PILLAR 3 DISCLOSURES

As at 31st December 2019

JUPITER
Asset Management

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1 Overview

1.1 Introduction

This document sets out the Pillar 3 disclosures on risk management and capital adequacy for Jupiter Fund Management plc ("Jupiter" and, together with its direct and indirect subsidiaries, Group") as at 31 December 2019.

The remuneration disclosure is made separately at: *https://www.jupiteram.com/Global/en/Investor-Relations/Governance/Risk-management*.

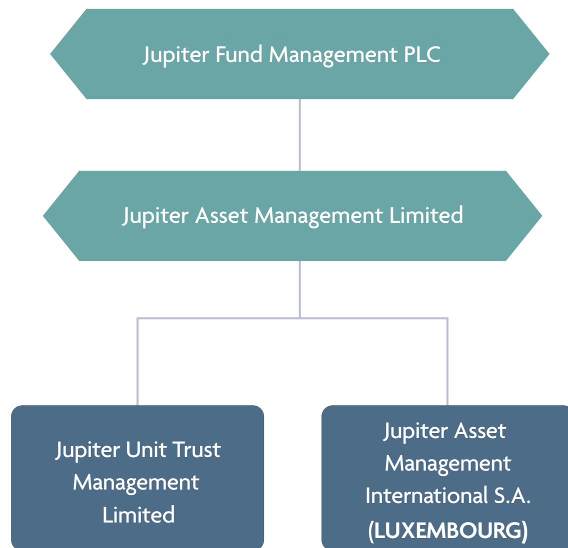
These disclosures were prepared in accordance with the Capital Requirements Directive ("CRD III"). CRD III came into effect on 24 November 2010 and implemented a revised version of the Basel II framework in the European Union (the "EU"). The framework comprises three pillars:

- **Pillar 1** sets out rule-based minimum capital requirements;
- **Pillar 2** 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 3** requires public disclosure of a firm's risk profile, risk management, capital and remuneration.

1.2 Regulatory framework

The Group operates an asset management businessdelivering investment strategies via mutual funds,segregated mandates and investment trusts. TheGroup is a UK consolidation group and is subject to consolidated supervision by the FCA. Two UK subsidiaries are authorised and regulated by the FCA: Jupiter Asset Management Limited ("JAM") and Jupiter Unit Trust Managers Limited ("JUTM").

Other subsidiaries are regulated in certain jurisdictions in which the Group operates. For example, Jupiter has also established a regulated group entity in Luxembourg, Jupiter Asset Management International S.A ("JAMI") which is regulated by the CSSF.



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 2019, consistent with the Group's regulatory return, the Group's Pillar 1 capital requirement was £43.5m and the Pillar 1 capital surplus was £179.3m.

	2018 £m	2019 £m
Capital after deductions	182.9	222.8
Pillar 1 capital requirements	33.4	43.5
Pillar 1 surplus	149.5	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 2019. The method of consolidation used for prudential purposes is the same as that used for the Group's consolidated financial statements, with the exception of 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 2019, and have been produced solely for the Pillar 3 disclosure.

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

The Pillar 3 disclosures are published on the Group's website: *https://www.jupiteram.com/corporate/Governance/Risk-management*

1.5 Regulatory and Accounting Developments

Investment Firms Regulation (IFR)

In 2019, the European Parliament approved legislation which will overhaul the prudential regulation of the majority of EU investment firms, and significantly change the remuneration rules for some firms. Currently, the investment firms regulation and directive (IFR and IFD) will be effective from June 2021 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 1 requirement, which will still be driven by the fixed overhead requirement ("FOR").

International Financial Reporting Standards (IFRS) 16

On 1 January 2019, the Group adopted IFRS 16 Leases. The new standard removes the distinction between operating and finance leases under the principles of International Accounting Standards (IAS) 17 Leases and requires the recognition of a right of use asset and corresponding liability for future lease payments. The Group opted to apply IFRS 16 using a modified retrospective approach and adjusted its opening reserves at 1 January 2019, with no restatement of comparative data. On adoption of the standard, the Group's capital was reduced by £1.0m, and the impact on the Group's credit risk requirement was to increase it by £3.7m.

