# JUPITER
# PILLAR III DISCLOSURES

As at 31st December 2020

## Contents

# 1 Overview

## 1.1 Introduction

This document sets out the Pillar III disclosures on risk management and capital adequacy for Jupiter Fund Management plc ((“JFM plc”) (“Jupiter” and, together with its direct and indirect subsidiaries, Group”)) as at 31 December 2020.

The remuneration disclosure is made separately at: [Board & Governance – Jupiter Asset Management (jupiteram.com)]

These disclosures were prepared in accordance with the Capital Requirements Directive (“CRD III”) which comprises three pillars:

- **Pillar I** sets out rule-based minimum capital requirements.
- **Pillar II** defines the process for assessing capital adequacy in relation to actual risk profile and for determining whether additional capital is required to cover these risks. This is achieved through the firm’s Internal Capital Adequacy Assessment Process (“ICAAP”) and the FCA’s Supervisory Review and Evaluation Process (“SREP”).
- **Pillar III** requires public disclosure of a firm’s risk profile, risk management, capital, and remuneration.

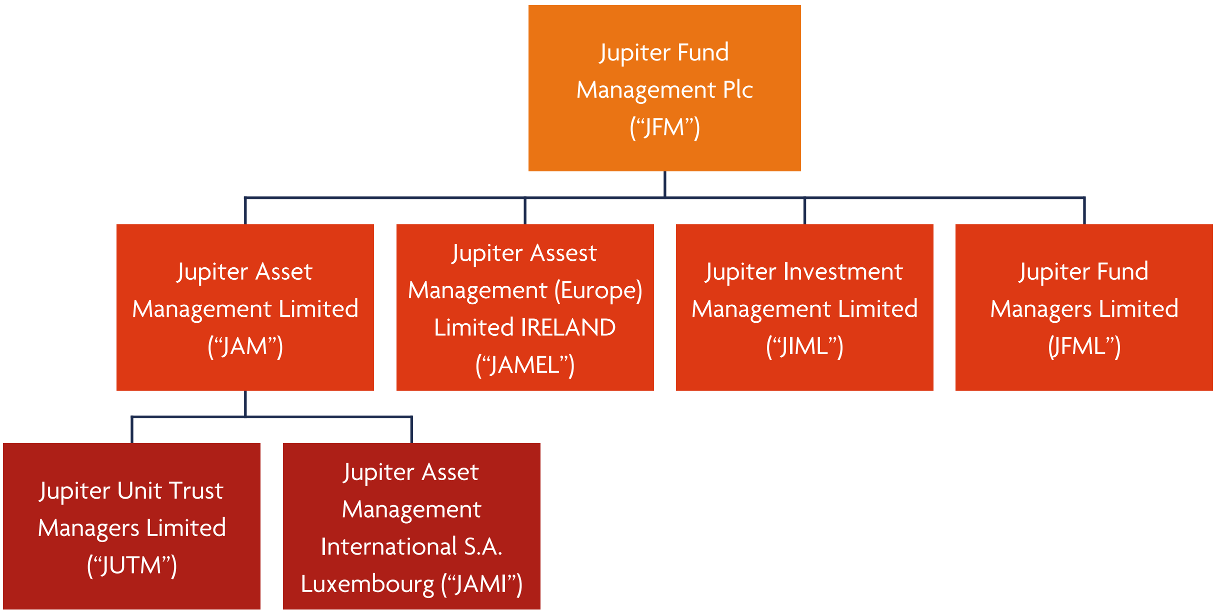
## 1.2 Regulatory framework

The Group is a high-conviction active asset manager, principally in mutual funds domiciled in the UK and continental Europe. As well as mutual funds, individuals and institutions can also access the Group’s asset management offering through segregated mandates and investment trusts. The Group is a UK consolidation group and is subject to consolidated supervision by the FCA.

Four UK subsidiaries are authorised and regulated by the FCA: Jupiter Asset Management Limited (“JAM”), Jupiter Unit Trust Managers Limited (“JUTM”), Jupiter Investment Management Limited (“JIML”) – previously known as Merian Global Investment UK Limited (“MGIUK”) and Jupiter Fund Managers Limited (“JFML”) – previously known as Merian Investment Management Limited (“MIML”).

Jupiter has also established two regulated group entities, one in Luxembourg, Jupiter Asset Management International S.A. Limited (“JAMI”) which is regulated by CSSF and one in Ireland, Jupiter Asset Management (Europe) Limited ((“JAMEL”) previously known as Merian Global Investors (Europe) Limited), which is regulated by the CBI.

The Group benefits from the FCA Capital Requirements Regulation derogation allowing it to carry forward the CRD III rules as at 31 December 2013. As such, the following disclosures have been prepared in accordance with the requirements of Chapter 11 of the FCA’s Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU).



