Fisher Investments Ireland Limited

Pillar 3 Disclosures

October, 2021

EXECUTIVE SUMMARY

This document constitutes the Pillar III disclosures of Fisher Investments Ireland Limited ("Firm" or "FII"), as of 31 December 2020. The purpose of this document is to publically disclosure information as required under EU Regulation No 575/2013 and EU Directive No 2013/36, as transposed into Irish law through Statutory Instrument. No. 158 of 2014. These are collectively known as CRD IV. The Firm's Pillar 2 disclosures are prepared separately under the Firm's Internal Capital Adequacy Assessment Process ("ICAAP") and are confidential between the Firm and its supervisory authority, the Central Bank of Ireland ("CBI"). This document should be read in conjunction with the Firm's 2020 annual financial statements.

BACKGROUND / BUSINESS STRATEGY

The Firm, a MiFID-authorised firm, was established as a subsidiary of Fisher Asset Management, LLC, trading as Fisher Investments ("FI" or the "Parent") on 5 April 2018. As a wholly owned subsidiary of FI, the Firm has a transfer pricing commitment from its Parent that ensures it has the financial resources needed to carry on as a going concern.

The Firm's aim is to further expand the FI corporate vision to pioneer investment solutions globally, thereby maximising enterprise value through dominance in our local markets, and by delivering unparalleled service, continuous education, and appropriate solutions to its clients, always considering their interests first.

Following authorisation, the Firm assumed, from its UK sister company, Fisher Investments Europe Limited, trading as Fisher Investments UK ("FIUK"), discretionary portfolio management services for over 700 high net worth private clients via established branches in Spain and Italy. The Firm also assumed, from FIUK, discretionary portfolio management services for two Institutional Clients based in Europe. The Assets under Management ("AUM") is expected to grow from €1.40 billion at the end of 2021 to €2.02 billion by the end of 2023.

The composition of the Firm's Board of Directors, PCF holders and personnel consists of qualified and experienced individuals with a broad range of experiences, skills, knowledge and expertise. Where the Firm partially or fully outsources key operational functions, it remains fully responsible for discharging all of its obligations under MiFID.

The Firm is committed to its role as a MiFID-authorised firm and to the observance of policies and procedures designed to ensure compliance with all applicable regulatory requirements. The Board of Directors has put in place, and ensures adherence to, adequate policies and procedures designed to detect risk of the Firm failing to comply with its obligations under the MiFID regulations as well as the associated risks, and put in place adequate measures and procedures designed to minimise such risk and thus ensure the Firm meets the CBI regulatory expectations. The Firm seeks to maintain an open and co-operative relationship with the CBI responding promptly to any of their enquiries and informing them of any matters that should be brought to their attention.

With its strong group backing, experience in the US markets and excellent business model, the Firm is poised to become a leading provider of discretionary portfolio management services in Europe. The Firm intends to establish itself as a highly respected institution in Ireland for years to come.

GOVERNANCE FRAMEWORK

The governance model is designed to promote transparency, accountability and consistency through clear identification of roles, the separation of business, governance and control structures, by tracking performance against accountabilities.

RISK MANAGEMENT OBJECTIVES AND POLICIES

The FII Board has ultimate responsibility for the effectiveness of risk management within FII, and to fulfil its obligations has delegated the development of a Risk Management Framework (”RMF”) to the Risk function. The RMF forms part of the overall risk governance infrastructure of FII, which uses a hierarchy of committees with responsibilities delegated down from the Board as appropriate, with roles and responsibilities allocated in accordance with the risk management industry standard, three Lines of Defense model. The governance and oversight structure within FII aims to ensure that risk management activities are implemented and operated effectively, and will continually evolve as the business evolves.

The Board as the ultimate decision-making body within FII, is responsible for approving the RMF and Risk Appetite statements, and Capital assessments as part of the Internal Capital Adequacy Assessment Process (“ICAAP”), setting the tone from the top on the Firms risk culture, challenge and oversight of risks identified in FII.

