

# **Jupiter Fund Management plc (the "Company")**

## **Audit and Risk Committee - Terms of Reference**

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### **1. Introduction**

The Audit and Risk Committee (hereinafter the **Committee**) is established by the board of directors of the Company (the **Board**) as a committee of the Board with the authority, powers and duties set out in these Terms of Reference. Amendment to these Terms of Reference requires the approval of the Board.

The Committee will report to the Board after each meeting on how it has discharged its responsibilities, including review of the financial reporting and internal control of the Company's significant subsidiaries.

### **2. Membership**

- 2.1 Membership of the Committee shall comprise of at least three independent non-executive Directors of the Company appointed by the Board, on the recommendation of the Company's Nomination Committee. The Committee chairman shall be appointed by the Board.
- 2.2 At least one Committee member shall be determined to have recent and relevant financial experience, specifically, including competence in accounting and/or auditing. The Committee as a whole shall have competence relevant to the Asset and Wealth Management sector.
- 2.3 Where possible, one member of the Company's Remuneration Committee will also be a member of the Committee. The chairman of the Board shall not be a member of the Committee.
- 2.4 In the absence of the Committee chairman and/or an appointed deputy, the remaining members present shall elect one of their number to chair any meeting of the Committee.
- 2.5 Only members of the Committee shall have the right to attend Committee meetings. However, the following may be expected to attend on a regular basis:
  - The Chief Executive Officer
  - The Chief Financial Officer
  - The Chief Risk Officer
  - Compliance Director
  - Senior Representatives of Internal Audit
  - Senior Representatives from External Audit
  - Representatives from the Finance and Risk functions.

2.6 At the discretion of the Committee chairman, the chairman of the Board any other Director of the Board may attend any Committee meeting.

### **3. Secretary and Minutes**

3.1 The Company Secretary or his or her nominee shall act as the secretary of the Committee (**Secretary**).

3.2 The Company Secretary or his or her nominee shall minute the proceedings and resolutions of all meetings of the Committee. Such minutes shall be circulated promptly to all members of the Committee.

3.3 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

### **4. Meetings**

4.1 The quorum for meetings shall be any two members of the Committee.

4.2 The Committee shall meet at least three times a year and at other times as the chairman of the Committee deems appropriate. Outside the formal meetings program, the chairman of the Committee will maintain a dialogue with key individuals involved in the Company's governance, including the chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer, External Audits' (the "**Auditor**") lead partner, and the head of the internal audit function.

4.3 Meetings of the Committee shall be summoned by the chairman of the Committee. The Secretary at the request of any of the Committee members, the chairman of the Company, the Chief Executive Officer, the Chief Risk Officer, the external audit lead partner or the head of the internal audit function, is authorised to convene a meeting.

4.4 Unless otherwise agreed by the Chairman of the Committee, notice of each meeting confirming the venue, time and date together with an agenda of items and supporting papers to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive Directors, no later than five working days prior to the date of the meeting.

4.5 Meetings of the Committee may be conducted when the members are physically present or in the form of either video or audio conferences. Decisions of the members of the Committee can be taken by unanimous written resolution and shall be deemed to be effective when the last Committee member signs, either physically or digitally.

### **5. Responsibilities**

The Committee is authorised by the Board to:

- (i) Review and monitor the integrity of the Company's financial and narrative statements, public announcements and disclosures relating to financial performance;
- (ii) Review the effectiveness of the Company's risk management and internal control systems;
- (iii) Review the role and mandate of the internal audit function; and
- (iv) Review the effectiveness of the external audit process and the Company's relationship with the external auditor.