## 1.3 Summary of Capital and Capital Requirements

The Group's total regulatory capital comprises entirely of common equity tier 1 capital. As of 31 December 2020, consistent with the Group's Pillar I capital requirement was £57.9m and the Pillar I capital surplus was £179.3m.

| | 2020 £m | 2019 £m |
|---|---|---|
| Capital after deductions | 237.2 | 222.8 |
| Pillar 1 capital requirements | 57.9 | 43.5 |
| Pillar 1 surplus | 179.3 | 179.3 |

There are no current or unforeseen material practical or legal impediments to the prompt transfer of capital resources or repayments of liabilities within the Group.

## 1.4 Basis and Means of Disclosure

The Group has an accounting reference date of 31 December and the disclosures are made for the Group as at 31 December 2020. The method of consolidation used for prudential purposes is the same as that used for the Group's consolidated financial statements, except for seed investments in mutual funds which are consolidated for accounting purposes, but which are not included in the regulatory consolidation group as they do not meet the definition of financial institutions within the FCA Handbook. These disclosures, which are not subject to audit, are based on the Group's regulatory return for the period ended and as at 31 December 2020, and have been produced solely for the Pillar III disclosure.

The rules provide that a firm is not required to disclose information which is not material, or which is proprietary or confidential. Where a disclosure is immaterial, this has been stated.

The Pillar III disclosures are published on the Group's website: disclosures are published on the Group's website: https://www.jupiteram.com/corporate/Governance/Risk-management

## 1.5 Regulatory and Accounting Developments

**1.5.1. Investment Firms Regulation (IFR)**

In 2019, the European Parliament approved legislation which will overhaul the prudential regulation of most EU investment firms, and significantly change the remuneration rules for some firms. Post-Brexit, the FCA have decided that the UK will implement their own rules which are similar to those proposed by the EU. The FCA have issued a discussion paper and consultation paper in relation to implementation of these rules and currently, the Investment Firm Prudential Regime (IFPR) will be effective from January 2022 and will impact a wide range of financial institutions including asset managers.

We have performed an initial assessment on how this will affect our regulatory capital requirements and have determined that it is unlikely to materially impact our Pillar I requirement, which will still be driven by the Fixed Overhead Requirement ("FOR").

# 2 Risk Management

## 2.1 Three Lines of Defence and Governance

The Group operates a three-tier risk governance framework, generally known as the Lines of Defence model, which distinguishes between risk management and oversight. This approach provides clear and concise separation of duties, roles, and responsibilities. The Board delegates day to day responsibility of risk management and control activities to the ExCo with oversight from the ARC. A summary is shown below:

LINES OF DEFENCE

FIRST LINE
**RISK & CONTROL MANAGEMENT**
The business functions and line managers across the Group are responsible and accountable for the identification, assessment and management of the individual risks and associated controls within their respective areas of responsibility.

SECOND LINE
**RISK & CONTROL OVERSIGHT**
Risk & Compliance supported by additional control and oversight functions provide independent oversight and challenge with respect to the first line's management of their risks, and provide assurance that the Group's regulated activities are undertaken in accordance with regulatory requirements.

THIRD LINE
**INTERNAL AUDIT**
Internal Audit is an independent provider of assurance over the effectiveness of the Group's processes and governance with regards to risk and internal control, assessing whether they are adequately controlled and challenging Management to improve their effectiveness.

RISK & FINANCE COMMITTEE (RFC)
The RFC provides support to the ExCo on the establishment, implementation and maintenance of adequate risk management and risk policies and procedures. In particular, it recommends to the ExCo the maximum level of risk to be tolerated (risk appetite) and it advises the ExCo on the Group's actual risk profile relative to risk appetite and the effectiveness of risk management processes across the business.

EXECUTIVE COMMITTEE (EXCO)
The ExCo is responsible for implementing the strategy and objectives set by the Board and communicated by the CEO, and to ensure the assessment and implementation of a sound system of internal governance, control and risk management. It is also responsible for implementing the Group's culture, values and standards, and monitoring of the markets in which it operates, including the regulatory framework of such markets.

AUDIT & RISK COMMITTEE (ARC)
The ARC is responsible for overseeing the integrity and effectiveness of the Group's financial reporting, testing and effective operation of the Group's internal controls. The ARC is also responsible for overseeing the relationship with the Group's Internal Audit function.

The RFC is supported by two sub-committees with the following responsibilities:

### 2.1.1. Seeding Committee

The Committee has responsibility for reviewing and approving seed capital for all Unit Trusts, OEIC, ICAV, SICAVs, Investment Trusts or any other investment products or structures managed by a member of the Jupiter Group ("Jupiter Products").

### 2.1.2. Counterparty Review Committee

The Committee has responsibility for assessing new and potential financial counterparties; and monitoring the ongoing creditworthiness of counterparties to which the Group or its funds/ clients has exposures.

