MARKET DISCLOSURE

JUNE 2020

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INTRODUCTION

INDEPENDENT TRUSTEE COMPANY LIMITED (ITC) (part of ITC Group) is authorised under *the European Union (Markets in Financial Instruments) Regulations 2017* as an Investment Firm and is regulated by the Central Bank of Ireland. Accordingly, ITC has obligations to comply with the Capital Requirements Regulation and Directive (CRD). The principles of the CRD are summarised below:

Capital Framework

Pillar 1	• Minimum Capital Requirements sets out the mechanics for assessing minimum capital adequacy requirements for credit, traded market and operational risks. Capital Adequacy relates to the calculation of how much reserves a financial institution needs to hold against the risk of losses
Pillar 2	• Supervisory Review Process relates to the internal assessment of capital adequacy and the supervisory review process.
Pillar 3	• Market Disclosure & Discipline where by institutions are required to publicly disclose specific information

This document is compiled in accordance with Part 8 of Regulation (EU) No 575/2013 Of The European Parliament And Of The Council Of 26 June 2013 On Prudential Requirements For Credit Institutions And Investment Firms And Amending Regulation (EU) No 648/2012.

RISK MANAGEMENT OBJECTIVES AND POLICIES

ITC's objective in terms of risk management is to preserve and grow its value through the means of an effective risk management framework. This includes building a strong risk awareness and internal control culture with clear lines of responsibility and internal reporting.

The framework designed for managing risk takes into account:

- Understanding of the organisation and its environment;
- Risk management policies;
- Integration into processes;
- Accountability;
- Resources;
- Establishing internal and external communication and reporting mechanisms.

Risk management is an integral part of ITC's corporate governance framework. It is the process whereby it methodically addresses the risks attaching to its activities with the goal of achieving sustained benefit within each activity and across the portfolio of all activities. The focus of good risk management is the identification, treatment and ongoing review of these risks. ITC has developed a risk management environment whereby senior management understand and are responsible for identifying, assessing and monitoring all material risks within individual business units. An appropriate framework has been put in place to facilitate the recording and reporting of risk to the Board and management. Our risk management process does not operate as an isolated activity, but rather has a holistic application with responsibility and accountability primarily with those closest to it. When designing the process, ITC have incorporated the empirical standards set by the International Standards Organisation and the Basel Committee on Banking Supervision.

The Risk Register is the method by which all risks identified are recorded. It serves to give a comprehensive and common understanding of the risks and a reporting mechanism to the Board and Management Team. It is maintained by the Head of Risk and is reviewed by the Board, Risk Committee and senior management regularly. This allows a full and frank discussion of each of the risks identified, agreement of assessment and treatment. It brings together different areas of expertise for analysing risks, ensures that different views are appropriately considered in evaluating risks and secures endorsement and support for a treatment plan.

The risk function acts as a secondary line of control. Key responsibilities of this function include assisting with the development of risk understanding and responsibilities, evaluating risk and regulatory obligations (including upstream risk), reviewing and testing processes of control and regular reporting to the Board and management.

The Head of Risk is responsible for developing and managing the overall Risk Management Plan as well as the day-to-day management of the risk function within ITC. The Head of Risk reports directly to the Managing Director and has full access to the independent Non-Executive Directors.

Most, if not all, of the risks identified are unavoidable. It is ITC's policy to mitigate risk wherever possible. Mitigation techniques include robust processes and procedures, insurance cover, an active and monitored control environment, capital allocation, risk awareness and a culture of compliance. Reviewing the effectiveness of controls is part of the risk management process.

The types of risk that ITC faces and the policies for managing these are set out below:

Credit Risk

Credit risk is defined as the risk of financial loss arising from an obligor, borrower, issuer, guarantor or counterparty who fails to meet its obligations in accordance with agreed terms. Inherent credit risk arises anytime ITC's funds are extended, committed, invested or otherwise exposed.

ITC's main credit exposure is to administration fees on pension structures. ITC does not have any large exposures to any one client and has adopted a prudent debtor provisioning policy.

Market Risk

ITC is not exposed to direct market risk. However, income levels may be affected indirectly as most of its income is based on a percentage of funds under administration. The impact of this risk is reduced through a wide spread of investment types held by clients with significant weighing in low risk assets and valuation dates spread throughout the year.

Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems.

ITC ensures it has robust policies, procedures and controls in place to manage operational risk closely, with secondary reviews of controls where appropriate. All processes are integrated as part of the business and controls are in place to mitigate identified risks where possible.

Insurance Risk

Insurance risk relates to the uncertainty regarding the occurrence, amount, timing of insurance claims or payments or the risk that policies do not adequately cover requirements.

