



Pillar 3 Disclosure

INTRODUCTION

Appian Asset Management Ltd (“**Appian**” or “**the Company**”) is authorised by the Central Bank of Ireland (the “**Central Bank**”) as an alternative investment fund manager (“**AIFM**”). The Company is also authorised to carry out the additional service of individual portfolio management in accordance with Regulation 7(4) of the European Union (Alternative Investment Fund Managers) Regulations 2013, as amended (and Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU.

The Company is required to establish, implement, and maintain effective procedures to ensure that it meets minimum capital requirements under the Capital Requirements Directive (“**CRD**”). The CRD requirements have three pillars:

PILLAR 1

Pillar 1 deals with regulatory minimum capital requirements. The Company’s Pillar 1 requirement is the higher of:

- (i) The Initial Capital Requirement, which is €125,000; and
- (ii) The Additional Amount, which is equal to 0.02% of AUM exceeding €250m; and
- (iii) Own Funds set aside to cover Professional Liability Risks of at least 0.01% of AUM

OR

- (i) The Expenditure Requirement, which is one quarter of Net Qualifying Expenditure; and
- (ii) Own Funds set aside to cover Professional Liability Risks of at least 0.01% of AUM

PILLAR 2

The adequacy of the Company’s minimum capital is no longer dictated by the regulatory minimum requirement. The Company must assess itself whether the capital it holds is adequate. This is achieved by the Company through the Internal Capital Adequacy Assessment Process (“**ICAAP**”) which

quantifies the risks of certain events on the Company's profitability and its ability to continue to operate and the Supervisory Review and Evaluation Process through which the Company and the Central Bank satisfy themselves as to the adequacy of capital held by the firm in relation to the risks it faces.

PILLAR 3

This deals with the public disclosure of risk management policies, capital requirements and capital resources by the Company. The disclosure requirement is intended to improve market discipline by requiring firms to publish certain details of their risks, capital and risk management. This document sets out the Company's Pillar 3 Disclosures and is published on the Appian website: www.appianasset.ie. This document will be reviewed and updated annually or if the Company identifies a material change to the risks affecting the Company.

APPIAN BUSINESS MODEL

Appian Asset Management Ltd was incorporated in 2003. Appian is an Irish owned asset management business and is an active manager. Appian manages six funds which invest globally to grow and protect client's assets. The funds invest in a range of investments including equities, bonds, property and cash.

Appian holds the following authorisations from the Central Bank of Ireland:

Appian is an **Alternative Investment Fund Manager** ("AIFM") authorised by the Central Bank under the European Union (Alternative Investment Fund Managers) Regulations 2013. Activities which the Company may undertake as an AIFM include:

- Portfolio Management
- Risk Management
- Marketing
- Administration of Assets
- Investment Advice
- Receipt and Transmission of Orders

Appian is also authorised by the Central Bank as a **service provider to a fund**, which can be either an administrator, trustee or management company, under the Investment Intermediaries Act, 1995 (as amended) and/or approved under the relevant collective investment scheme legislation, as appropriate.

The firm is authorised to hold client assets.

Appian also acts as a **Qualifying Fund Manager**, that is, a financial institution authorized under the 1999 Finance Act to operate approved retirement funds (ARFs).

RISK MANAGEMENT FRAMEWORK

Appian has an Enterprise Risk Management Framework (“ERMF”) which is prepared by the Head of Risk and Compliance, reviewed by Senior Management and approved by the Board. The objective of the ERMF is to enable Appian to make informed decisions based on information captured within the Risk Management Lifecycle and ensure a formal process is in place to identify, assess, mitigate, monitor and report on the key risks the organisation is exposed to. The Risk Management Lifecycle is in place to ensure that risks including emerging risks are identified appropriately, that a risk assessment is carried out across the whole enterprise using qualitative and quantitative measures, that Appian assumes effective strategies for risk mitigation and ensure that the risk profile is monitored, updated and reported on.

Risk Management Life Cycle

Appian manages its risks through a Risk Management Lifecycle of; identification, assessment, mitigation, monitoring and reporting. It is the application of both the ERMF and the maintenance of strong risk culture that will ensure that Appian provide the right outcomes for our stakeholders.

Risk Governance

A key element of Risk Management is a structure that offers oversight from the Board and senior management and satisfactory and operative controls within a strong risk culture. The Risk Management framework is supported by two lines of defence who hold clear responsibilities and accountabilities.

Risk Register

Appian maintains a Risk Register to record information about risks and controls. Each business unit is required to identify all risks and the related controls influencing their processes and they are documented and assessed on standard risk register templates.

Risk Appetite

The Risk Appetite is an essential aspect of an ERMF as it supports the operation and function of elements such as the risk profile and risk assessments. The Risk Appetite will focus on the risks captured within the Risk Universe and include limits that state the level of risk Appian are willing to accept. The Board will ensure that Appian’s strategy and values are aligned to their appetite for risk and sign off on an annual basis. A strong risk culture is adopted through an environment where risks can be discussed openly across the whole organisation.

Risk Appetite Framework

The Appian Risk Appetite Framework (RAF) comprises of a series of risk appetite statements (RAS) that communicate the amount of risk Appian are willing to accept in the realisation of its business and strategic objectives across a number of risk categories. The annual review by the Board and noting by Senior Management of Risk Appetite is facilitated by the Risk Function and considers the:

- Interests of the relevant stakeholders;
- Decision making priorities of the Board;
- Circumstances and objectives of the business and the risk environment; and
- Level of risk in the business.

Risk Assessment

A robust risk assessment allows Appian to fully understand its risk profile and allows the organisation to assign strategies and resources to efficiently manage the risks. Appian have adopted a RCSA approach that measures risk based on impact and likelihood of the risk occurring, controls to mitigate the risk which are considered across 6 categories; governance, policies and procedures, systems,

training, first line of defence (quality assurance) and second line of defence (risk and compliance). Risks are measured on both an inherent (“gross”) and residual (“net”) risk basis.

In line with the ICAAP rating methodology, Appian rate their risks inherently using Likelihood and Impact factors.

The ICAAP

The final element of the Risk Management Process is the preparation of the ICAAP. The purpose of the ICAAP is to move away from the mechanistic Pillar 1 capital calculations to determine the Company’s overall required capital levels. The Company has identified key risks and quantified their potential impact on the Company.

These risks identified as relevant to the Company are detailed as follows:

- Market Risk
- Credit Risk
- Operational Risk
- Liquidity Risk
- Insurance Risk
- Pension Obligation Risk
- Concentration Risk
- Strategy (or Business) Risk
- Interest Rate Risk
- Reputation Risk
- Legal Risk
- Performance/Client Retention Risk
- Key Person Risk
- Outsourcing Risk

Minimum Capital Requirement

The Company’s minimum capital requirement will be the greater of the amounts determined under the Pillar 1 and Pillar 2 assessments:

Method	Capital Requirement
Pillar 1 Minimum Capital Requirement	€837,000
Pillar 2 Capital Assessment	€817,000

The Company’s minimum capital requirement is therefore **€837,000**.

Capital Resources

The total capital resources of the Company were **€1,565,990** at 31 December 2019, as set out in the most recent audited financial statements. All capital is categorised a Tier 1 Capital. The Company has a material surplus and is compliant with its regulatory capital requirements.