2 Risk Management

2.1 Three Lines of Defence

The Group operates a three lines of defence governance model which is summarised below

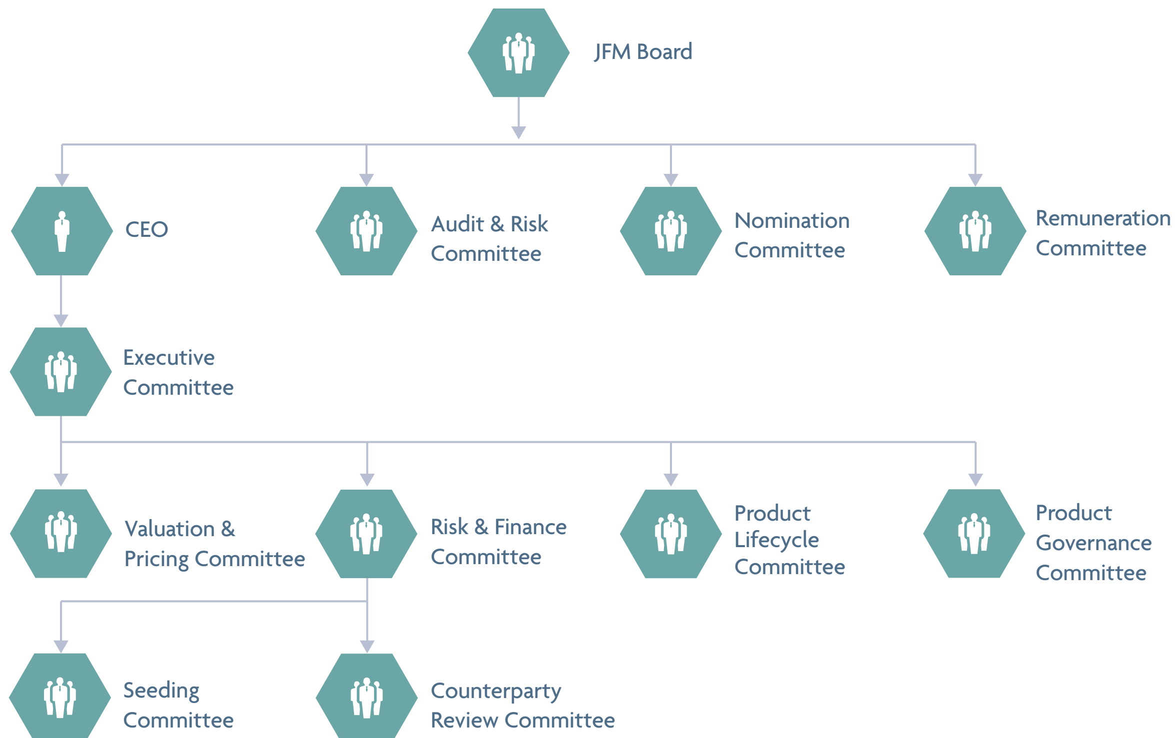
First Line: Risk Management
All organisational units are responsible and accountable for the identification, assessment, management, monitoring and reporting of the individual risks and associated controls within their areas of responsibility. These risks are managed within risk appetite limits and in accordance with the Enterprise Risk Management ("ERM") Framework and its supporting risk policies and procedures.

Second Line: Risk Oversight
The Risk and Compliance functions comprise the second line of defence and provide independent oversight and challenge with respect to the first line's management of their risks and regulatory compliance. The second line of defence reports to senior management and the Board regarding the Group's risk profile and the effectiveness of first line risk management.