FII’s Chief Risk Officer (“CRO”) has an independent reporting line through to FII’s Head of Operations and is responsible for the development and operation of FII’s risk management framework. The CRO is directly accountable to the FII Board, for providing independent insight and challenge with respect to FII’s risks.

Specific responsibilities are delegated to the Risk Committee (“RC”), which is a non-executive committee of the Board and responsible for developing and delivering against the Board-approved strategy, and for ensuring the effective and smooth operation of the business within the Board-approved Risk Appetite statement. Key responsibilities of the RC include implementation of the Risk management policies, procedures, systems and controls as set by the Board, including the RMF. The RC’s additional responsibilities include advising the Board on the Firm’s current risk exposures, overall Risk Appetite, monitoring of the risk management strategy and methodologies, principal emerging risks, the review of enterprise risk framework constituents prior to Board approval, and exceeding Risk Appetite limits.

External auditors audit the Firm’s accounts annually. No significant exceptions have been noted because of the annual audit. An external accounting firm also prepares tax returns and the Firm seeks external expertise to ensure compliance with regulatory agencies. The Firm complies with all applicable CBI regulatory filings. On a regular basis and as needs arise, the Firm consults with independent professionals for guidance and advice to ensure adequacy and compliance.

STRATEGIES AND PROCESSES TO MANAGE RISKS

In addition to determining the Firm’s business strategy, the Board and management of the Firm are responsible for ensuring an effective RMF is designed and implemented that recognises and addresses potential risks to the Firm. The RMF describes the holistic and integrated view of risk management across the Firm, aiming to ensure a cohesive and consistent approach to risk management, and one that is incorporated into strategic and business decision making.

RISK MANAGEMENT FRAMEWORK

FII has established a Risk function proportionate to its operating business model with the following responsibilities:

- ensure that the regulatory and (applicable) internal risk thresholds are compatible with the strategies, activities and organisational and operational structure of the Firm;

- monitor compliance with these thresholds and the proper application of the escalation procedure in case of thresholds being exceeded, and ensure these are remedied as soon as possible;

- monitor the risks associated with the complexity of the legal structure of the Firm and the relationships of the Firm with related parties;

- ensure that the senior management and the Board of Directors receive a comprehensive, objective and relevant overview of the risks to which the Firm is or may be exposed.

- ensure that the terminology, methods and technical resources used for the risk anticipation, identification, measurement, reporting, management and monitoring are consistent and effective;

- ensure that the qualitative and, where applicable, quantitative risk assessment is based on conservative assumptions and on a range of relevant scenarios, in particular regarding dependencies between risks. Where applicable, the quantitative assessments are to be validated by qualitative (expert) judgements;

- where relevant, compare its ex-ante possible risk assessments with the ex-post risks on a regular basis in order to improve the adequacy of its assessment methods (back-testing);

- strive to anticipate and recognise the risks arising in a changing environment. In this respect, the risk function also monitors the implementation of changes in activities to ensure that the risks relating thereto remain controlled by the Firm.

As part of the Risk function, the CRO receives and reviews reports from the operations and business units within the Firm as well as from its core service providers (including investment management reports). The CRO uses these reports to identify access, monitor, respond and oversee risks as well as to provide reporting to the Board.

FII's RMF depicted below is comprised of the following key elements:

Risk Governance – Oversight of the Firm's risks and risk management activity through:

- Defining the Firm's risk guidance statement and monitoring the firm's risk profile.

- Approval of the Firm's regulatory capital requirement and monitoring its capital position.

- Evaluation of the key risks to the Firm's strategy and the way it conducts its operations.

- Establishing risk related policies and procedures.

Risk Identification & Assessment – Forward looking evaluation of risks through:

- The periodic update of risk self-assessments and top risk assessments
- The identification and assessment of emerging risks within the business and across industry

Risk Measuring, Monitoring & Reporting – Monitoring of risk trends and the quantification of potential risk exposures through:

- Recording risk events and the evaluation of trends.
- Identification of and quantification of risk scenarios.
- Use of Key Risk Indicators to support the monitoring of the Firm's risk profile.
- Monitoring the status and completion of agreed key risk mitigating actions.