The following committees are part of Jupiter's broader governance structure:

**2.1.3. Valuations and Pricing Committee ("VPC")**
The VPC has been created to undertake responsibility for reviewing the adequacy of the Jupiter Group's fund accounting arrangements; and providing effective oversight and governance of the valuation and pricing processes and procedures for all Unit Trust, SICAV, OEIC, ICAV, Investment Trust, Segregated Account Mandate business or any other investment product managed by a member of the Group ("Jupiter Products"). This oversight covers all Jupiter's products and all elements of the valuation including derivatives and share class hedging.

**2.1.4. Product Lifecyle Committee ("PLC")**
The PLC has responsibility for, and ownership of, delivering good customer outcomes during all stages of the product lifecycle for all Unit Trust, SICAV, OEIC, ICAV, Investment Trust and any new investment strategy that may be distributed in Segregated Account Mandate form, or any other investment product or structure promoted or managed by a member of the Jupiter Group ("Jupiter Products"), ensuring a client focussed approach is central to its framework.

**2.1.5. Product Governance Committee ("PCG")**
The PGC has responsibility for the review and challenge of the product development and management framework owned by the PLC, to ensure that the product lifecycle for all Unit Trust, SICAV, Investment Trust and any new investment strategy that may be distributed in Segregated Account Mandate form, or any other investment product or structure managed by a member of the Jupiter Group ("Jupiter Products"), is conducted within an appropriate governance and control framework to meet the needs of the underlying clients.

**2.1.6. Jupiter Asset Management Limited ("JAM")**
JAM is a subsidiary of JFM plc. The Company acts as investment manager to Mutual Funds, Segregated Mandates and Investment Trusts and is regulated by the FCA. The membership of the Board consists of four executive directors.

**2.1.7. Jupiter Unit Trust managers ("JUTM") Board**
JUTM is the Authorised Fund Manager for the Jupiter Group's UK Unit Trust Range and as the Alternative Investment fund manager for various Investment Trusts. The membership of the JUTM Board comprises of four executive directors and, in accordance with FCA requirements and two non-executive directors.

**2.1.8. Jupiter Asset Management International ("JAMI") Board**
JAMI was incorporated in Luxembourg in October 2018 and is a wholly owned member of the Jupiter Group. JAMI is the appointed Management Company for Jupiter's two UCITS funds; The Jupiter Global Fund and The Jupiter Investment Fund. JAMI Board comprises of executive directors and one independent non-executive director.

**2.1.9. Jupiter Asset Management Europe Limited ("JAMEL") Board *previously known as Merian Global Investors (Europe) Limited***
The Company is the appointed manager to various mutual funds and is regulated by the CBI.

**2.1.10.Jupiter Investment Management Limited ("JIML") Board previously known as Merian Global Investors (UK) Limited (MGIUK)**
JIML acts as investment manager to Mutual Funds, Segregated Mandates and Investment Trusts and is regulated by the FCA. Its Board consists of four executive directors.

**2.1.11. Jupiter Fund Management Limited ("JFML") Board *previously known as Merian Investment Management Limited ("MIML")***
JFML's principal activity is to act as the Authorised Corporate Director ("ACD") for the Group's UK based UCITS ("Undertakings for Collective Investments in Transferable Securities") and Alternative Investment Funds ("AIF"). JFML is regulated by the FCA and has regulatory permissions from the FCA to hold client money. Its Board consists of four executive directors and two non-executive directors.

# 2 Risk Management *continued*

### 2.2. Risk Management Framework

The Group has implemented and embedded a Risk Management Framework ("RMF") into the business, which sets out how risk is managed across all risk categories and all areas of the Group. The Board has ultimate responsibility for risk oversight of the Group and for determining the risk appetite limits within which the business must operate. It reviews and approves the RMF at least annually.

The Board and ExCo take the lead in promoting a risk aware culture. All organisational units are responsible and accountable for the identification, assessment, management, monitoring and reporting of the individual risks, associated controls, and incidents within their areas of responsibility. These risks are managed within risk appetite limits and in accordance with the RMF and its supporting risk policies and procedures. The Group monitors its capital and liquidity adequacy against its risk profile and business strategy. This is documented at least annually in the ICAAP report and reported on monthly.

The Group's risk policies (covering operational risk, investment risk, market risk, credit/counterparty risk, liquidity risk and capital adequacy risk) underpin the overarching risk management framework of the Group.

All risk types are managed through a well-defined governance, risk, and control framework to ensure the Group manages risks in a proactive manner. Each risk type has an appropriate risk monitoring and reporting structure with responsibility to a designated committee.

#### 2.2.1. Risk Appetite

The Group's risk appetite defines the level and type of risk that the Group is prepared to accept in pursuit of its strategic objectives and business strategy, taking into account the interests of its clients and shareholders, as well as capital and other regulatory requirements. As a business, we have a relatively low appetite for risk, particularly for those risks that could lead to negative conduct or reputational outcomes.

An important part of the Board's remit is to determine the Group's risk appetite, taking into account our strategic plans, the business environment and the current and likely future condition of our business and operations.

