Quilter

Quilter Investment Platform Limited (formerly Old Mutual Wealth Limited)

CRD IV Pillar 3 disclosures

As at 31 December 2020

Contents

Glossary

Term	Definition
The Company	Quilter Investment Platform Limited (formerly Old Mutual Wealth Limited)
CRD IV	Capital Requirements Directive IV
CRR	Capital Requirements Regulation
ERF	Executive Risk Forum
EU	European Union
FCA	Financial Conduct Authority
GARC	The Governance, Audit and Risk Committee of the QIPL Board
ICAAP	Internal Capital Adequacy Assessment Process
IFPRU	FCA Prudential Sourcebook for Investment Firms
MiFID	Markets in Financial Instruments Directive
MRTs	Material Risk Takers: Staff whose professional activities have a material impact on the risk profile of QIPL
QIPL	Quilter Investment Platform Limited
Quilter Platform	The QIPL and Quilter Life and Pensions Limited businesses, which are managed together.
RemCo	Quilter Remuneration Committee

Section A –
Introduction and Purpose

A1. Name and legal form of the undertaking

Quilter Investment Platform Limited (QIPL)

The Company is a wholly-owned subsidiary of Quilter Holdings Limited which is itself a wholly-owned subsidiary of the ultimate holding company, Quilter plc.

100% of the voting rights of both Quilter Holdings Limited and Quilter Investment Platform Limited have been held by their immediate parent company throughout the relevant period of ownership.

Company names throughout this report are correct as at 30 June 2021. Prior to the completion of Quilter plc's rebrand on 8 June 2021, Quilter Investment Platform Limited was known as Old Mutual Wealth Limited and Quilter Holdings Limited as Old Mutual Wealth Holdings Limited.

A2. Name and contact details of the supervisory authority

Financial Conduct Authority (FCA)
12 Endeavour Square
London
E20 1JN

A3. Name and contact details of the external auditor

The auditor as at 31 December 2020 is:
PricewaterhouseCoopers LLP
Auditor
7 More London Riverside
London
SE1 2RT

A4. Qualifying holdings in the undertaking

Quilter plc is the ultimate parent company of the group. Quilter plc shares are listed on the London and Johannesburg Stock Exchanges.

A5. Background

The Capital Requirements Directive IV ("CRD IV") is a European Union (EU) legislative package that contains prudential rules for banks, building societies and investment firms. Most of the rules in the legislation have applied since 1 January 2014. These rules have been adopted into UK regulation following the end of the Brexit transition period.

CRD IV comprises the:

- Capital Requirements Directive (2013/36/EU), which must be implemented through national law; and
- Capital Requirements Regulation (575/2013) ("the CRR"), which applies to firms across the EU.

CRD IV is intended to implement the Basel III agreement in the EU. This includes enhanced requirements relating to:

- the quality and quantity of capital;
- liquidity and leverage;
- counterparty risk; and
- macro-prudential standards including a countercyclical capital buffer and capital buffers for systemically important institutions.

CRD IV strengthens the prudential framework for individual institutions and responds to financial stability concerns that arose during the financial crisis of 2007-2008.

The regulatory framework consists of three Pillars:

Pillar 1 Defines the minimum capital requirements for firms and groups.

Pillar 2 Covers the supervisory review process. Firms and groups are required to perform an internal assessment of the adequacy of corporate governance, risk management and capital requirements. This is referred to as the Internal Capital Adequacy Assessment Process ("ICAAP"). The ICAAP is subject to periodic review by the FCA.

Pillar 3 Covers a set of disclosure requirements which enable the market to assess information on a firm's corporate governance, risk management practices, capital adequacy and remuneration standards.

QIPL is part of the Quilter CRD IV Group. As part of Quilter plc, QIPL complies with the Group risk and capital management frameworks, details of which can be found in the Quilter CRD IV Group Pillar 3 disclosures published on the Quilter website (www.quilter.com). Additional risk disclosures can be found in the Risk Notes to the QIPL Annual Report and Financial Statements.

As at 31 December 2020 QIPL was categorised as a Significant limited licence IFPRU 125k investment firm.

A6. Frequency

Pillar 3 disclosures will be made on an annual basis at the same time as the publication of QIPL's Annual Report and Financial Statements.

A7. Location

The Pillar 3 disclosure report is published on the Quilter Platform website (***platform.quilter.com***).

A8. CRD IV reporting currency

QIPL reports on a CRD IV basis in Great British Pounds (GBP).

A9. Reporting period

This report covers the financial position at 31 December 2020.

A10. Verification

The disclosures are unaudited but have been reviewed internally. The elements of this disclosure taken from the audited financial statements of QIPL have been subject to external verification. These disclosures explain how the QIPL Board has calculated certain capital requirements and information about risk management generally. These disclosures do not constitute a set of financial statements and should not be relied upon in making judgements about QIPL or for any other purpose than that for which they are intended.

Section B – Governance & Risk Management

B1. Governance Framework

B1.1 QIPL and Quilter plc

As a subsidiary of Quilter plc, QIPL is subject to the delegated authorities given by Quilter plc under the Quilter plc Group Governance Manual.