Third Line: Risk Assurance
Internal Audit is an independent provider of assurance over the effectiveness of the Group's business processes and governance with regards to risk and internal control. It does this by assessing whether all significant risks are identified and appropriately reported to the Board and Executive Committee; assessing whether they are adequately controlled; and by challenging senior management to improve the effectiveness of governance, risk management and internal controls. Internal Audit also provides an oversight of the second line functions.

2.2 Risk Governance

The Board has ultimate responsibility for risk oversight of the Group and for determining the risk appetite limits within which the Group must operate. The Board has established three standing Board committees (the Audit and Risk Committee, the Nomination Committee and the Remuneration Committee) in addition to the Executive Committee as shown in the diagram below.



Committee Structure as at 31 December 2019

Audit and Risk Committee (“ARC”)

The ARC is responsible for overseeing the integrity and effectiveness of the Group’s financial reporting, testing and challenging internal control procedures and ensuring they are in place and operating effectively throughout the Group. It is also responsible for the ongoing monitoring of the Groups risk management processes and overseeing the relationships with the Group’s external auditor and the internal audit function.

Executive Committee (“ExCo”)

The ExCo is responsible for implementing the strategy and objectives set by the Board and communicated by the Chief Executve Officer (“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.

The ExCo has established the four management and reporting committees (and associated sub-committees) shown in the diagram above. The function of these is described below.

Risk and 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. The RFC also recommends to the ExCo policies for the maintenance and ongoing management of the Group’s corporate balance sheet. It considers both current and forecast balance sheet levels, and reviews the risk and control issues facing the Group in those areas. The Committee’s responsibilities include:

- Reviewing the Group’s risk management framework, risk appetite statement and risk tolerance limits as proposed by the Group’s Risk Department;
- Reviewing the effectiveness of the existing risk management policies and processes across the business, including compliance with such policies and processes and any remedial actions that may be required;
- Reviewing the Group’s accounting, treasury and tax policies and practices as proposed by the Group’s Finance Department;
- Reviewing the Group’s Pillar 3 Disclosures, and assessing whether the Group’s risk profile is appropriately and comprehensively conveyed to market participants; and
- Managing changes to the business (outside of core strategic and business changes) including regulatory and financial changes.

The RFC has established the following sub-committees:

- **Seeding Committee**

The Committee has been created to undertake responsibility for:

  - Reviewing and approving seed capital for all unit trusts, SICAVs, investment trusts or any other investment products or structures managed by a member of the Group

- **Counterparty Review Committee**

The Committee has been created to undertake responsibility for:

  - Assessing new and potential financial counterparties
  - Monitoring the ongoing creditworthiness of counterparties to which the Group or its funds/clients has exposures

The RFC is supported by the Group’s Risk Department, which provides assurance to internal and external stakeholders on the Group’s risk management activities.

2 Risk Management *continued*

It is an independent function that supports and challenges the business on their assessment of risks and controls and overseas the Group's capital and any relevant financial reporting considerations, as well as any compliance considerations.

Valuations and Pricing Committee ("VPC")
The VPC has been created to undertake responsibility for reviewing the adequacy of the Group's fund accounting arrangements and providing effective oversight and governance of the valuation and pricing processes and procedures for all unit trust, SICAV, investment trust, segregated account mandate business or any other investment product managed by a member of the Group ("Jupiter Products"). This oversight covers all the Group's products and all elements of the valuation including derivatives and share class hedging

The VPC is also responsible for assessing whether there is effective independence, accountability and segregation of duties in the oversight and execution of the valuation and pricing processes, and keeping the board of directors of Jupiter Unit Trust Managers Limited ("the JUTM Board"), the board of directors of Jupiter Asset Management Limited ("the JAM Board"), and any independent fund boards that require such information, properly informed of valuation and pricing risks and mitigating controls.

Product Lifecycle Committee ("PLC")
The PLC has been created to undertake responsibility for, and ownership of, delivering good customer outcomes during all stages of the product lifecycle for Jupiter Products, ensuring a client focused approach is central to its framework. The end-to-end product lifecycle is designed to ensure Jupiter Products are designed, developed, implemented, reviewed and promoted in line with the needs of an identified target market of clients and the Group's strategic objectives. In addition, the PLC is responsible for ensuring that the relevant documentation regarding the product approval process, product target market and distribution channels is made available to distributors.