Risk Events **–** Tracking of potential operational risk issues through:

- Identifying where there are potential exceptions to FII controls enabling a determination of material or non-material risk events.
- Root cause assessment of the Risk Events to mitigate the potential for future control issues.

Emerging Risks – Potential new risks/threats to FII are assessed through:

- A monthly review of Emerging & Emerged risks (by functional area) are discussed with FII leadership.
- New risks that present a threat to the organisation are identified, potentially leading to additional oversight or projects (e.g. Pandemic planning).
- Emerging risks that are identified are mapped back to the Top Risk Assessment to ensure a complete overview of FII's risk profile.

KEY OPERTIONAL RISKS AND MITIGANTS

The Firm considered the following Operational and Reputation Risks:

Potential impact of persistent poor performance on profit generation: Due to the nature of the Firm's operations, its liquidity is primarily dependent upon the Parent's performance and secondarily on the Firm's ability to successfully sell and market investment services and maintain customer satisfaction. The Parent commits to support FII for at least 12 months following the date of approval of the FII financial statements through a signed Letter of Support, and ongoing liquidity requirements are reviewed in a periodic basis and satisfied via funding from the Parent. As a conclusion from the ICAAP, the Firm has sufficient liquidity to meet its liabilities as they fall due.

Financial impact from the loss of largest clients due to market abuse or conduct: The Parent currently (as of 31 December 2020) manages over €130 billion of retail and professional client assets. Due to the nature of the Parent's operations and the number of clients, management does not anticipate that a small loss of the largest clients will have a material impact on operations. The Firm also has numerous controls in place to mitigate the risk of market abuse violations.

Financial impact from poor customer service by not properly processing client instructions: Management of client accounts is an internally operated process rather than outsourced. For all clients, a relationship manager serves the client over the life of the client relationship. Client retention is a key metric of the Firm resulting in significant oversight of client service.

Impacts from regulatory breaches: The Firm relies on internal and external Legal and Compliance resources to implement policies and procedures consistent with regulatory requirements and to monitor compliance therewith.

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PROCESSES FOR HEDGING AND MITITGATING RISKS

The Firm, along with all entities within the Fisher group of companies ("Fisher Group"), complies with the Enterprise Risk Management Policy, and with respect to the Firm, the FII-specific Risk Management Policy, which sets out the guidelines and standards against which all types of risk should be identified, evaluated, and managed within the Firm, the key control requirements, and the monitoring and reporting requirements.

An intrinsic constituent of the RMF is the Policy Framework, which provides the document standards, governance and processes, to ensure that Policies set out the principles, rules and guidelines that define how the Firm conducts its business and ensure that all risks are appropriately and adequately managed within Risk Appetite. Within the Policy Framework, documents are arranged in a hierarchy, with the Policies at the top level of the hierarchy requiring Board approval. As far, as is practicable, these Policies and all documents in the hierarchy will be mapped to the Firm's Principal Risks to ensure adequate coverage and that the Firm's governance documentation is effective in its role of risk mitigation.

On an annual basis, all elements of the RMF are to be reviewed and updated to ensure ongoing applicability. The underlying framework activities facilitate continual update to the risk and control environment of the Firm.

REMUNERATION

FII's Remuneration Policy was developed and implemented by FII's Remuneration Committee.

FII's Remuneration Committee includes at least two individuals from the Fisher group of companies (the "Fisher Group"), at least one of whom is a member of the Board of Directors. The Remuneration Committee is responsible for all aspects of the Remuneration Policy, assessing both the Remuneration Policy and the structure and amount of remuneration on at least an annual basis, and overseeing the determination of remuneration paid to staff.

FII's Remuneration Code Staff includes those employees, agents and outsourced personnel who are members of administrative or management bodies at FII or whose professional activities have a material impact on FII's risk profile.

Remuneration Code Staff who are employees of FII receive a fixed salary, as well as benefits including a pension or equivalent arrangements and private health insurance. In addition, Remuneration Code Staff who are managers or otherwise responsible for a business unit(s), are eligible for variable remuneration based on metrics designed to encourage the development of a successful team in the business unit for which the Remuneration Code Staff is responsible and take into account the measurable performance of the relevant business unit employees. Bonuses are designed to encourage meeting ongoing measurable targets and are therefore paid out in cash upon attaining targets rather than being deferred unless they are significant.

