts into	
31	Write-down features	
32	If write-down, write-down trigger(s)	
33	If write-down, full or partial	
34	If write-down, permanent or temporary	
35	If temporary write-down, description of write-up mechanism	
36	Non-compliant transitioned features	
37	If yes, specify non-compliant features	
38	Link to the full term and conditions of the instrument (signposting)	

(1) Insert 'N/A' if the question is not applicable

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