Product Governance Committee ("PGC")
The PGC is responsible for the review and challenge of the product development and management framework owned by the Product Lifecycle Committee, to ensure that the Product lifecycle for all Jupiter products is conducted within an appropriate governance and control framework to meet the needs of the underlying clients

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, two

The JUTM Board is responsible for overseeing the provision of investment management, risk management, administration and distribution and marketing services to the Funds, whether provided directly by the company or delegated to other parties. This includes oversight of the effectiveness of risk management policies and processes and compliance of the Funds and Trusts with such policies and processes.

Jupiter Asset Management International ("JAMI") Board
JAMI was incorporated in Luxembourg in March 2018 and is a wholly-owned member of the Jupiter Group. JAMI is the appointed Management Company for Jupiter's two SICAV funds; the Jupiter Global Fund and the Jupiter Investment Fund.

The membership of the JAMI Board comprises of executive directors and one independent nonexecutive director whose responsibility is to oversee the Company's provision of investment management, risk management, administration and marketing functions to the Funds. This includes oversight of the effectiveness of risk management policies and processes and compliance of the Funds with such policies and processes.

2.3 Risk Management Framework

The Group has implemented and embedded an ERM framework and policy architecture 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 risk management framework at least annually.

The risk management framework is built upon several principles, as outlined below:

- The Board sets the Group's risk appetite in line with the business strategy;
- The Group's risk appetite is defined in a risk appetite statement ("RAS"), which is reviewed by the Group's Board and approved at least annually. The process for setting risk appetite is defined below;
- The Board is accountable for risk management across the Group and delegates responsibility for certain risk management activities to the ExCo and the ARC;
- The Board and ExCo take the lead in promoting a risk aware culture;
- The ExCo is supported in risk management by additional sub-committees. The responsibilities of these sub-committees are defined in their respective terms of reference and the committee structure is illustrated in section 2.2 above;
- •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 the risk appetite limits and tolerances and in accordance with the ERM framework and its supporting risk policies and procedures; and
- 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, 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.

Risk Appetite

The Group's risk appetite defines the types and level 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.

The Board sets the risk appetite statement at least annually and it is documented in the Board approved RAS.

Risk appetite is expressed in terms of quantitative measures and/or subject matter experts' ("SMEs") judgement for each of the level 1 risk categories, and level 2 categories if appropriate. Quantitative measures have absolute limits and escalation thresholds.

Each quarter (and more frequently if required) the Board reviews the Group's risk profile against appetite. The Board may decide to revise its' risk appetite at any time to reflect changes in business or market conditions, business plans, strategic priorities or regulatory requirements.

All staff have a responsibility to manage risk within the defined appetite and to escalate promptly any breaches or potential breaches of risk appetite limits. Breaches of risk appetite will be escalated to the Chief Risk Officer and, for Finance-owned appetite measures, also to the Chief Financial Officer in a timely fashion.

Top-down Risk Identification and Assessment

The Board identifies and assesses the Group's top-down risks. The Board's consideration of top-

2 Risk Management *continued*

down risks is informed by proposals and commentary from the Risk department, the RFC, the ARC and the ExCo and also by the results of the bottom–up Risk and Control Self-Assessment ("RCSA") process and by other risk management information. Risk owners identify appropriate Key Risk Indicators ("KRIs") and tolerances for monitoring the risk exposure. Top-down risk exposures are tracked using these KRIs and included on the ERM dashboard for quarterly reporting to the RFC, the ARC and the Board

Bottom-up Risk Identification and Assessment

The detailed, bottom-up identification and assessment of operational risk is performed by individual organisational units. 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 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, as detailed in section 2.2.

