

Risk Appetite

The Investor Compensation Company DAC (the "ICCL") aims to operate a financially sound scheme so that it is in a position to pay, in a prompt manner, statutory levels of compensation to eligible clients of failed investment firms. In the pursuit of this mission statement, the ICCL maintains four overarching objectives:-

1. To ensure that the Scheme is adequately funded, by collecting levies and managing invested reserves prudently, so that we have the resources to pay claims when they arise.
2. To manage the ICCL efficiently and effectively, implementing quality corporate governance and risk management procedures.
3. To handle claims for compensation promptly and to expedite the certification of claims.
4. To communicate effectively, manage relationships and be an advocate of change with all key stakeholders.

A comprehensive Register of all risks confronting the Company and related controls is maintained by the ICCL. In order to minimise these risks, and in conjunction with the Board's policy of low risk tolerance, an Audit & Risk Committee review the Risk Register on a quarterly basis while also identifying any new risks which emerge due to changing internal activities or external factors. Furthermore the Board regularly reviews critical risks and any changes to the Risk Register.

From a review of the operations and objectives of the ICCL, the principal risk exposures have been identified as follows:-

Strategic

Strategic risk is a function of business decisions, the execution of those decisions, and the resources deployed in support of strategies employed. Proper management of strategic risk is critical to ensure that the ICCL continues to effectively meet its objectives. The ICCL actively engages with key stakeholders in order to achieve its overarching objectives. The ICCL has a low appetite for activities that do not align with its' objectives while also recognising that the actual or perceived inability to deliver on these objectives would have a significant impact on its reputation with stakeholders.

Financial

The ICCL is exposed to various financial risks through its investments and funding objectives including: Market, Liquidity, and Funding. The ICCL has a low appetite for such Financial risks. Market Risk is an inherent part of the ICCL's investment policy where investments are made to maximise returns and minimise losses with suitably rated counterparties. The ICCL is exposed to liquidity risk when a valid call is made on the Investment Compensation Scheme and the Company requires access to adequate resources to satisfy resulting claims within the statutory timeframe. Funding risk can be split into two parts:- the first relates to the collection of levies from participant firms on an annual basis with the second occurring where the ICCL's funding stream fails to cover the cost of a valid claim.

Operational

Operational risk relates to losses or reputational damage occurring due to inadequate or failed internal processes, people and systems. The ICCL has a low appetite for such Operational Risks. The operational risks faced by the ICCL include risks relating to Information and Communications Technology, Human Resources, Data, Business Continuity, and Compliance. The ICCL recognises the potential for significant and material adverse consequences of operational risks materialising as incidents. As such, it implements effective processes and systems through strong Board-approved internal controls and quality assurance programs. It also places the highest value on its employees and expects them to act with a high degree of integrity and compliance.