#### 2.2.2. Top-down Risk Identification and Assessment

The Board's consideration of risks is informed by proposals and commentary from the Risk and Compliance function, the RFC, the ARC and the ExCo and also other risk management information such as the output from the bottom-up Risk and Control Self-Assessment (RCSA).

Each principal risk has a named owner, which is either a member of the ExCo or, for a small number of risks, the ExCo as a whole. We monitor each principal risk using Key Risk Indicators (KRIs). We set thresholds for each KRI and use them to keep the Board informed about the Group's position in relation to its risk appetite. This enables us to identify trends and take action if it seems likely we will exceed this appetite. The Board identifies and assesses the Group's risks on a top-down basis through the ERM dashboard process.

#### 2.2.3. Bottom-up Risk Identification and Assessment

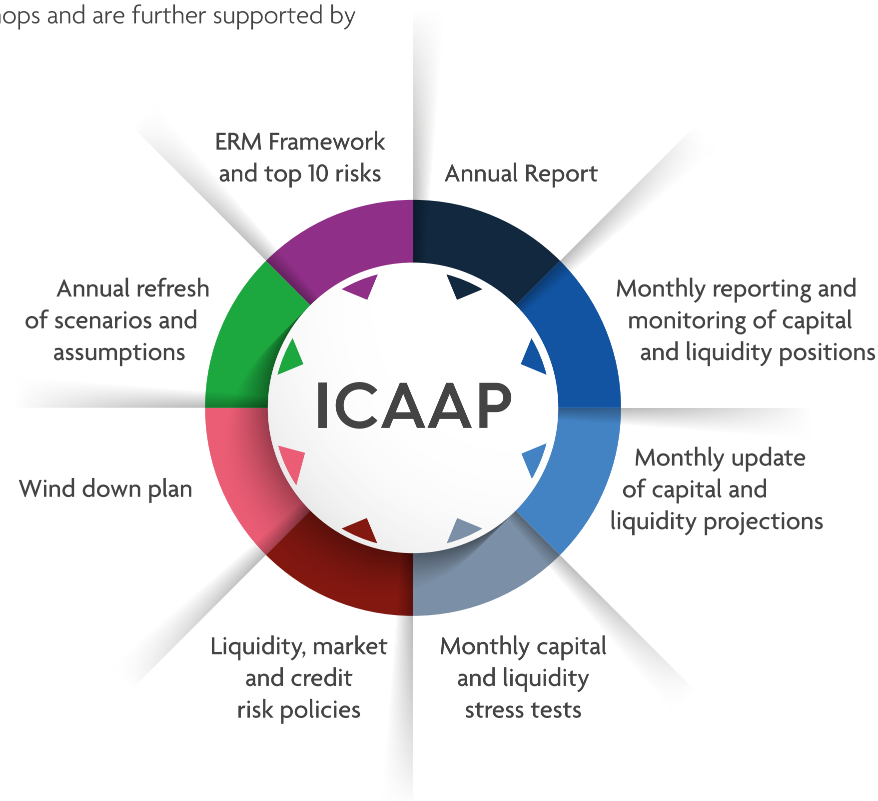
The detailed, bottom-up identification and assessment of operational risk is performed by individual organisational units via an RCSA. The assessment identifies and monitors material risks and associated key controls by considering the operating environment, processes, roles and responsibilities, as well as risk incidents that have occurred. Risks are assessed on both an inherent and residual basis with ratings determined for potential impact and likelihood. Where processes or controls are seen to be insufficiently robust, line management is required to take appropriate action and define improvements to the operating environment to ensure they pose a minimal (or acceptable) level of risk to the Group. Risks that exceed risk appetite are escalated through our governance structure.

#### 2.2.4. Incident Management

Incidents including near misses are reported and investigated to determine root causes, potential impacts (e.g., financial losses, regulatory/legal breaches, etc.) and ensure appropriate remediation work is completed to enhance the process, improve the control environment, and also make good any negative outcomes that have resulted from the failure. Incidents are monitored and captured across the business on an ongoing basis and independently reviewed to ensure completeness and accuracy of the details. Analysis of the information is undertaken, the results of which are used to support the development of RCSAs and operational risk scenarios and introduction or improvement of appropriate controls.

**2.2.5. Operational Risk Scenario Analysis**
Operational risk scenario analysis is a forward-looking assessment of exposures to severe but plausible operational risk events. It is used by the Group to identify and quantify the material risks that have the potential to impact Jupiter, based on the experience and opinions of internal SMEs. These are collated via a series of workshops and are further supported by internal and external event histories. A variety of scenarios differing in nature, severity and duration are used to estimate the impacts of events on capital requirements. The Group also uses scenario analysis to ensure that we understand our exposure to high-severity events and implement mitigating actions, in line with our risk appetite.