Risk Incident Reporting, Escalation & Management

Incidents, including near misses, are reported and managed in accordance with the Incident Reporting and Management Procedure ("IRMP"). Incidents are 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 and control environment, and also make good any negative outcomes that have resulted from the failure. Risk incidents are independently reviewed to ensure completeness and accuracy of the details and are used to support the development of scenarios within ICAAP.

Key Risk Indicator's

KRI's are an important component of the Group's risk management framework as they are used to enhance the monitoring and mitigation of risk. KRI's are used to provide information on the level of exposure to a given risk and as indicators of changes in the risk profile of the Group. Leading and lagging KRI's are employed to help identify trends and emerging risks which are used to inform and support management decision making.

Scenario Analysis

Scenario analysis is a forward-looking assessment of exposures to severe but plausible operational risk events. It is used to support the ICAAP in identifying and modelling 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 operational risk scenario workshops and are further supported by internal and external event history. 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.

Internal Capital Adequacy Assessment Process

The ICAAP is the continuing process by which the Group ensures that it always maintains adequate capital resources under normal and stressed conditions, taking account of its balance sheet, business plans, risk profile and risk management processes.

Stress testing is an integral part of the ICAAP process. Jupiter models the impact of both macro-economic and idiosyncratic capital stress tests over the business planning period. Stress tests are carried out to ensure that the Group remains adequately capitalised under severe but plausible conditions. The liquidity impacts of each of these stresses are also modelled.

At least once a year, the Finance department, in conjunction with the Risk department, record the results of the ICAAP in the ICAAP document for Board approval. The ICAAP document, including 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 1 requirement is recalculated in line with the Group's monthly results and financial position for review by the CFO, CRO and an ICAAP working group.

2.4 Risk Profile

The Group is exposed to a range of risks in the execution of its business strategy. 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, and these exposures are managed through the Group's control framework as far as is feasible.

The Group's key risk exposures are in the strategic, investment and operational (including regulatory) risk categories. However capital adequacy, liquidity, market and credit risks are also monitored to ensure they remain within regulatory requirements and risk appetite, as set by the Board, and are managed on a prudent basis.

The Group's current risk profile, which is reviewed on an ongoing basis as part of the risk management framework, is summarised below:

Risk	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 (including regulatory 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 6)	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 5)	Operational Risk 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, or of a custodial institution or third-party service provider with which the Group has a critical relationship. This category includes the Group's credit concentration risk. (Section 8)	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 7)	Market Risk Policy

In addition, the Group considers its exposure to conduct risk and reputational risk however these are not treated as separate risk categories. Conduct risk provides an additional identifier for risks which are classified under the risks listed above. Reputational risk is considered a potential consequence or impact.

2 Risk Management *continued*

Conduct Risk

The Group defines conduct risk as risks that arise from action, or inaction, which result in client detriment, negative impact to market stability or restrict effective competition. These risks are classified under the strategic, investment and operational risk categories and are also flagged as conduct risks for management and reporting purposes. The management of conduct risk is a fundamental focus of the Group's governance and risk management across all its business areas and processes.

The Group has implemented a Conduct Risk Framework to define how conduct risk is identified, monitored and managed.

Reputational Risk

The Group treats reputational risk as a potential impact from risk incidents which are classified under the risk categories above and not a separate risk category. The Group defines reputational risk as the risk of loss or other adverse impact arising from the unfavourable perception of the firm on the part of clients, counterparties, employees, regulators, shareholders, other stakeholders, the media or the general public.

The Corporate Communications team monitor press coverage and social media comment. Issues relating to the Group are escalated to ExCo as appropriate. Issues relating to specific funds are escalated to the fund manager and Chief Investment Officer ("CIO") if necessary.

Risks Not Applicable, or Not Significant, to the Group

The risk categories listed below are referenced in the FCA Handbook (BIPRU 2.2.30-40) as risks which should be considered in the Internal Capital Adequacy Assessment Process ("ICAAP"). The Group does not have any material exposure to these risk categories.

