

## CONNING ASSET MANAGEMENT LIMITED - ICARA DISCLOSURE

### 1. Background & Scope of Directive Requirements

Conning Asset Management Limited is an Investment Manager, Authorised and regulated by the Financial Conduct Authority (FCA) in the United Kingdom.

### 2. Risk Management Policies

The Board comprises of Directors who have the necessary skill and experience to lead and control the Company. The Board is responsible for setting the overall risk management framework and relevant guidelines. Given the size of the Company, and the limited number of financial risks to which the Company is exposed, the Directors have not delegated the responsibility of monitoring risk to a sub-committee of the Board. Risk monitoring and reporting reviews the amount and type of risks the Board regard as appropriate in order to fulfil its business objectives and operate within regulatory guidelines.

#### Risk Exposures

The main risk exposures are:

##### Credit Risk:

The Company is exposed to credit risk through its receivables from Clients and exposure to banks where the Firm's funds are placed on deposit. Strong internal controls exist to ensure Clients pay within the agreed credit terms. Funds are placed with financial institutions that meet the required external credit ratings as determined by the Board. Credit risk associated with receivables from clients is actively managed. Senior management and other staff have close working relationships with all levels of client personnel. This and the public nature of the majority of clients' finances allows the firm to identify and address any potential risks prior to default. In addition, invoice receipts and aged debtors are closely monitored and actively pursued.

The risk of counterparty credit risk to the Company is eliminated as the Company only deals as an Agent for its clients. The Company does not have the regulatory permission to and does not trade on its own account.

##### Foreign Exchange Risk:

The Company holds assets and liabilities denominated in currencies other than its functional currency Sterling. This exposes the Company to adverse movements in exchange rates. Movements are monitored against approved limits set by the Board. Where possible inter- company foreign currency payments and receipts are netted to reduce exposures.

##### Liquidity Risk:

The Company consistently maintains sufficient liquid resources to meet its obligations from financial liabilities. Cash flow and capital adequacy forecasts are carried out on a regular basis. Surplus cash is placed in working cash accounts to ensure liquidity.

##### Business Risk:

The Company operates in a competitive industry, downturns in the economy and fixed income markets can lead to a reduction in assets under management and management fees. As part of the strategic planning process the Board will assess the impact of various economic scenarios on the performance of the Company.

##### Operational Risk:

These are risks resulting from inadequate or failed internal processes, people and technology or from external factors such as suppliers or changes in regulations or law which may adversely affect the company. The Board as part of its internal control and corporate governance procedures regularly review these risks and their impact.

### **3. Governance Arrangements**

#### **(i) An overview of the firm's governance arrangements**

CAML has a clear organisational structure with well defined, transparent, and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks the firm is, or might be, exposed to, or the firm poses or might pose to others; and adequate internal control mechanisms, including sound administration and accounting procedures. It is not required to establish a separate risk committee at the level of the firm. The Firm's governing body has overall responsibility for the Firm's risk strategies and policies.

CAML is wholly owned by Conning Holdings Limited (CHL) which is wholly owned by Generali Investments Holding. CAML has been set up as a separate legal entity to ensure local independent management and good corporate governance. Conning Inc. ("CINC") in Hartford, Connecticut, USA is the largest company in the group and provides services to CAML under a Service Level Agreement ("SLA"). Collectively CAML and CINC provide the services and processes employed in the management of the CAML client base.

CAML has assessed its requirement to prudentially consolidate under MIFIDPRU 2. It has identified Conning Holdings Limited as the UK Parent Investment Holding Company and that a UK Investment Firm Group is formed of itself and Conning, Inc., Conning Investment Product, Inc., Goodwin Capital Advisers, Inc., Octagon Credit Investors, LLC, Global Evolution Financial ApS, Pearlmark Real Estate LLC, and Conning Asia Pacific Limited. Legal entities are relevant financial undertakings which must consolidate and apply the prudential and remuneration requirements (known as the 'consolidation situation').

The ICARA assessment has only been performed at the individual firm level. Some reference to the consolidation situation of the UK Investment Firm Group has been made. The ICARA considers if any material risks arise from CAML's membership of either its UK Investment Firm Group or the wider group and has concluded that no material risks have arisen from such memberships.

CAML's Board and Compliance Officer have set out the three lines of defence risk model as far as it works in a small firm environment as some of the roles overlap which has the effect of improving the communication flow between the different areas of the firm.

The first line of defence are CAML's senior managers on the front-line business operation (see chart below). They are responsible for identifying and managing risk as part of day-to-day operations. The CAML senior managers include the Senior Portfolio Manager (who is also a Director), the Chief Operating Officer, the Head of Credit Research and the UK CEO who heads up Sales and Marketing.

The second line of defence is the compliance oversight function, which sets the boundaries for the whole firm and implements policies, frameworks, tools, techniques and support to enable risk and compliance to be managed in the first line, conducts monitoring to judge how effectively they are doing it and helping ensure consistency of definitions and measurement of risk. This is conducted by the the UK Compliance Officer, who reports into the Board and is supported by the CCO in the US, the General Counsel and the Chief Risk Officer who both report directly to the Group CEO.

The third line of defence is the annual audit undertaken by KPMG that provides independent assurance, involving a combination of SOC1 and audit.

Overseeing these three lines of defence is the governing function which defines the culture and behaviours of the firm and includes the Group CEO as Executive Chair, the UK CEO and Chief Investment Officer, the Group CFO, the Senior Portfolio Manager and two Independent Non-executive Directors.

#### **(ii) The number of directorships held by each member of the governing body**

Excluding not for profits, the executive directors of CAML are directors only of CAML plus other Conning group companies commensurate with their role as directors. Alongside their directorships at Conning, the non-executive directors of CAML have less than four other directorships each. The board has reviewed all external directorships and confirmed these do not represent a conflict of interests with the interests of CAML.

#### **(iii) A summary of the firm's policy on promoting diversity on the governing body.**

Conning's senior management and a working group of Conning employees (the 'DEI Council') have been developing and executing a broad range of policies, practices and guidelines since 2019. During this period a number of working groups, surveys and management action resulted in the 'DEI Strategic Plan' which was approved by the Group Board

in March 2022. This document can be found in Appendix 4 and lays out the clear objectives that the Group has set itself in an ever-evolving strategy.

**(iv) A summary of the firm's policy on promoting diversity on the governing body.**

It is not required to establish a separate risk committee at the level of the firm.

#### 4. Capital Position

As at the 31<sup>st</sup> December 2023 the capital position of the Company in relation to its Regulatory Requirement is as follows:

<b>Own Funds Requirement</b>  <b>Own Funds Requirement is the greater of:</b> <ul style="list-style-type: none"> <li>• minimum Capital Requirement; or</li> <li>• the fixed overhead requirement; or</li> <li>• the sum of the k-factors</li> </ul> <b>Capital Requirement (Sum of the K-Factors)</b>	31 December 2023 GBP (000's)
	£75
	£1601
	£2286
	£2286

  

Capital Resources  Tier 1 Capital  Tier 2 Capital  Deductions from Total Capital*  <b>Total Capital Resources as per the CRD</b>	31 December 2023 GBP (000's)
	£7,255
	Nil
	(£321)
	<b>£6,934</b>

  

<b>Surplus / ( Deficit ) Capital</b>	<b>£4,648</b>
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