FII's Remuneration Policy splits the variable remuneration from the advice process Specifically, whether to recommend discretionary asset management services, and the recommended asset allocation, is determined by employees who do not earn commissions or formula-bases bonuses. Further, employees and agents who are eligible to receive variable commissions and/or formula-based bonuses also receive either a fixed salary or call fees that are not contingent upon a client hiring FII, which forms a substantial portion of their overall remuneration, as appropriate for their roles.

In the event of reasonable evidence of employee or agent misbehavior or material error (which may include failure to follow any of FII's policies and procedures or for conduct exposing FII to undue conduct or other risk), the Remuneration Committee will determine the extent to which variable remuneration should be reduced.

The aggregate remuneration paid to all Remuneration Code Staff in 2020 was €2.3M. Of total remuneration, €1.6M was fixed remuneration and €0.7M was variable remuneration. The average number of all Remuneration Code Staff was eleven, although only eight of these are directly employed or engaged by FII.

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STRESS AND SCENARIO TESTING

A number of stress tests were completed and reviewed by management at year-end. With the current market conditions and business plans of the Firm, management of the Parent does not foresee any material issues in managing the Firm's business and capital so as to survive a market downturn whilst meeting minimum regulatory standards. FII hold sufficient capital to cover risk exposures under normal and stressed operating conditions and to undertake an orderly wind down in the event that a decision is taken to cease trading. Therefore, there is no need to hold additional capital. However, the stress tests indicate the importance or ongoing capital management and the financial support of the Parent. The financial position of the Parent remains viable and there is no substantial doubt about the Firm's ability to continue as a going concern over next three to five years.

CAPITAL RESOURCES AND PLANNING

A strong capital position is essential to the Firm's business strategy and competitive position. The Firm's capital strategy focuses on long-term stability, which enables it to continue to build and invest in business activities through normal and stressed environments. The Firm's capital management objectives are achieved through ongoing monthly monitoring of its capital positions with reporting of this to the Firm's Board of Directors quarterly, periodic stress testing and ongoing updates to the Firm's ICAAP to ensure a strong capital governance frameworks. The capital management framework is intended to be flexible in order to react to a range of potential operating environments and events.

Due to the structure of the business, the Firm currently does not make up a significant component of the Parent's total expenses and assets as a whole and does not significantly influence the Parent's operations. In the event of a scenario where the Parent suffers a material financial loss due a severe economic downturn, the Firm's operation and capital reserves are not expected to be materially impacted.

The Firm's capital requirements are summarised as follows:

Capital requirements	**Notes**	**As at 31 December 2020**	
Fixed overheads requirement		€	1,575,017
Minimum initial capital requirement		€	50,000
Credit risk requirement	1	€	385,520
Market risk requirement	1	€	1,060

Notes:

1 Credit and market risks are assessed under standardised approaches (SA). K-factors under Article 15 of Regulation (EU) 2019/2033 were not in effect at this time.

Therefore, the Firm's capital requirement is €1,575,017 based on the Firm's fixed overhead requirement.

The Firm's capital as presented in the 2020 audited financial statements and deductions from capital are summarised as follows:

Capital resources	**Notes**		**As at 31 December 2020**
Common Equity Tier 1 capital:			
Called up share capital	1	€	5,000,001
Profit and loss account	1	€	948,129
Deductions from capital	2	€	(3,588,159)
Total Common Equity Tier 1 capital		€	2,359,971

Notes:

1 *Total capital resources include share capital and audited retained earnings as per the 2020 audited financial statements of the Firm*

2 *Deductions are made up of intangible assets and deferred tax assets which do not qualify for regulatory capital purposes*

The Firm has no Additional Tier 1 or Tier 2 capital.

Given that the Firm's capital resources of €2,359,971 are well in excess of the capital resource requirement of €1,575,017, it is the Firm's view its capital is sufficient for both regulatory needs and business objectives.