Risks not applicable to the group	
Interest rate risk	The Group has exposure to interest rate risk relating to its cash balances and performs an annual interest rate sensitivity analysis. Based on the results, the Group's view is that the exposure to interest rate risk is not material.
Securitisation risk	The Group does not sponsor or participate in securitisation issues.
Residual risk	The FCA Handbook defines residual risk as the risk that credit risk mitigation techniques used by the firm prove less effective than expected. 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 mitigationis considered as a component of market risk.
Concentration risk	Concentration risk in the Group's corporate cash reserves is managed by splitting core deposits between rated financial institutions, with counterparty limits in place for each. Using the methodology mandated by PRA to calculate concentration risk, the potential capital requirement for the Group is not deemed to be material.
Risk of excessive leverage	The Group currently has no debt but, as at 31 December 2019, had access to a revolving credit facility which was undrawn.
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.

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 2019. 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. As at 31 December 2019, the Company did not have Tier 2 or Tier 3 capital or any related deductions.

Own funds - capital resources

Common Equity Tier 1 (CET1) Capital: instruments and reserves	2019 £m
Capital instruments and the related share premium accounts	9.2
Retained earnings (beginning of year)	604.5
Accumulated other comprehensive income (and other reserves)	2.6
Independently reviewed interim profits net of any foreseeable charge or dividend	(46.5)
Core Tier 1 capital resources before regulatory adjustments	**569.8**
Deductions from Tier 1	(347.0)
Common Equity Tier 1 capital	**222.8**
Illiquid assets	-
Total capital resources after deductions	**222.8**
Capital requirement	43.5
Regulatory capital surplus	**179.3**

Reconciliation of balance sheet to own funds

Reconciliation of balance sheet to own funds	2019 £m
Per financial statements	
Share capital	9.2
Share premium	0.0
Retained earnings	592.7
Other reserves	9.8
Capital and reserves per financial statements	**611.7**
Less: Foreseeable dividends	(41.9)
Common Equity Tier 1 capital	**569.8**

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.

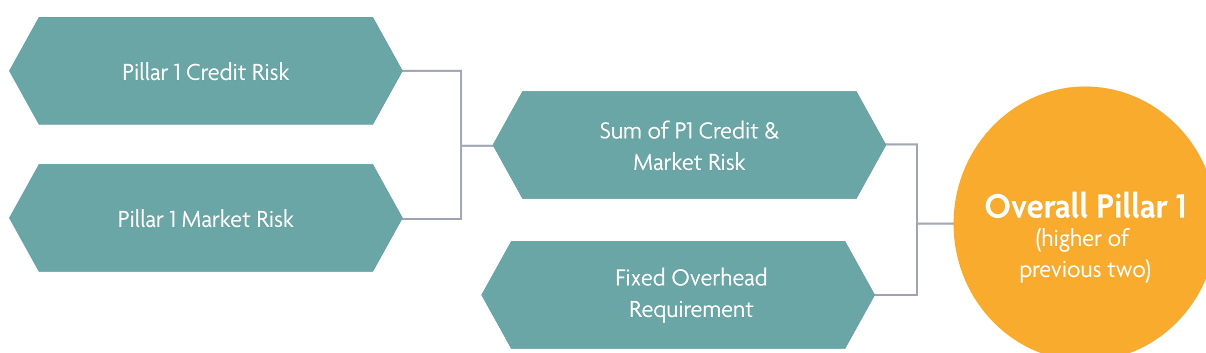
The Group's minimum regulatory capital requirement is assessed as the highest of the Pillar 1 capital requirement (set out above), the Pillar 2 capital requirement and the wind-down cost. The wind-down cost is the estimated cost of an orderly wind-down of the business following failure of its business model. As at 31 December 2019, the Pillar 2 capital requirement was the highest of the three measures.

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 as at 31 December 2019

Pillar 1 Capital requirement	2019 £m
(A) Market risk	1.1
(B) Credit risk	29.2
(C) Sum of (A) & (B)	30.3
(D) FOR	43.5
Pillar 1 capital requirement – higher of (C) & (D)	**43.5**

As at 31 December 2019, the capital requirement for the Group under Pillar 1 was the FOR.

