Investment Firm Regulation - Risk Management Public Disclosures

SETANTA Asset Management

Principal Activities

Setanta Asset Management Limited (“Setanta”) was established in 1998 by Canada Life as an independent active manager to manage assets on behalf of Irish pension and investment clients of Canada Life. The Great-West Life Assurance Company acquired Canada Life in 2003. In 1998, Setanta established its Global Equity Strategy as the main strategy of the firm and built the Global Equity strategy around Global sectors.

Setanta now manage €13.2bn (31st December 2022) of active assets on behalf of institutional clients.

Setanta offers its clients a range of strategies including Global Equity, as well as a range of multi-asset strategies.

Background

Up until 26 June 2021, the prudential regime applying to investment firms (and credit institutions) was the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD). On 26 June 2021 the majority of investment firms became subject to a new prudential regime by way of Regulation (EU) 2019/2033, known as the Investment Firms Regulation (IFR) and Directive (EU) 2019/2034 , the Investment Firms Directive (IFD).

Under IFR, the capital requirements are comprised of:

1. Minimum Capital Requirements

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

2. Internal Assessment of Capital

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.

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

Setanta Material Risks

Material risks for Setanta from an ICAAP economic capital perspective are business (market)/strategic risk, concentration risk, 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 Setanta's 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.

3. Public Disclosures

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.

The disclosures are contained within this document which can be found at https://setanta-asset.com/

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 in to 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.

Setanta is authorised to provide Portfolio Management services. As a result, Setanta 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 be 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.

Setanta's capital requirements will be the larger of the fixed overheads requirements, permanent minimum capital or the K-Factor requirement (K-AUM 0.02% of total AUM).

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

Risk Management Objectives and Policies

Risk Governance

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

1. ***The Board and Management Structures:*** Setanta's ***Board*** is responsible for the governance of risk in the Company and for establishing mechanisms and structures to control and manage this risk.

Board Governance

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

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

Directorships held by the members of the Management Body

Setanta's directors hold a total of 38 directorships.

Policy on Board Diversity

The Board recognises the value of appointing individual 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 key components of Setanta's risk governance framework include the establishment of the Board and Board Committees. Setanta'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. The Board and Board Committee each meet at least quarterly, per calendar year.

Management

The day to day management of the business is delegated to the Setanta Executive Management Team. The Setanta Executive Management Team has a formalised governance structure in place with monthly meetings, focusing on the operational agenda for the business and special meetings focussed 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 are the:

- Managing Director/Chief Investment Officer (CIO) - Setanta
- Marketing Director – Setanta
- Ireland Business Development – Setanta
- Head of Multi Asset Funds – Setanta
- Head of Equities - Setanta

The risk management for the assets under management is also overseen by the EMT which is responsible for monitoring the fund mandates, reviewing performance of funds versus benchmarks and overseeing the fund management operations including the implementation of best execution policies and the implementation of mandate rules on the fund management systems.

2. The development of 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 EMT. The Committee is supported by the Setanta On-boarding team who co-ordinate and oversee activities to implement new products and on-board new clients from an operational perspective.

3. Setanta ***Operational Risk Steering Committee*** ("ORSC")

The Setanta Operational Risk Steering Committee ("ORSC") exercises authority delegated to it by the Setanta Executive Management Team to provide governance to the management of operational risk within Setanta, and to monitor operational risk levels across Setanta to ensure alignment with Setanta's stated risk appetite.

As such ORSC is intended to ensure:

- Setanta has a culture that encourages open discussion of risk and emerging issues, and for fostering an awareness of operational risk management in the organisation.
- Setanta 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 to discuss all aspects of operational risk incidents which allows for open and forthright discussion of operational risk events.

The members of ORSC consists of EMT representatives, the Setanta Operations Manager, key managers from Setanta (outsourced provider), and representatives from the Business Risk function.

ORSC cont.

The ORSC meets monthly to review the matters described below, and any other matters relevant to operational risk within Setanta. Minutes are recorded at each meeting and retained for future reference.