ITC ensures that relevant and sufficient insurance cover is in place for insurable events against potential claims. The control environment seeks to lessen the probability of such claims occurring where possible.

Capital Risk

Capital risk is defined as the risk ITC does not have adequate capital in place to support its business plans.

ITC is adequately capitalised and regular reviews are undertaken of the capital position to ensure that an adequate buffer is in place in excess of the regulatory minimum.

Liquidity Risk

Liquidity risk is defined as the risk of working capital becoming insufficient to meet financial obligations as they fall due.

ITC maintain strong cash balances so as to ensure that all short-term obligations can be met regardless of fluctuations in operating conditions. ITC conducts business within its operating cashflow without the need for banking facilities.

Governance Risk

Governance risk covers the oversight and control mechanisms which ITC has in place to ensure that it is soundly and prudently managed.

Active and engaged boards are appointed with an appropriate spread of expertise and experience and of sufficient size and diversity, cognisant of the nature, scale and complexity of the business. ITC maintains relevant processes, structures and information flows to allow the Board and Senior Management to satisfy themselves that effective control mechanisms are in place to protect all stakeholders.

Conduct Risk

Conduct risk is defined as the risk that ITC's behaviours will result in poor outcomes for consumers.

ITC operates in line with its various processes and Code of Conduct to ensure ethical business practices are observed at all times and to use relevant data accumulated from the various consumer focused activities and initiatives undertaken to validate that its behaviour is in line with conduct of business practices.

Concentration Risk

Concentration risk is defined as the risk of loss arising from exposure to a particular counterparty or group of counterparties.

ITC regularly undertake risk assessments of financial institutions where firm assets are held and addresses concentration risk, where appropriate.

Strategy / Business Model Risk

Strategy / business model risk refers to the current or prospective risk to earnings and capital arising from changes in the business environment and from adverse business decisions, improper implementation of decisions or a lack of responsiveness to changes occurring in the business environment.

ITC maintains long term focused and strategic objectives with a strong element of responsiveness based on applied knowledge and continuous market and industry interaction and research. Regular review and flexibility in its approach allows it to adapt quickly to any necessary changes.

COVID-19

On 11th March 2020, the World Health Organization officially declared COVID-19, the disease caused by novel coronavirus, a pandemic. Countries across the world were required to go into lockdown in order limit the spread of the disease and this has resulted in a large reduction in business and consumer activity. The economic impact of the pandemic is uncertain but is likely to be severe on many business sectors. ITC have modelled several scenarios and believe that, due to the company's continuing ability to operate through the crisis along with its high level of recurring income and strong capital position, the company will continue to be able to trade successfully. ITC will continue monitor how the fiscal and economic impacts unfold and will take appropriate steps to mitigate the risks to the business.

DECLARATION

The Board is satisfied that the systems in place are adequate and in line with risk appetite and strategy. This is evidenced by the following: -

- Current capital ratio
- The lack of proprietary trading activity
- Low level of debt

- The diversity of income sources
- Degree of recurring income against cost base

The Board retains primary responsibility for corporate governance at all times. A system of governance, internal control and risk management is fundamental to the achievement of strategic objectives. Senior management are responsible for operating effective oversight consistent with board policies.

CORPORATE GOVERNANCE

There are seven directors on the Board of ITC, three executive directors, two non-executive directors and two independent non-executive directors.

It is ITC's policy and practice to have an active and engaged Board with an appropriate spread of expertise and experience and of sufficient size and diversity, cognisant of the nature, scale and complexity of the business, to achieve long term success through high quality governance.

The ITC Board consists of individuals with a diverse range of expertise in the areas of finance, legal, operations, compliance, sales and IT. All members of the Board are of good repute and possess the knowledge, skills, experience and time to perform their duties.

The Board is regularly reviewed to evaluate its overall composition and performance. All proposed appointments are considered in line with the Fitness and Probity requirements. Pre-approval of directors by the Central Bank of Ireland is required.

The Risk Committee, a sub-committee of the Board, meets, at a minimum, three times annually. The Risk Committee is responsible for monitoring risk governance within the firm and assisting the Board in discharging its responsibilities to ensure the risks are properly identified, reported and assessed, risks are properly controlled, and that the firm's strategy is informed by and aligned with the firm's risk appetite.

There is also a Group Compliance & Risk Committee (GCRC) which meets on a monthly basis and is charged with the responsibility of undertaking a critical review of the regulatory matters and other risk issues within ITC.

The Risk Management policies and processes of ITC are reviewed and approved by the Board on an annual basis. All risks are actively managed on an ongoing basis and a full risk review is undertaken twice a year with risk owners and the management team and is reported to Board. The Head of Risk regularly reports to Board.

