

EXECUTIVE SUMMARY

The purpose of Pillar 3 disclosures is to provide information on the risks, capital, and risk management arrangements of Conexim Advisors Limited (**'the Firm'**).

As of 31st December 2021 (financial year end), the Firm's total regulatory capital resources (€2,792,114) exceeded its internal capital requirement (€538,779), a 518% capital surplus.

NATURE OF BUSINESS

The Firm is a limited liability company regulated by the Central Bank of Ireland (**'CBI'**). engages in the following business activities under the respective authorizations: -

MiFID

As an investment firm regulated under the Markets in Financial Instruments Directive (**'MiFID'**), the firm is authorised to provide the following business services: in the following activities:

- Reception and transmission of orders;
- Portfolio management; and
- Provision of investment advice

The Firm is also authorised by the Revenue to act as a Qualifying Fund Manager (**'QFM'**). This role includes responsibility for the withholding of taxes in relation to tax due on distributions from approved retirement fund (**'ARF'**) accounts.

The principal business activities of Conexim are the provision of execution only services to retail clients via regulated third party investment intermediaries. The Firm also provides discretionary management services on a limited basis.

The Firm has appointed Pershing Securities International Limited (**'PSIL'**) as the primary custodian and settlement agent of its client business and the primary holder of clients' financial instruments and clients' money. As agent for its clients, the Firm has entered into contracts, with PSIL and its clients in regard to this arrangement. Where client assets are held by PSIL, PSIL is providing the service directly to the Firm's clients.

The Firm is wholly owned by Platform Capital Holdings, a subsidiary of a subsidiary of Great-West LifeCo Inc and a member of the Irish Life Group.

REGULATORY FRAMEWORK

The Investment Firm Regulation EU 2019/2033 (**'IFR'**) and Investment Firm Directive EU 2019/2034 (**'IFD'**) establishes a tailored prudential regime for Investment Firms. These regulations are effective from 26th June 2021.

In accordance with IFD, investment firms are required to provide certain public disclosures relating to the firm's capital, risk exposures, risk assessments, own fund requirements and governance arrangements. The public disclosures requirements of IFD encourages market discipline whereby market participants are provided access to a firm's key information.

BASIS OF DISCLOSURE

This disclosure document has been prepared by the firm in accordance with the requirements of IFR/IFD.

The Firm publishes Pillar 3 disclosures on at least an annual basis. The Firm publishes its financial statements via submission to the Companies Registration Office ('CRO') and the timing of the publication of this Pillar 3 as closely as possible coincides with publication by the CRO. Given the small scale and range of its operations and the lack of complexity, the Firm currently assesses that there is no need to publish some or all of its disclosures more frequently than annually.

The disclosure(s) will be made available on the Firms website (www.conexim.ie).

RISK MANAGEMENT OBJECTIVES & POLICIES

At Conexim, effective risk management is considered a critical component to the success of delivering the firm's strategic objectives. The firm considers risk management a continuous process which runs through all aspects of the firm's activities.

The primary objectives of risk management at Conexim are to ensure that there is:

- A strong risk awareness and internal control systems which enables employees to accurately identify, assess, manage, and report against the risks faced by the firm;
- An embedded culture of proactive risk management in each line of the business;
- A defined risk appetite appropriate to the firm's activities; and
- A swift and effective response to risk events.

Our approach is to ensure a strong control framework is maintained in order to identify, monitor, and manage the risks faced by the firm.

RISK MANAGEMENT FRAMEWORK

Conexim operates robust Corporate Governance arrangements which include a clear organisational structure with well-defined and consistent lines of responsibility, effective processes to identify, manage, monitor, and report the risks to which it is or might be exposed, adequate internal control mechanisms, including sound administrative and accounting procedures, IT systems and controls and practices which are consistent with and promote sound and effective risk management.

The firm has adopted industry best practice for risk management through implementation of the three lines of defence model.

RISK GOVERNANCE

The Key components Conexim's risk governance framework are as follows:

BOARD OF DIRECTORS AND BOARD COMMITTEES

The Board is responsible for the governance of risk in the Firm and for establishing mechanisms and structures to control and manage this risk. The Board meets at least quarterly, or as and when necessary, and has primary responsibility for governance and oversight of the firm.

The Board is comprised of 5 directors, who together hold 32 directorships as at the financial year ended 31st December 2021. Time Commitment of Board members is evaluated annually and is considered sufficient to enable the Board members to carry out their duties.

The Board is comprised of Executive, Independent and Group Non-Executive Directors. The Board has committees with a specific risk focus, namely:

- Board Risk Committee; and
- Board Audit Committee.

The Board have delegated oversight of the management of risk to the Board Risk Committee, which is chaired by an Independent Non-Executive Director, meeting at least bi-annually.

DIVERSITY OF MANAGEMENT BODY OBJECTIVES

The Board believes that prioritising diversity and inclusion is essential for its employees, clients, shareholders and for the future of its business. The Firm stands to benefit when the Firm values the diversity of ideas and ways of working that people from different backgrounds, experiences and identities bring to the Firm. Fostering a culture of growth and learning, enables people to reach their full potential, improves decision-making, boosts engagement and innovation, and puts the Firm in a better position to meet the needs of a diverse client base within the Irish market.