The ORSC's principal objectives are:

- To monitor on-boarding activity, including:
    - To sign-off Operational Risk Assessments (ORAs) for significant new product, platform or client introductions
    - To receive updates on complex products and to review the mitigating actions taken to reduce complexity
- To provide a forum for the prioritisation and review of Setanta's existing and emerging material operational risks including the review and approval of the output and calculated capital from the first line assessment reported in the quarterly operational risk assessments (RCSA)
- To design and monitor those key risk indicators (KRIs) which relate to Setanta's material operational risks and that are reported to the Setanta Board Risk & Group Operational Risk Committees as part of Risk Appetite reporting. To monitor that an appropriate course of action is planned in the event of KRIs outside of tolerance.
- To establish formal incident reporting policies and procedures, and to monitor errors, near misses and any resultant changes to procedures
- To consider the implications for Setanta that arise from changes in the macro environment
- Whilst the ORSC has oversight for all operational risk types, specific responsibilities in respect of the following operational risks should be noted:
    - To ensure the business is kept up to date on business continuity planning issues
    - To proactively monitor and oversee fraud risk and controls in line with the Fraud Risk Management policy
    - To proactively monitor outsourcing risk in line with the Outsourcing Policy.
- To assess the reporting output, and commitments from first line in relation to the control testing performed by Business Risk
- To ensure effective oversight of operational services outsourced by Setanta
- To consider any implications of the output from audit activity and significant issues or themes arising
- To ensure sufficient permeation of the statement of Setanta's Risk Appetite to staff
- To ensure that Setanta maintains a robust and accurate internal capital adequacy assessment process (ICAAP). Including the development, review and approval of stress tests
- To retain an appropriate level of oversight of projects where they could pose significant operational risk to the business.
- To implement all relevant and appropriate Group Policies relating to Operational Risk, and report relevant information relating to operational risk in Setanta to Group Operational Risk and compliance with relevant policies in Setanta to Group Operational Risk
- The ORSC will oversee all risk acceptance within Setanta. A register of accepted items will be retained and subject to periodic ORSC and Group review.

4. Setanta benefits from the additional oversight from the Irish Life Group with operational risk and key risk indicators reported to the ***Group Compliance and Operational Risk Committee (CORC)***. The Head of Compliance and Risk is a member of this committee.

5. 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.

6. The ***Head of Compliance and Business Risk*** has a direct reporting line to the Irish Life Group Director of Compliance and the Irish Life Group Chief Risk Officer. The reporting lines of Setanta ***Compliance and Business Risk*** and ***Investment Risk team*** 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 Setanta Compliance and Business Risk and the continued location of this function in the business division itself, is designed to maintain the business partnership role.

7. The primary objective of the ***Compliance function*** is threefold:

    1. Support business in Trusted Advisor Role: plan for upstream regulatory developments, advise on strategic/operational developments and advise on conduct rules and develop policies.

    2. 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.

    3. Promote compliance culture through staff training and regulatory updates and the Employee code of conduct.

8. The primary objective of both the ***Business Risk and Investment Risk team*** is to provide independent risk oversight of all risk-taking activities and embed a disciplined risk management culture across the Firm. The Risk teams assist 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 Risk teams must remain objective in the ongoing assessment of risk-taking activities.

The findings and resultant actions from internal audit reports are agreed with management before reports issued. Internal Audit reports are issued to senior management in Setanta 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 Function 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.

9. 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 Setanta 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 Setanta Board Audit Committee.

   Internal Audit is responsible for carrying out a risk-based independent assessment of the adequacy, effectiveness and sustainability of Setanta Asset Management Limited's governance, risk management and control processes. Internal Audit meets with Setanta 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 issued. Internal Audit reports are issued to senior management in Setanta 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 Function 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.

10. Setanta 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 Head of Compliance and Business Risk is a member of this committee.

11. ***Job profiles*** for all staff in Setanta include responsibility for mitigating risks.