## **5.1 Financial Reporting**

The Committee shall:

- 5.1.1 monitor the integrity of the consolidated financial statements of the Company, including its annual and half-yearly reports, interim management statements, preliminary results announcements and any other formal announcement relating to the Company's financial performance.
- 5.1.2 review the appropriateness of accounting policies and any changes to them.
- 5.1.3 review and challenge where necessary the methods used to account for significant or unusual transactions where the accounting treatment is open to different approaches.
- 5.1.4 review any significant financial reporting judgements and whether the Group has adopted appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the Auditors.
- 5.1.5 assess the financial position and prospects of the Company in accordance with applicable accounting and financial reporting standards, UK Listing Authority and other regulatory requirements.
- 5.1.6 review the clarity and completeness of disclosure in the Group's financial reports and the context in which statements are made.
- 5.1.7 review all related information presented within the financial statements, including the strategic report and the corporate governance statement relating to audit, risk management and internal control.
- 5.1.8 review and monitor any significant adjustments arising from the audit.
- 5.1.9 review and advise the Board on whether the content of the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.
- 5.1.10 review and monitor the Group's procedures for ensuring compliance with regulatory and financial reporting requirements and its relationship with the relevant regulatory

authorities.

- 5.1.11 review any other statements that require board approval and that contain financial information prior to public release, where practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules or Disclosure Guidance and Transparency Rules sourcebook.

## **5.2 Internal Controls**

The Committee shall:

- 5.2.1 review the adequacy and effectiveness of the Group's financial, operational and compliance controls and risk management systems.
- 5.2.2 monitor the implementation of internal control recommendations made by the Auditors, internal auditor function, Compliance or Risk departments.
- 5.2.3 evaluate the Company's control culture and seek to support management in embedding internal controls and a strong risk management culture in the management of risk, ensuring Group employees have an understanding of their respective roles and responsibilities.
- 5.2.4 review the Audit Assurance Faculty (AAF) report on internal controls produced annually in respect of relevant Group subsidiaries.
- 5.2.5 review the Group's arrangements for the deterrence, detection, prevention and investigation of bribery and corruption.
- 5.2.6 review periodically the Group's tax strategy and associated internal controls.

## **5.3 Risk**

The Committee shall:

- 5.3.1 evaluate and report to the Board on the adequacy and effectiveness of the process for the identification, assessment, mitigation, monitoring and management of all principal and emerging risks to the Company, with particular emphasis on key risks identified by the Board.
- 5.3.2 review and recommend to the Board for approval, the Group's risk appetite and risk tolerances and monitor the Group's risk profile against these.
- 5.3.3 identify and monitor the likelihood and the impact of the principal risks on the Group's long-term strategic objectives and consider changes to the risks arising at a Group level as a consequence of the Group's strategy, market and regulatory events.
- 5.3.4 receive and consider regular reports from the executive Risk and Finance Committee

on changes in the nature of key risks, their likelihood and how they may impact the Group and provide advice as to the appropriate action to take where necessary.

- 5.3.5 review and recommend to the Board for approval, the Group's Internal Capital Adequacy Assessment Process (ICAAP) and periodically assess if Pillar 2 assessments remain appropriate.
- 5.3.6 review and approve on an annual basis the Group's Enterprise Risk Management Framework.
- 5.3.7 receive and consider regular reports on key financial, operations and conduct risk issues that assess the extent and nature of risks facing the Group and the adequacy of the Enterprise Risk Management Framework to manage these risks.
- 5.3.8 review on a regular basis pending and threatened litigation affecting the Group or any of its subsidiaries.

#### **5.4 Internal Audit**

The Committee shall:

- 5.4.1 review and approve the role and mandate of the Company's internal audit function (the **Internal Audit Function**).
- 5.4.2 monitor and review the effectiveness, independence and objectivity of the Internal Audit Function in the context of the Company's overall risk management system, its agreed objectives and the Internal Audit Charter.
- 5.4.3 review and approve the appointment and removal of the outsourced provider of the Internal Audit Function.
- 5.4.4 ensure that the Internal Audit Function has the necessary resources and access to information to enable it to fulfil its mandate.
- 5.4.5 ensure open communication between the Company's different functions and the Internal Audit Function and monitor management's responsiveness to remedy Internal Audit's findings and recommendations and any deficiencies identified by the Internal Audit Function.
- 5.4.6 approve internal audit plans and review and assess the progress of internal audit plans, including any changes or delays to the plans as they progress.
- 5.4.7 receive regular reports from the Internal Audit Function on key control matters and provide advice as to the appropriate action to be taken where necessary.
- 5.4.8 review and monitor management's responsiveness to the findings and recommendations of the Internal Audit Function.