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 risk framework and operational risk policy set out the underlying requirements to identify, measure, manage, monitor, control and report operational risk across the Group at all levels. The policy defines the principles; taxonomy; roles and responsibilities; risk and control management processes (see section 2.3) and supporting documents that enable the management of operational risk within the Group.

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

Risk Description	Description
1. Internal Fraud	Losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or company policy, excluding diversity/ discrimination events, which involve at least one internal party.
2. External Fraud	Losses due to acts of a type intended to defraud, misappropriate property or circumvent the law, by a third party.
3. Employment Practices and Workplace Safety	Losses arising from acts inconsistent with employment, health and safety laws or agreements, from payment of personal injury claims, or from diversity/discrimination events.
4. Clients, Products and Business Practice	Losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients including fiduciary and suitability requirements, or from the nature or design of a product.
5. Damage to Physical Assets	Losses arising from loss or damage to physical assets from natural disaster or other events.
6. Business Disruption and Systems Failure	Losses arising from disruption of business or system failures.
7. Execution, Delivery and Process Management	Losses from failed transaction processing or process management, from relations with trade counterparties and vendors.

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 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.

Whilst the market risk from seed investments and fund-based award hedges does not form part of the Pillar 1 market risk requirement under the FCA definition, the unhedged exposure on seed investments is included as part of the Group's Pillar 2 market risk assessment.

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. However the unhedged exposure on seed investments is included as part of the Group's Pillar 2 market risk assessment.

Pillar 1 market risk capital requirement	2019 £m	
	Risk weighted exposures	8% own funds requirement
Foreign currency position risk requirement	14.2	1.1
Total	**14.2**	**1.1**

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 assets 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 Credit Risk management policy and framework. The Counterparty Review Committee ("CRC"), chaired by the CRO, meets quarterly to determine the level of counterparty credit risk the Group is willing to accept for each counterparty. Ratings from External Credit Assessment Institutions ("ECAI") are supplemented by internal assessment where appropriate.

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 2019 was £27.0m.

7 Credit/Counterparty Risk *continued*

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

Exposure class	2019 £m				
	UK	Continental Europe	Rest of the world	Total risk weighted assets	8% own funds requirement
Institutions	29.0	5.3	0.5	**34.8**	2.8
Corporates	65.5	10.1	1.0	**76.6**	6.1
Claims on institutions and corporates with a short-term credit assessment	1.2	-	-	**1.2**	0.1
Collective Investment Undertakings	46.0	109.8	-	**155.8**	12.5
Other items	65.8	2.3	1.2	**69.3**	5.5
Total	**207.5**	**127.5**	**2.7**	**337.7**	**27.0**
Additional counterparty risk for financial derivatives					2.2
Total credit risk capital requirement					**29.2**

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

Exposure class	2019 £m					2018 £m
	<3 months	3 months – 1 year	1 - 5 years	>5 years	Total risk weighted assets	Total risk weighted assets
Institutions	34.8	-	-	-	34.8	36.7
Corporates	70.5	6.1	-	-	76.6	71.2
Claims on institutions and corporates with a short-term credit assessment	1.2	-	-	-	1.2	4.6
Collective Investment Undertakings	155.8	-	-	-	155.8	157.9
Other items	0.9	10.4	11.4	46.6	69.3	39.8
Total	**263.2**	**16.5**	**11.4**	**46.6**	**337.7**	**310.2**

7 Credit/Counterparty Risk *continued*

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 2019, 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.

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.

Objective	2019 £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	128.7	128.7	Y	(2.1)	(5.6)
Hedging of fund-linked deferred bonus awards	27.1	27.1	Y	1.2	1.5
Total	**155.8**	**155.8**		**(0.9)**	**7.1**

At 31 December 2019, 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/Global/en/Investor-Relations/Governance/Risk-management

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