Risk Appetite

Setanta's risk appetite statement which sets out the overall 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 Setanta'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 Setanta Executive Management Team and the Setanta 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 Setanta 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 Setanta has a limited appetite for operational risk but recognises that this risk is inherent in the business and that Setanta 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 Firms risk preference levels.

The over-arching 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 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 Policy, Outsourcing & Supplier Policy, Incident Reporting Policy.

Outsourcing Oversight

Setanta has defined Service Level Agreements (SLAs), service monitoring and regular review meetings with its outsourced service providers. Service reporting feeds into the monthly EMT meetings. Quarterly reporting is presented to the Board Risk Committee on outsourcing oversight and service levels and annual due diligence questionnaires and governance oversight meetings are held with providers. Exit strategies have been developed for critical outsourcing and are subject to annual review.

Risk Framework processes

The Risk Framework is supported by a detailed set of risk processes which are managed by the 1st line of defence facilitated by the Risk function. The 3 most significant of these processes are described in further detail below:

1. Incident Reporting
2. Risk Assessment Processes
3. Key Risk Indicators

Incident Reporting

Setanta 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 events which result in a loss to the firm, events which have a positive impact and near misses.

Each team's processes are required to facilitate prompt identification and recognition of an incident. On discovery of an incident the Business Risk team is notified verbally and/or by email immediately.

The Setanta ORSC is informed of all reported incidents. 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 the monthly Executive Management Team updates and the quarterly Board Risk Committee reports.

Risk Assessment

Setanta 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.

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 initially 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.

Significant risks are reviewed by senior management and by the ORSC on a quarterly basis including where risks are re-graded as non-significant. The significant risks are signed off by senior management. Setanta uses the Metric Stream GRC system to record the risks and their associated mitigating controls and actions.

Non-significant risks 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.

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 requirement. Control procedures (and action points if appropriate) are also identified for each risk. The Business Risk function carries out a testing programme to verify the design and operating effectiveness of the control environment.

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

- Legal & Regulatory
- Fraud/Financial Asset Loss
- Human Resources
- Implementing Client Mandates
- International Business
- Business Processes
- Investment Performance
- Information Technology (resilience and cyber)
- Business Continuity / pandemic
- Dependence on key providers

Risk assessment cont.

In 2022 the risk assessments considered emerging risks to the business as result of developments in the business and other external factors. In 2022 the business considered emerging risks under the following:

- Economic/ Market Risk
- Low Return environment
- Performance between value and growth styles
- Regulatory Risks

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". Setanta does not trade on its own account and has minimal credit risk. Setanta 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 the internal assessment of capital requirements.

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 Setanta is not authorised to trade on its own account, or underwrite at entity level, there is no requirement for Setanta 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:

- Markets
- Investment Performance
- Fund and Operational capacity
- Talent, retention and alignment
- Regulation

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 Setanta business risk.

Key Risk Indicators

Key Risk Indicators (KRIs) are critical predictors of unfavourable events that can adversely impact organizations. They monitor changes in the levels of risk exposure and contribute to the early warning signs that enable organizations to report risks, prevent crises and mitigate them in time.

The Firm maintains a suite of Operational Key Risk Indicators covering the significant risks as identified in the Risk & Control Self Assessment Process.

KRIs are owned by 1st line Operational Management and submitted quarterly to the Business Risk Team who collate and report the risk status against the agreed thresholds to the Board Risk Committee. Issues with the KRIs are escalated in line with agreed procedures and corrective actions taken as necessary to return to a ‘green’ status. KRI reporting feeds into quarterly risk appetite reporting.

Capital Resources and Capital Adequacy

The Company's regulatory own funds as at 31 December 2022 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 December 2022 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.

Setanta'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. Setanta is regulated by the Central Bank of Ireland which sets and monitors regulatory capital requirements in respect to the Company's operations.

Setanta'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.