- 5.4.9 meet the head of the Internal Audit Function at least once a year, without management being present, to discuss the effectiveness of the Internal Audit Function and any issues arising from the internal audits carried out.
- 5.4.10 conduct an annual assessment of the effectiveness of the internal audit function and determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business.
- 5.4.11 annually review and approve the internal audit charter, ensuring it is appropriate for the needs of the organisation.

## **5.5 Compliance**

The Committee shall:

- 5.5.1 review and approve the annual Compliance Plan submitted by the Compliance Director setting out the scope and focus of the compliance function.
- 5.5.2 review the organisational structure and resourcing of the compliance function and consider its adequacy and effectiveness.
- 5.5.3 receive regular reports from the Compliance Director on compliance and regulatory matters concerning the Group.
- 5.5.4 receive the findings of any examinations by the Financial Conduct Authority (FCA), the firm's responses and any related action plans.
- 5.5.5 receive an annual report from the Group Money Laundering Officer in relation to the Group's financial crime control arrangements.
- 5.5.6 review the assurance reporting by relevant group subsidiaries to demonstrate the adequacy and effectiveness of the CASS control environment in accordance with the FRC CASS Assurance Standard.
- 5.5.7 receive the annual CASS reports issued to the FCA by the Auditors.

## **5.6 External Audit**

The Committee shall:

- 5.6.1 develop and oversee the selection process for the appointment of the Group external audit firm, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process.
- 5.6.2 consider and recommend to the Board, to be put to shareholders for approval at the Annual General Meeting, in regard to the appointment, re-appointment or removal

and the remuneration of the Auditors.

- 5.6.3 review when the external audit is to be put out to tender, which will be at least once every 10 years, or otherwise as required by applicable laws, legislation or regulation. Where appropriate ensure that the external audit contract is put out to competitive tender which is fair and competitive. If the external auditor resigns, investigate the issues giving rise to the resignation and consider whether any action is required.
- 5.6.4 oversee the relationship with the Auditors and assess the effectiveness of the external audit process. In particular:
- (a) negotiate and agree the scope of the audit, reviewing the Auditors' quality control procedures and the statutory audit fee, ensuring that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;
  - (b) approval of the provision of non-audit services by the Auditor;
  - (c) approval of the Auditors' remuneration for non-audit services;
  - (d) approval of the Auditors' terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - (e) assess the independence and objectivity of the Auditors, taking into consideration relevant UK professional and ethical standards for auditors, regulatory requirements and the Company's relationship with the external auditors as a whole;
  - (f) review any matters that could impact the Auditor's independence and the safeguards applied to mitigate those threats;
  - (g) monitor the Auditors' compliance with the Ethical Standards for Auditors, in particular, processes for the rotation of audit partners, the level of fees paid by the Company in proportion to the overall fee income of the firm and other related requirements;
  - (h) agree with the Board a policy on the employment of former employees of the Auditors, taking into account the FRC Ethical Standard and legal requirements, and monitoring the implementation of that policy and any impairment of the auditor's independence and objectivity;
  - (i) assess annually the Auditors' qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the Auditors on their own internal quality procedures;
  - (j) meet the Auditors regularly, including at the planning stage of the audit cycle and review and approve the annual audit plan and ensure it is consistent with the scope of the audit engagement;
  - (k) meet the Auditors at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
  - (l) review the findings of the audit with the Auditors, including, but not be limited to, discussing any major issues that have arose from the audit, accounting and audit judgments, levels of errors identified during the audit, the auditor's explanation of