**2.2.6. Internal Capital Adequacy Assessment Process**
The ICAAP is an ongoing process that is performed through a number of separate but inter-linked internal processes performed throughout the year, as depicted in the diagram below:




Stress testing is performed by subject matter experts through articulation of the potential stress events and assessment of the potential liquidity and funding strains which could arise. The assessment takes account of internal and external data, and historical trends and experiences. Planned or potential changes to business strategy or regulations are considered as part of the assessment of liquidity and funding requirements.

At least once a year, the Finance department, in conjunction with the Risk and Compliance function, record the results of the ICAAP in the ICAAP document for Board approval. The ICAAP document, including operational risk scenarios, stress tests, assumptions and results, is subject to review, challenge and revision by members of the ExCo, the RFC, the ARC and the Board.

Further, on a monthly basis, the Pillar I requirement is recalculated in line with the Group's results and financial position for review by the CFO, CRO and an ICAAP working group.

# 2 Risk Management *continued*

## 2.3. Risk Profile

The Group is exposed to various risk types in pursuing its business objectives which can be driven by internal and external factors. Understanding and managing these risks is both a business imperative and a regulatory requirement.

Some risks are deliberately assumed to support the business plan, such as market risk relating to seed investment in funds. Other risks are inherent in routine business activities, such as the risk of fraud. The differing risks faced by the Group are managed through the Group's control framework in line with risk appetite.

The type and severity of the risks we face can change quickly in a complex and competitive environment, therefore the framework for managing these risks is dynamic and forward looking to ensure it considers both current and emerging risks which could potentially impact the Group.

As an asset management firm, Jupiter's most material risk exposures are in the strategic, investment, and operational (including regulatory risk) categories. However, our exposure to capital adequacy, liquidity, market, and credit/counterparty risks are also monitored to ensure they are managed on a prudent basis and remain within regulatory requirements and Group risk appetite.

| Risk Category | Definition | Governance/ Policy |
|---|---|---|
| Strategic risk | The risk that the Group is unable to meet its strategic objectives, as a result of matters inherent in the nature of its business or the markets in which it operates | The Board approves the strategic plan and reviews progress against it on a regular basis. |
| Investment risk | The risk of underperformance of funds managed by the Group relative to benchmarks, objectives or competition or in other ways failing to meet investors' objectives | Risk Management Policy |
| Operational risk | The risk of loss caused by weaknesses or failures in the Group's systems and controls, related to people, systems or processes. These include risks arising from failing to properly manage key outsourced relationships and cyber security. Regulatory (failure to comply with regulatory obligations) and legal risk is included in this definition (section 5) | Operational Risk Policy |
| Capital adequacy | The risk that the Group has insufficient capital in relation to its risk profile to comply with regulatory requirements (section 4) | Capital Adequacy Policy |
| Liquidity risk | The risk that the Group does not have sufficient financial resources to meet its obligations as they fall due or can only secure such resources at excessive cost. (Note: fund liquidity risk is included under investment risk.) | Liquidity Risk Policy |
| Credit/counterparty risk | The risk of loss caused by the corporate failure of one of the trade, prime brokerage or treasury counterparties to which the Group may be exposed (section 7) | Corporate Credit Risk Policy & Counterparty Risk Policy |
| Market risk | The risk of loss arising from changes in the price of financial assets, interest rates or FX rates. This includes the risk that any market risk mitigation techniques used by the Group prove less effective than expected (section 6) | Market Risk Policy |

In addition, the Group is also exposed to both conduct and reputational risks.

**2.3.1. Conduct Risk**

Conduct risks are risks which result in customer detriment, negative impact to market stability or restrict effective competition. Conduct risk is not considered to be a separate risk category. Risks in the strategic, investment and operational risk categories may result in conduct risk impacts.

The Group has implemented an approach to managing Conduct risk which leverages our risk framework to identify, monitor and manage our Conduct risk profile.

**2.3.2. Reputational Risk**

Reputational risks can result in a loss or other adverse impact arising from the unfavourable perception of the Group on the part of clients, counterparties, employees, regulators, shareholders, other stakeholders, the media or the general public. The Group treats reputational risk as a potential impact that may arise from operational risks and operational risk incidents.

**2.3.3. Risks Not Applicable, or Not Significant, to the Group**

The additional risk categories listed below are referenced in the FCA Handbook (BIPRU 2.2.30-40) as risks which should be considered. The reasons for exclusion of each risk type are provided below:

