The Investment Firm's Regulation (the "IFR") under Article 47 requires investment firms to publicly disclose information relating to the Firm's **Risk management objectives and policies**.

In order to achieve its strategic objectives, it is crucial that the risks to which NEAM Limited (the "Firm") is exposed are managed on an ongoing basis and that the Firm has implemented a robust risk management framework that is proportionate to the nature, scale and complexity of its business. The Risk Management Framework is grounded in policies, procedures, systems and controls designed to identify, manage and monitor the Firm's risks in accordance with its risk appetite.

The risk management framework focusses on the following key risk management objectives:

- Maintaining the Firm's long-term financial performance
- Safeguarding and protecting the Firm's reputation
- Implementing effective policies & procedures having considered the nature and level of the Firm's risks in a forward-looking manner
- Promoting an appropriate risk culture
- Upholding the highest ethical standards of conduct
- Ensuring compliance with all legal and regulatory obligations

The cornerstone of the risk management framework is the Firm's Risk Appetite Statement which sets out both the aggregate level and type of risk that the Firm is willing to assume given its risk capacity, in order to achieve its business strategy objectives. It is approved by the Board at least annually.

The management body of the Firm – the Board and senior management - is responsible for establishing, approving, implementing, directing and maintaining the policies and procedures for all key risks facing the firm. Any changes in the Firm's strategic focus, business plan, operating environment or other factors that materially affect assumptions or methodologies used in these policies or procedures or that lead to additional risks being identified, will lead to a review & update of the policies and procedures accordingly.

The Firm's overall risk management framework is supported by sound, effective and complete policies and operational procedures, as well as effective compliance controls, reliable internal governance and a strong risk and compliance culture. The policies and procedures describe how the Firm's management monitor and manage the Firm's exposure to all material risks as they relate to the Firm's activities, processes and systems (its risk profile). The Risk Management process involves:

- Identifying key risks
- Quantifying them, where possible
- Considering the controls in place to mitigate risks and
- Escalating and reporting to management and the Board accordingly

The Board will review these policies and procedures annually, monitoring their adequacy and effectiveness, as well as the level of compliance with the risk measures outlined.

The Firm has developed a detailed Risk Handbook which identifies all of the potential risks that the Firm might face. The Risk Handbook and attendant Matrix that summarises the risks outlined in the Handbook is the key part of the risk policies and procedures. The Handbook and Matrix identify all key risks facing the firm; classify and measure their effect; detail the measures and controls in place to mitigate them and finally designate clear responsibility for the risk and its monitoring.

Risk Committee

The Risk Committee - comprised of senior management of the Firm including the Managing Director, the Risk Officer, the CIO, the Financial Controller, and the Compliance Officer meets on a quarterly basis.

Risk Officer

The Risk Officer reports to the Board on a quarterly basis and any issues and/or relevant topics are highlighted accordingly. The minutes of every Risk Committee meeting are included in the Board pack that is distributed to the Board.

Regulatory Capital Calculation

As part of the Firm's Internal Capital Adequacy Assessment Process (the "ICAAP"), the Firm produces on a quarterly basis a Capital Plan – comprising a quantitative risk assessment and capital allocation calculation. The Firm's Capital Plan details the key Financial, Operational, Strategic and Compliance risks that have been identified and quantified while taking into account any risk mitigants in place. Additionally, the relevant risks are stress tested. The Capital Plan is reviewed and approved by the Risk Committee and the Board on a quarterly basis.

Own funds

The own funds requirements are set out in Articles 9 and 10 of the IFR. The firm is categorised as a Class 2 entity under the regulations and shall at all times have own funds (consisting of the sum of Common Equity Tier 1, additional Tier 1 and additional Tier 2, subject to certain conditions) which amount at least to the highest of the following:

- The fixed overheads requirement
- The permanent minimum requirement
- The K-factor requirement

The permanent minimum requirement for the firm is EUR75K, as set out in the Investment Firm Directive ("IFD"). As such, the highest amount will always be either the Fixed Overhead Requirement ("FOR") or the K-factor requirement.

K-factor requirement

The regulatory capital framework as set out in the IFR/IFD introduces the concept of K-factor requirements. The "K-factors" are quantitative indicators that are divided into three groups and aim to capture the risk the investment firm can pose to customers, to market access and the firm itself. Class 2 firms are required to calculate their capital requirement based on the K-factor formula. The k-factor requirements are tailored to the respective activities of an investment firm, with a view to creating a capital requirement that is directly proportional to the risk profile of the investment firm.

The overall K-factor position is a sum of the K-factors relevant to a firm. The general principles concerning the calculation of the three groups of K-factors – Risk-to-Client (RtC), Risk-to-Market (RtM) and Risk-to-Firm (RtF) – can be found in Article 15 of the IFR.

On an ongoing basis, the Firm monitors the fixed overheads requirement and the K-factor requirement to ensure that its own fund calculation remains current and appropriate. As at December 2024, the Firm has determined that of the nine K-factors, two are relevant to the Firm, that is, K-AUM and K-NPR.

The Firm has determined that the K-factor requirement does not take account of certain risks to which the Firm may be exposed and therefore, additional capital is allocated for Credit Risk, Operational Risk, Strategic Risk and Compliance Risk, to fully reflect all material risks to which the firm is exposed. The Firm's K-factor calculation is greater than the FOR and represents the relevant own funds requirement for the Firm.

In summary, as at 31st December 2024, the firm's calculated ICAAP is Eur4.466m. Article 43 of the IFR states "Investment firms shall hold an amount of liquid assets equivalent to at least one third of the fixed overhead requirement." The fixed overheard requirements is Eur1.198m, the Firm's liquid assets are Eur7.103m.

Concentration Risk

Article 35 of the IFR states that "Investment firms shall monitor and control their concentration risk … by means of sound administrative and accounting procedures and robust internal control mechanisms." The IFR specifically requires the Firm to consider Concentration Risk as it relates to where and how the Firm holds its capital.

The Firm may assume credit exposure and concentration risk through its deposit arrangements with bank counterparties. To address this risk, any cash deposits are made with **counterparties which have been approved by the Board**. In addition, as deposits are available at immediate notice the Firm can promptly withdraw funds and move funds to an alternative institution.

The Firm may invest capital reserves in short-term interest-bearing instruments (one-year maximum maturity). Such investments on a hold to maturity basis may be in short-term money market instruments – including Government T-Bills, Fixed Term Deposits with approved counterparties, or approved high quality liquid Money Market Funds. Credit and market risk on these holdings will be measured and monitored as necessary. On a quarterly basis, the risk committee considers concentration risk as it applies to credit institutions where the Firm's capital is held.

Liquidity Risk

Article 43 of the IFR states "Investment firms shall hold an amount of liquid assets equivalent to at least one third of the fixed overhead requirement." As set out above, the Board of the Firm sets conservative investment guidelines for the investment of short-term surplus cash. The investment guidelines are compliant with the liquidity requirements of the IFR are reviewed at least annually by the Risk Committee.