- how the risks to audit quality were addressed and the auditor's view of their interactions with senior management;
- (m) review and monitor management's responsiveness to the auditor's findings and recommendations.
  - (n) review and agree the audit representation letter before signature; and
  - (o) assess the effectiveness of the audit process and report to the Board if required.
- 5.6.5 assess the independence and objectivity of the Auditor annually, taking into account relevant law, regulations and professional and ethical standards for auditors.
- 5.6.6 develop and recommend to the board the company's policy on the provision of non-audit services by the auditor. Monitor the application of the policy, including the assessment and provision of non-audit services.
- 5.6.7 Annually, the Committee shall conduct a thorough assessment of the functioning of the Auditors across the Group. The main conclusions of this assessment shall be communicated to the general meeting of the shareholders for the purpose of assessing the nomination for the appointment of Auditors.

## **5.7 Whistleblowing**

The Committee shall:

- 5.7.1 review the adequacy and security of the Group's arrangements for its employees to raise, in confidence, concerns about possible wrongdoing in financial reporting or other matters and ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
- 5.7.2 receive a report from the Compliance Director on whistleblowing matters.

## **5.8 Reporting**

The Committee shall:

- 5.8.1 report to the Board after each meeting on how it has discharged its duties and responsibilities and any other matter referred to it by the Board. In doing so, it shall highlight and make recommendations on action needed to resolve any concerns or make improvements.
- 5.8.2 where relevant, report through management to the boards of the significant entities on areas of business risk or exposure highlighted by the Committee's work, together with recommendations of appropriate actions that should be taken.
- 5.8.3 make whatever recommendations to the Board it deems appropriate on any area within

its remit where action or improvement is needed.

- 5.8.4 report to the Board on any qualifications or assumptions as to the Company's ability to continue in operation and meet its liabilities.
- 5.8.5 respond to any shareholder concerns regarding audit or risk issues and report in the Company's annual accounts details of any significant issues considered relating to the financial statements, and how these issues were addressed.
- 5.8.6 report to shareholders on its activities and how it has discharged its responsibilities for inclusion in the Company's Annual Report.
- 5.8.7 make available to shareholders its Terms of Reference by placing them on the Company's website and/or providing a copy to shareholders on request.
- 5.8.8 The chairman of the Committee will report to the Remuneration Committee ahead of the financial period end on the robustness of the risk control framework, to notify of any risk items in the financial statements that may impact the annual incentive pool and to notify any risk or control matters relevant to the remuneration of individuals or groups or employees.
- 5.8.9 the chairman of the Committee shall attend the Company's Annual General Meeting to answer any shareholder questions on the Committee's activities and areas within scope of its responsibility.

## **6. Other Matters**

The Committee shall:

- 6.1 oversee any investigation of activities which are within its terms of reference.
- 6.2 consider such other matters as the Board may from time-to-time refer to it.
- 6.3 be provided with an appropriate induction program for new members and on-going training for all members.
- 6.4 give due consideration to applicable laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Rules and Disclosure Guidance and Transparency Rules as appropriate.
- 6.5 work and liaise as necessary with all other board committees, taking particular account of the impact of risk management and internal controls delegated to other committees.
- 6.6 Management shall ensure that the necessary resources and assistance is provided to the Committee to enable it to carry out its responsibilities.

6.7 The Committee will be supported by the Company Secretary and will have access to the services of the Corporate Secretariat on all Committee matters.

**7. Self-evaluation**

7.1 The Committee shall, at least once a year, review its own performance, constitution and these Terms of Reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval.

**8. Authority**

8.1 The Committee is authorised to:

- (a) seek any information it requires from any employee of the Group in order to perform its duties; and
- (b) engage, at the Company's expense, independent professional advisers and have access to such resources that it may consider appropriate.

8.2 The Committee shall undertake its duties in the context of its judgement as to the materiality and significance to the Group of the matters within these Terms of Reference.

11 December 2019