| Risks not applicable to the group | |
|---|---|
| Securitisation risk | The Group does not sponsor or participate in securitisation issues. |
| Residual risk | The Group does not apply credit risk mitigation techniques to its credit risk exposures and therefore is not exposed to residual risk. Any risk arising from the partial performance or failure of market risk mitigation is considered as a component of market risk. The FCA Handbook defines residual risk as the risk that credit risk mitigation techniques used by the firm prove less effective than expected. |
| Concentration risk | Concentration risk in the Group's corporate cash reserves is managed by splitting core deposits between four rated financial institutions, with counterparty limits in place for each. If we adopted the methodology mandated by the Prudential Regulation Authority (PRA) to calculate concentration risk, the potential capital requirement for the Group is less than £0.1m, which is not deemed to be material. |
| Risk of excessive leverage | The Group currently has a £50.0m Fixed Rate Reset Callable Subordinated Notes due 2030 of tier 2 sub-debt. In addition, the Group has access to a currently undrawn RCF with Santander and Citigroup of up to £80.0m. The Group's actual and potential leverage is not deemed to be at risk of being excessive. |
| Pension obligation risk | The Group does not operate a defined benefit pension scheme. |
| Group risk | The Group is not part of a larger Group and all elements of the business are considered within the Group. |
| Insurance Risk | The Group does not issue insurance or have any insurance liabilities. In addition, the Group does not rely on insurance policies to assure its capital and liquidity adequacy. |

## 3 Capital and Own Funds

The tables below show the composition of the total available regulatory capital for the Group, based on the numbers submitted in the Group's regulatory return for the period ending 31 December 2020. This has been further reconciled to the capital shown in the 31 December financial statements.

Tier 1 capital is the total of share capital, retained earnings and reserves. Share capital is made up of 457.7m ordinary shares of 2p each. Tier 2 capital comprises issued subordinated debt of £49.5m less costs of issue. As at 31 December 2020, the Group did not have Tier 3 capital or any related deductions.

### Own funds - capital resources

| Common Equity Tier 1 (CET1) Capital: instruments and reserves | 2020 £m |
|---|---|
| Capital instruments and the related share premium accounts | 253.2 |
| Retained earnings (beginning of year) | 592.9 |
| Accumulated other comprehensive income (and other reserves) | 19.0 |
| Independently reviewed interim profits net of any foreseeable charge or dividend | (46.0) |
| **Core Tier 1 capital resources before regulatory adjustments** | **819.1** |
| Deductions from Tier 1 | (631.0) |
| **Common Equity Tier 1 capital** | **188.1** |
| Lower Tier 2 capital | 49.2 |
| Illiquid assets | - |
| **Total capital resources after deductions** | **237.2** |
| Capital requirement | 57.9 |
| **Regulatory capital surplus** | **179.3** |

### Reconciliation of balance sheet to own funds

| Reconciliation of balance sheet to own funds | 2020 £m |
|---|---|
| **Per financial statements** | |
| Share capital | 11.1 |
| Share premium | 242.1 |
| Retained earnings | 622.5 |
| Other reserves | 10.8 |
| **Capital and reserves per financial statements** | **886.5** |
| Less: Foreseeable dividends | (67.4) |
| **Common Equity Tier 1 capital** | **819.1** |

## 4 Capital Adequacy

The Group ensures that it has sufficient capital to meet prudential and regulatory requirements under normal and stressed conditions. Capital adequacy under stressed conditions is monitored through the ICAAP.

The current capital position, including surplus capital, plus internal metrics in the form of Board risk appetite, are reviewed by the RFC on a quarterly basis to ensure capital adequacy against both internal and external requirements. This data also forms part of the ICAAP, which is approved at least annually by the Board after review by the RFC, the ExCo and the ARC, and is updated whenever a material change to the business occurs. In addition, forward-looking capital projections are an essential tool for management in assessing the viability of future activities and also form part of the data pack produced for the RFC as well as forming part of the ICAAP document.

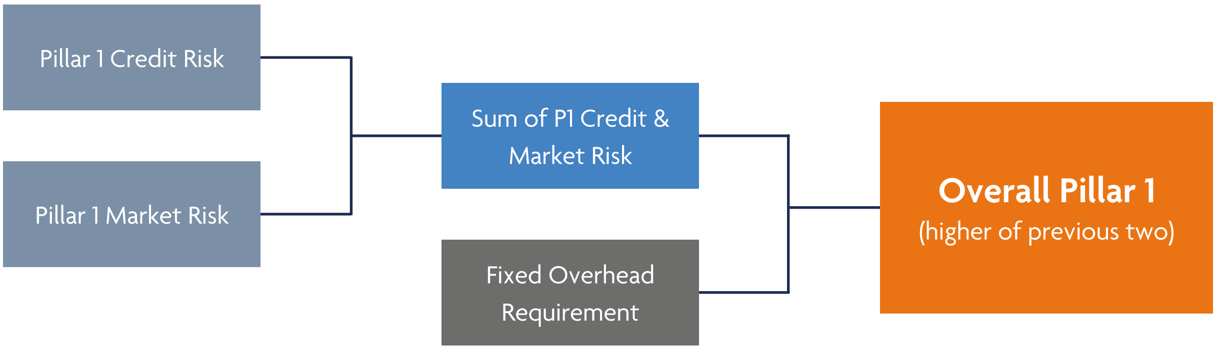
The Group's minimum regulatory capital requirement is assessed as the highest of the Pillar 1 capital requirement (set out above), the Pillar 2 capital requirement and the wind-down cost. The wind- down cost is the estimated cost of an orderly wind-down of the business following failure of its business model.