THREE LINES OF DEFENCE MODEL

Conexim has adopted the three lines of defence framework for risk governance.

FIRST LINE OF DEFENCE - OPERATIONS

The first line of defence is provided by front line staff who are involved in business operations. They have the responsibility and accountability for directly assessing, controlling and mitigating the risks to which the firm is exposed. The operations team is aware of their duty to report any breaches or any issues arising to the Chief Risk Officer without delay. All staff members are aware of their specific responsibilities in relation to reporting and escalating any issues to the correct person.

SECOND LINE OF DEFENCE - COMPLIANCE AND RISK

The risk management functions are responsible for maintaining independent risk oversight of the first line of defence and ensuring that a risk control framework is in place. They formulate risk policy and strategy and provide independent oversight and analysis of risk reporting.

THIRD LINE OF DEFENCE - INTERNAL AUDIT

The third line of defence comprises of the Internal Audit team which provides independent assurance and operates at Group level, so is independent of the firm. Internal auditors provide the board and senior management with comprehensive assurance based on the highest level of independence and objectivity within the organisation.

INTERNAL CONTROLS

As part of the Risk Management Policy, each risk is identified, assessed and categorised using a risk matrix system. The firm has comprehensive controls and processes in place which are reviewed and tested regularly. Staff are required to undertake comprehensive, ongoing training.

The firm have a number of frameworks which act as living documents, are used on a daily basis and are reviewed regularly. Frameworks which are key to achieving effective Internal Controls include the Corporate Governance Policy, Compliance Charter, Compliance Plan, Risk Management Policy and Business Continuity Plan.

RISK APPETITE

The Board adopts a prudent approach to all elements of risk to which the Firm is exposed. The Firm is risk averse by nature and manages its business activities in a manner consistent with the tolerances and limits defined within its risk appetite quantitative and qualitative measures. These measures and thresholds are built into its operating processes and governance structures. The risk appetite statement describes both the nature of, and tolerance for, the material risks that are inherent in Conexim business.

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

RISK REGISTER

As part of the Risk Management Framework, the firm operates a comprehensive Risk Register which details the key risks faced by the firm. Upon identification, each risk is assessed, categorised and controls are implemented in mitigation. The Risk Register is reviewed annually, or as required.

The firm is exposed to a variety of risks as detailed in our Risk Register. However, the Board has adopted a conservative approach to risk, resulting in a medium-low risk profile for the firm, for some the following reasons:

- The business model is an investment firm primarily providing execution-only services. The firm does not execute orders or trade on its own account, provide investment advice or hold client assets;
- The recruitment of experienced, technical, and highly trained professionals operating in key functions throughout the firm;
- Limited exposure to market or credit risk.

OVERVIEW OF RISKS

The firm has carried out a detailed risk assessment and concluded that the Firm is primarily exposed to operational risk, strategy risk and regulatory risk. By nature of its business activities, the Firm may also be exposed to conduct and reputational risks. For the purpose of this document we have briefly summarised the following key risks.

OPERATIONAL RISK

Operational risk can be defined as “the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events”. The Firm has a comprehensive range of controls and processes in place to minimise operational risk, these include:

- Appropriate segregation of duties;
- Documented processes, procedures and controls;
- Staff training;
- Ethical and business standards; and
- Business continuity planning

This risk is managed through the Firm’s Operational Risk Management Framework and Policy which is updated and approved annually and sets out the methodology by which operational risk is managed. A key aspect of the management of operational risk is the Risk and Control Self-Assessment (‘RCSA’) process through which each business function reviews the processes for which it is responsible and assesses whether the controls in place are adequate. Where necessary improvements to the control environment are put in place.

Another key aspect is the management of operational risk events, where an operational risk has crystallised, and which may lead to the identification of process or control improvements. Other elements of the management of operational risk include the consideration of the findings of compliance monitoring and internal audit reviews, and the recording and management of risk issues identified by the business or by the second and third lines of defence.

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

- Internal & External Fraud
- Legal & Regulatory
- Human Resources
- Business Processes
- Dependence on key providers
- Information Technology (resilience and cyber)
- Business Continuity
- Financial Reporting

Oversight of operational risk is undertaken by the Board Risk Committee.

COMPLIANCE RISK

Compliance risk is an organisations potential exposure to legal penalties, financial forfeiture, and material loss, resulting from its failure to act in accordance with applicable laws, regulations, internal policies rules, standards, and codes of conduct.

Conexim have in place a wide range of controls to minimise the firm's exposure to this risk. This includes:

- Adoption of a comprehensive Compliance Plan which is approved by the Board and executed through the Compliance team;
- The risk identification process of the ICAAP; and
- Ongoing compliance monitoring.

REPUTATIONAL RISK

Reputational risk is the risk resulting from adverse perception, whether true or not, of the image of the organisation. This risk can materialise as a result of poor customer service, a breach of regulatory obligations or failure to adhere to internal processes and procedures.