SCOPE OF APPLICATION

ITC is part of the ITC Group. However, the Capital Requirements Directive, at time of publication, applies to ITC only for the reasons outlined:

- ITC Group is a holding company only, not a credit institution/investment firm.
- The majority of companies and activities within Group are unregulated.
- ITC are not involved in cross border activities, underwriting or dealing on its own account.

OWN FUNDS

Common Equity Tier 1 items set out in the Capital Requirements Regulation consist of the following as at 31/03/2020:

(a) capital instruments (subject to conditions) *	8
(b) share premium accounts	25,393
(c) relevant retained earnings	1,1,453,842
Own Funds as at 31/03/2020	**1,479,243**

**The main features of the capital instruments are set out in Appendix I*

ITC's Own Funds are made up entirely of Common Equity Tier 1. Where relevant retained earnings are applied, they are done only where they are available to the company for unrestricted and immediate use to cover risks or losses as soon as these occur. It has not been necessary to apply any restrictions to the calculation of Own Funds. The only type of capital instrument issued by the business is ordinary shares. The ordinary shares carry standard voting/common equity rights.

CAPITAL REQUIREMENTS

ITC's regulatory capital requirement is based on the highest of the following four methodologies:

(i) Initial Capital
(ii) ¼ Fixed Overhead Expense
(iii) Standardised Approach
(iv) Internal Capital Assessment

As at 31/03/2020 ITC's regulatory capital requirement is €1,197,433 with a regulatory capital cover ratio of 1.24.

It should be noted that many of the risks identified by the Capital Requirements Directive do not apply to ITC's business, for example, interest rate risk, dilution risk and lack of trading book. This is mainly due to the fact that ITC does not engage in proprietary trading and therefore is either not exposed or only peripherally exposed to those types of risk.

Our existing risk management system has been designed to reflect the requirements of a prudent approach to capital and risk. Steps are taken to guard against breaches of risk appetite or, alternatively, consideration is given to the capital needed to cover the risk.

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

ITC has undertaken an internal assessment of the capital required to cover the risks identified from business activities including calculating the cost of an orderly wind-down of the firm. Having applied both a risk evaluation scoring process, together with stress testing, ITC has calculated its internal assessment of capital needs to be €1,216,766 with an internal capital cover ratio of 1.92.

REMUNERATION POLICY

The Remuneration Committee is charged with oversight of the remuneration policy. The Committee consists of two Non-Executive Directors and the Chief Executive and meets as often as necessary with a minimum of two meetings annually. The duties of the Remuneration Committee include an annual review of the remuneration policy for which guidance and advice is sought from the compliance function and external consultants as required.

The overall approval of the remuneration policy is the responsibility of the Board which meets at least quarterly. The Management Team is tasked with its implementation and on-going application.

Any variable remuneration arrangements / payments will be managed independently of relevant persons and will be subject to further monitoring by Finance, Human Resources and Compliance to ensure fair, compliant and consistent application of the remuneration policy.

Variable remuneration is not considered a contractual arrangement but will be at the discretion of the Board. Variable remuneration (bonus or commission payments) takes account of strategic business plans, profitability, capital base, team and individual performance, level of fixed remuneration and other such metrics.

The individual performance element is objectively assessed via a formal Performance and Development process and includes both quantitative and qualitative elements.

Bonus or commission payments will be paid only from company profits and cannot be guaranteed. Variable remuneration will be flexible enough to be able to go to zero. In addition, no element of variable remuneration will be paid through vehicles or methods that facilitate the avoidance of these conditions.

In line with the requirements set out in Article 450 (h) for the year ended December 2019, the aggregate of fixed remuneration for the business unit of ITC was €2,613,906, of which 51% represents the fixed remuneration of the 13 identified staff. There was €204,529 in performance based variable remuneration paid in the period to identified staff.

ITC have set out the relevant information based on size, internal organisation and the nature, scope and complexity of its activities.

APPENDIX I – CAPITAL INSTRUMENTS

1	Issuer	Independent Trustee Company Ltd
2	Unique Identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Ireland
	Regulatory Treatment	
4	Transitional CRR rules	CET1
5	Post-transitional CRR rules	CET1
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo
7	Instrument type (types to be specified by each jurisdiction)	Common equity Ordinary Shares
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	0
9	Nominal amount of instrument	€8
9a	Issue price	€8
9b	Redemption price	N/A
10	Accounting classification	Shareholders' Equity
11	Original date of issuance	16/03/1994
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Discretionary dividend amount
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	No

22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	None, ordinary unsecured debt is the next highest-ranking creditor claim
36	Non-compliance transitioned features	N/A
37	If yes, specify non-compliant features	N/A