**Pillar 1**

The Pillar 1 capital requirement is calculated as the higher of:

- The FOR and
- The sum of the market and credit risk requirements.

The FOR is calculated as one quarter of the fixed overhead costs of the preceding year.




| Pillar 1 Capital requirement | 2020 £m |
|---|---|
| (A) Market risk | 4.7 |
| (B) Credit risk | 41.5 |
| (C ) Sum of (A) & (B) | 46.2 |
| (D) FOR | 57.9 |
| **Pillar 1 capital requirement – higher of (C) & (D)** | **57.9** |

# 5 Operational Risk

The Group is necessarily exposed to operational risk in the execution of its business and seeks to manage this exposure in a cost-effective manner within the risk appetite limits set by the Board. The Board and senior management take the lead in establishing and maintaining a strong culture which supports and mandates effective management of operational risk.

The Corporate Risk and Compliance Function has developed and maintains the Operational Risk policy which sets out the requirements to identify, measure, manage, monitor, control and report operational risk across the Group at all levels. The policy defines the principles, risk profile, roles and responsibilities, risk and control management processes and supporting documents that enable the management of operational risk within the Group. The Operational Risk policy is approved at least annually by the RFC.

The Group is exposed to various operational risks, which are listed out below:

| Risk Description | Description |
|---|---|
| People Risk | The risk of failures or poor practices relating to people management. |
| Physical Security and Safety Risk | The risk to safety or security of people, premises or equipment |
| Client & Fiduciary duty Risk | The risk of inadequate client management including sales misrepresentation, suitability assessments, onboarding, client service obligations and TCF. |
| Execution, Processing and Reporting Risk | The risk of failures related to transaction capture, execution, maintenance and reporting. |
| Product Risk | Product flaws or defects, failure to adhere to specification. |
| Model Risk | The risk of poor design or implementation of models. |
| Data Management Risk | A data risk is a potential for the business loss related to the governance, management and security of data |
| Technology and Information Security | The risk of deliberate attacks or accidental events that have a disruptive effect on interconnected technologies (excluding third-party failures, which are covered under Outsourcing and Supplier). |
| Business Continuity | The risk of inadequate business continuity |
| Outsourcing and Supplier Risk | The risk of incidents or failure of providers of services to deliver on their obligations, or inadequate selection or oversight of providers. |
| Regulatory Risk | The risk that the Group may fail to comply with its regulatory obligations. This includes failures to implement changes required to meet new regulatory requirements. |
| Legal Risk | The risk that the Group may fail to comply with its legal obligations. |
| Financial Crime Risk | The risk of financial crime such as money laundering and terrorist financing, bribery and corruption, fraud, market abuse or tax evasion. |

The RFC is responsible for overseeing systems and controls for managing operational risk and reviewing material risks escalated from the RCSA process, incident reports and other relevant risk reporting.

Senior managers from each functional business area are responsible for management of risk and formally review their key risks and controls through quarterly Business Control Forums ("BCF").

The Group is a Limited Licence firm and therefore not required to calculate a Pillar 1 capital requirement for Operational Risk under the BIPRU rules, instead it uses the FOR approach.

## 6 Market Risk

The Group does not have any trading book exposures on its balance sheet and does not hold commodities. Its market risk exposure limited to:

- foreign exchange risk on balance sheet exposures denominated in foreign currencies;
- market risk from its investment in seeding Jupiter Products ("seed investments");
- ownership of units and shares in certain Jupiter Products which have been purchased in order to hedge fund-based awards.

The Group's Market Risk Policy sets an internal limit for the extent of seed investments and also requires the equity exposure to be hedged in order to mitigate the risk of equity price movements.

The seed investment balances and the effectiveness of the hedges are monitored regularly by the RFC. Holdings in Jupiter Products which have been purchased to hedge fund-based awards are matched by liabilities to deliver these holdings to awardees; the residual net exposure is limited.

Our Pillar 1 market risk capital requirement is calculated in accordance with CRD III. Under the FCA rules the market risk from seed investments and fund-based award hedges is not included in our Pillar 1 market risk calculation.

| Pillar 1 market risk capital requirement | 2020 £m | |
|---|---|---|
| | Risk weighted exposures | 8% own funds requirement |
| Foreign currency position risk requirement | 58.1 | 4.7 |
| **Total** | **58.1** | **4.7** |

# 7 Credit/Counterparty Risk

The Group is exposed to credit risk from its trade receivables, deposits with banks, seed investments and derivatives used to hedge market risk. Trade receivables arise principally within the Group's investment management business and amounts are monitored regularly. Historically default levels have been insignificant and the Group does not currently use credit derivative hedges to mitigate credit risk on the balance sheet.