Setanta's ***Own Funds Capital requirements*** are set in accordance IFR/IFD. The capital requirement of the Company is currently calculated using the larger of the "Expenditure Requirement" methodology (this is for investment firms to hold own funds equivalent to 25% of their preceding year's fixed overheads less depreciation) or the K-Factor requirement which measures the risk the firm is exposed to (for Setanta it is K-AUM (Assets Under Management)).

Own Funds Requirement	(000's) As of 31 Dec 2022
Permanent Minimum Capital	€0.075m
Fixed Overhead Requirement	€3.15m
K-Factor (K-AUM)	€2.78m

The ***Internal Assessment of Capital Needs*** considers the operational and credit risks of the Firm. As at end Dec 2022, the Minimum Own Funds Capital requirement (OFR) lags behind the Economic Capital levels assessed under the Internal Assessment of Capital requirement (IAC) (calculated at €4.5m).

Own Funds for Solvency

As at end December 2022 the minimum regulatory capital was driven by the IAC requirement (€4.5m). Following approval of the Financial Statements, the eligible own funds for solvency purposes for the same period reported to the Central Bank of Ireland was €21.57m.

Appendix 1 includes the Own Funds Disclosure and Own Funds requirements disclosures as required under Articles 49 & 50 of the IFR. 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 incl. 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 Setanta 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 Setanta. 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 Setanta Board review of the ICA was in February 2023.

Remuneration policy

Introduction

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 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; and
- ensure sure there are specific remuneration arrangements (programmes) for the Board, senior leaders and the key control functions.

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

- Fixed remuneration
- Performance-based bonus
- Retirement benefits; and
- Benefits during employment (Benefits-in-Kind)

The table below details the components of remuneration to employees:

1 For senior employees, a substantial portion of variable compensation is payable under deferral arrangements. The proportion of variable compensation subject to deferral arrangements will increase with the level of seniority and/or responsibility.

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.

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.

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)

€'000		(a)	(b)
		Amounts	Source based on reference numbers/letters of the balance sheet in the audited financial statements
	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	**OWN FUNDS**	22,431	
2	**TIER 1 CAPITAL**	22,431	
3	**COMMON EQUITY TIER 1 CAPITAL**	22,431	
4	Fully paid up capital instruments	1,397	Note 13
5	Share premium		
5	Retained earnings	21,238	Note 13
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		
6	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-204	
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		
7	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-3	Note 5
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 entites where the institution does not have a significant investment		
24	(-) CET1 instruments of financial sector entities where the institution has a significant investment		
25	(-)Defined benefit pension fund assets		
8	(-) Other deductions	-201	IFRS adjustment*
27	CET1: Other capital elements, deductions and adjustments		
28	**ADDITIONAL TIER 1 CAPITAL**		
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	**TIER 2 CAPITAL**		
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		

**Note IFRS adjustment of €201,000 has been deducted for the calculation of Own Funds*

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

€'000		a	b	c
		Balance sheet as in published/audited financial statements	**Under regulatory scope of consolidation**	**Common Equity Tier 1**
		As at period end	**As at period end**	
Assets - *Breakdown by asset classes according to the balance sheet in the published/audited financial statements*				
1	Deferred tax	3	-	Line 20
2	Cash and cash equivalents	18,636	18,636	-
3	Bonds	6,000	6,000	-
4	Trade and other receivables	3,525	3,525	-
5	Current tax receivable	-	-	-
6	**Total Assets**	28,164	28,161	3
Liabilities - *Breakdown by liability classes according to the balance sheet in the published/audited financial statements*				
1	Trade and other payables	5,368	5,368	-
2	Current tax payable	161	161	-
3	**Total Liabilities**	5,529	5,529	-
Shareholders' Equity				
1	Share Capital	625	625	Line 4
2	Other un-denominated capital	772	772	Line 4
3	Retained earnings	21,238	21,037	Line 6, 26
4	**Total Shareholders' equity**	22,635	22,434	

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	
	Coupons / dividends	
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		