At Conexim this risk is mitigated by the following:

- Strong regulatory and compliance culture delivered by a professional team dedicated to the needs of our clients;
- Proactive monitoring of upstream regulation in order to anticipate and respond adequately to Industry and regulatory changes;
- Effective Anti-Money Laundering ('AML') prevention framework;
- Comprehensive policies and procedure in place to ensure clients receive high quality service; and
- Performing comprehensive initial and ongoing Client Due Diligence on our client base

CREDIT RISK

Credit risk is the risk of loss resulting from the failure of counterparties to fulfil their contractual obligations. The Firm considers there to be three sources of credit risk to the business, which are assessed on a monthly basis

- **Creditworthiness of Counterparts:** The firm assesses its exposure to counterparts on a monthly basis using a credit step template.
- **Illiquid Assets:** The Firm is required to have appropriate infrastructure in place to support its business. The credit risk associated with fixed assets relates to the risk that the value of assets will decrease below their expected economic value. It is noted that the firm does not project an illiquid asset risk.
- **Income:** It is possible that default on debtors could result in a reduced cashflow. The Firm does not consider this to be a significant credit risk given that the majority of the Firm's clients require pre-funded accounts and Pershing is the firms main counterpart and accrued income resides in specific segregated nominal accounts held with Pershing, separate from client assets.

The Firm has appointed Pershing Securities International Limited (PSIL) as the main custodian and settlement agent of its client business and the primary holder of clients' financial instruments and clients' money. As agent for its clients, the Firm has entered into contracts with PSIL and its clients in regard to this arrangement.

SUCCESSION RISK

The firm may be adversely affected by the loss of one or more senior members of staff. The risk of being affected by loss of key members of senior management is mitigated by the firms Business Continuity Policy and Procedures and notice period requirements for senior management to allow for adequate time to facilitate replacements if required.

REGULATORY CAPITAL REQUIREMENTS

The Firm's overall regulatory capital requirements are determined after performing its Pillar 1 capital calculations and assessing its Pillar 2 capital requirements.

The calculation of Pillar 1 and Pillar 2 capital requirements allows the Firm to determine, and subsequently monitor, the appropriate amount of capital to be held based on its risk profile. The Firm's capital requirement is determined by taking the sum of:

- the higher of its Pillar 1 and Pillar 2 capital requirements; plus
- if applicable, any requirement to hold additional capital imposed by the CBI.

PILLAR 1 REQUIREMENT

During the financial year ended 31st December 2021, the Firm maintained surplus capital resources at all times to satisfy minimum capital requirements.

Conexim is required to disclose information in relation to own funds in accordance with Article 46 of The Investment Firm Regulations (Regulation (EU) 2019/2033).

As per the IFR, Conexim's own funds requirement is the highest of the following:

- (a) Their fixed overheads requirement calculated in accordance with Article 13; or
- (b) Their permanent minimum capital requirement in accordance with Article 14; or
- (c) Their K Factor requirement calculated in accordance with Article 15.

Own Funds Requirement	as at 31 December 2021 €'000's	Comment
(A) Fixed Overhead Requirement	539	As at Dec 2021
(B) Permanent Minimum Capital	75	As per regulation
(C) K Factor	23	As per regulation calculation
Conexim Advisors Limited	539	The greater of (A), (B) or (C)

The table below details the composition of the capital resources of the firm as of 31 December 2021.

Capital Resources	as at 31 December 2021 €'000's
Paid Up Shares Capital	1,311
Other reserves	284
Retained Earnings	1,197
Common Equity Tier 1 Capital	2,792
Additional Tier 1 Capital	0
Tier 1 Capital	2,792
Tier 2 Capital	0
Total Capital Resources	2,792
Regulatory Capital Coverage	518.22%

The total capital resources of the firm comprise paid up share capital and audited retained earnings as per 31st December 2021 financial statements of the firm. The firm has no Tier 2 capital.

Conexim'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 firm's policy to maintain a strong capital base proportional with its risk appetite and to hold a buffer over and above the minimum regulatory capital requirement

As of the assessment date and also at the date of publication, the Board was and is 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 Firm is required to undertake an internal assessment of capital requirements, reported through an ICAAP.

The Internal Capital Adequacy Assessment Process ('ICAAP') The ICAAP requires firms:

- to identify, measure and monitor its risks; and
- to identify the internal/economic capital requirements in relation to the firm's risk profile

The ICAAP is prepared by the risk function and presented to the Board Risk Committee ('BRC') for review and approval. The data and assumptions utilised in the assessment of risk and capital adequacy are continually assessed and updated. The ICAAP is reviewed on an annual basis, or more frequently as required. The most recent review of the firms ICAAP was in November 2021.

The process in developing an appropriate ICAAP for the firm is determined by the Chief Risk Officer under guidance from the BRC. The following were important considerations for the firm in designing its ICAAP.

- Comprehensive capturing and assessment of risk;
- The nature, scale, and complexity of the activities of the firm; and
- Desire to further embed a risk framework in the business.

CONTACT INFORMATION

For any queries or to request further information please contact:

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