Credit risk requirements are calculated using the standardised approach to credit risk. Under this approach, risk-weighted exposures are calculated by assigning exposures to an exposure class and risk weighting these dependent on the credit weighting of the counterparty.

The Group has in place a Corporate Credit Risk policy and framework. The Risk and Finance Committee ("RFC"), chaired by the CFO, meets quarterly to review the level of counterparty credit risk the Group is exposed to.

The breakdown of credit risk by exposure type is shown in the table below, along with detail on exposure by geographic region and residual maturity. The total Pillar 1 credit risk capital requirement submitted in the Group's regulatory return for the year ended 31 December 2020 was £41.5m.

### Pillar 1 Credit Risk Capital Requirement, and Credit Risk Exposure by Exposure Class and Geographic Region

| Exposure class | 2020 £m | | | | |
|---|---|---|---|---|---|
| | UK | Rest of Europe | Rest of the World | Total risk weighted exposures | 8% own funds requirement |
| Institutions | 49.3 | 8.6 | 1.4 | **59.3** | 4.7 |
| Corporates | 120.3 | 45.4 | 7.9 | **173.5** | 13.9 |
| Claims on institutions and corporates with a short-term credit assessment | 1.6 | - | - | **1.6** | 0.1 |
| Collective Investment Undertakings | 84.3 | 99.1 | 0.1 | **183.4** | 14.7 |
| Other items | 65.8 | 1.9 | 0.8 | **68.5** | 5.5 |
| **Total** | **321.2** | **155.0** | **10.1** | **486.3** | **38.9** |
| Additional counterparty risk for financial derivatives | | | | | 2.6 |
| **Total credit risk capital requirement** | | | | | **41.5** |

### Pillar 1 credit exposure by exposure class and residual maturity, with prior year comparative

| Exposure class | 2020 £m | | | | | 2019 £m |
|---|---|---|---|---|---|---|
| | <3 months | 3 months – 1 year | 1-5 years | >5 years | Total risk weighted exposures | Total risk weighted exposures |
| Institutions | 59.3 | - | - | - | 59.3 | 34.8 |
| Corporates | 165.2 | 8.3 | - | - | 173.5 | 76.6 |
| Claims on institutions and corporates with a short-term credit assessment | 1.6 | - | - | - | 1.6 | 1.2 |
| Collective Investment Undertakings | 183.4 | - | - | - | 183.4 | 155.8 |
| Other items | 0.6 | 11.2 | 13.5 | 43.2 | 68.5 | 69.3 |
| **Total** | **410.1** | **19.5** | **13.5** | **43.2** | **486.3** | **337.7** |

### 7.1.1. Credit Risk Adjustments

Financial assets and current receivables are considered past due when the counterparty has failed to make a payment when contractually due. An exposure is classified as impaired when the carrying value exceeds the amount expected to be recovered through use or sale.

As at 31 December 2020, no receivables past due were impaired. The Group has not made any credit risk adjustments to capital as a result of impairments, value adjustments or provisions.

### 7.1.2. Collateral

To minimise credit/ counterparty risk, the Group requires collateral for all derivative contracts. Collateral is held in the form of cash, the amount of which is adjusted daily based on the mark to market movement of the derivatives' fair value. Any change to the credit rating of a counterparty will result in a reassessment of the use of that particular counterparty by the CRC, rather than a change in the collateral amount.

The Group's 'net derivatives credit exposure' after considering both netting agreements and collateral arrangements has not been disclosed on the basis of materiality. There are no legally enforceable netting agreements to the Group's derivative contracts. The Group's use of derivatives is limited to the hedging of market risk arising on its seed investments, and the collateral value is limited to the derivatives' mark to market movement. Collateral has not been used to reduce the Group's calculation of the credit risk exposure

## 8 Interest Rate Risk in the Non-Trading Book

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group has limited exposure to interest rate risk as it does not have any borrowings on which interest is paid, although it has access to a revolving credit facility which is currently undrawn. The Group has cash balances which earn interest.

## 9 Non-Trading Book Exposure to Equities

The Group holds equity investments in its seed capital portfolio and is exposed to the risk of changes in the equity markets that will reduce the value of the investments.

At 31 December 2020, these investments were accounted for at fair value.

| Objective | 2020 £m | | | | |
|---|---|---|---|---|---|
| | Balance sheet value | Fair value | Exchange traded | Cumulative realised gain/ loss in the period | Total cumulative unrealised gain/ loss since purchase |
| Seeding of funds | 138.3 | 138.3 | Y | 3.5 | 11.0 |
| Hedging of fund-linked | 27.1 | 27.1 | Y | 1.2 | 1.5 |
| **Total** | **183.4** | **183.4** | | **4.4** | **14.9** |

At 31 December 2020, these investments were accounted for at fair value.

## 10 Remuneration

As described earlier in the introduction to this document, the remuneration disclosures are made separately at: https://www.jupiteram.com/board-and-governance/#risk-management

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