The Quilter Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.

The Quilter Board has adopted an Enterprise Risk Management framework that applies to the entire Quilter business and has been adopted by QIPL. At the core of this is the Three Lines of Defence model to risk management and internal controls.

QIPL is managed alongside Quilter Life and Pensions Limited, the two companies forming the Quilter Platform business.

Three Lines of Defence:

The Quilter governance model is designed to promote transparency, accountability and consistency through the clear identification of roles, the separation of business management and governance and control structures, and by tracking performance against accountabilities. The segregation of risk taking, oversight and assurance is codified in Quilter's three lines of defence model which ensures clear accountability and ownership for risk and controls.

The responsibilities of each line of defence are set out below:

First Line of Defence *Risk Origination, Ownership and Management* **Business Operations**	Second Line of Defence *Risk Oversight, Challenge and Advice* **Risk and Compliance Functions**	Third Line of Defence *Assurance* **Internal Audit**
The primary responsibility for risk management lies with business management and all employees, who are responsible for managing risk as part of their day-to-day activities. They are responsible for identifying and evaluating the significant risks to the business, for designing and operating suitable controls and reporting risks and issues that arise in their areas.	The second line responsibilities are to provide risk frameworks and advice to the business. Risk's role also includes reviewing and challenging the business on how well the frameworks, standards and regulatory requirements have been implemented and providing additional insights on the main risks being run, the controls around these and the capital held.	The third line responsibilities owned by Internal Audit (IA) are to provide independent, objective assurance. The scope of IA's activities encompass the examination and evaluation of the design adequacy and operating effectiveness of Quilter's system of internal controls and associated risk management processes.
Includes: **1.** Setting Risk Management Strategy **2.** Setting and delivering tone at the top **3.** Implementation and ownership of policies **4.** Implementation and monitoring of risk appetite and risk limits **5.** Ongoing management of risks **6.** Implementation of compliant and risk-aware operating practices **7.** Conducting performance management	**Includes:** **1.** Delivering a clear and well communicated, business-wide risk framework **2.** Providing control and monitoring systems **3.** Producing second line risk opinions on key risks facing Quilter for stakeholders **4.** Supporting adherence to regulation and legislation **5.** Providing advice to the business **6.** Escalating material issues/risks	**Includes:** **1.** Internal governance structures and processes **2.** The setting of and adherence to risk appetite **3.** The risk and control culture of the organisation **4.** The integrity of dealings with customers, interactions with relevant markets **5.** Key corporate events including the information being used to support key decisions **6.** Lessons learned analysis following significant adverse events
Accountable: **1.** CEO / CFO / COO **2.** Executive Management **3.** All employees	**Accountable:** **1.** CRO **2.** Risk Leadership Team **3.** Risk Function	**Accountable:** **1.** Chief Internal Auditor **2.** Internal Audit Team

The system of governance will be reviewed on an annual basis, or whenever there is a material change in the business which requires a change to the system of governance as determined by the QIPL Board.

B1.2 Roles and duties of the Quilter and QIPL Boards

Quilter is governed and managed as an integrated group. This enables the Quilter plc Board to discharge its legal and regulatory responsibilities whilst delivering the best outcomes for our customers.

The role of the **Quilter Board of Directors** in respect of QIPL is as follows:

- To oversee the long-term prosperity of Quilter by providing independent input, review and constructive challenge in relation to QIPL;
- To set the overall Business strategy for the Quilter Group which will be tested and challenged by the QIPL Board;
- To monitor the progress of QIPL in development and implementation of strategic plans and material policies;
- To set the overall Group risk appetite, which will be tested and challenged by the QIPL Board.
- To generally oversee QIPL to ensure maintenance of sound risk controls and governance systems, integrity of financial information, regulatory compliance and sound planning, performance and overall management, either directly or via delegation to its Committees;
- To agree annually the capital plan, which will include the allocation of capital to QIPL;
- To consider and, if thought fit, approve matters escalated to it, including those escalated from the QIPL Board;
- Through its Corporate Governance and Nominations Committee, to approve the appointment of the Chairman of the QIPL Board.

Whilst strategy is set by the Quilter Board and reliance is placed on business boards to oversee delivery of the strategy, input from each business board is sought on the business level strategy. Each business board should promote strategic developments that put customers at the heart of the business and promote long-term sustainable value creation.

The roles and duties of the **QIPL Board** in respect of QIPL are as follows:

- To act independently in delivering the business strategy and objectives. Directors are expected to add real value to the business through their knowledge and experience of the business and have the ability to identify risks and provide robust challenge. The Quilter Board will place reliance on the assurance provided by the subsidiary board;
- To hold executives to account in respect of business performance, the identification and mitigation of key risks, regulatory responsibility and customer outcomes and to support the delivery of the business' strategy within the context of the overall Quilter strategy;
- Should the interests of Quilter and QIPL diverge, the Quilter plc Board is committed to being respectful of the QIPL Board and to working constructively with it to find appropriate solutions and to ensure that Quilter does not exert undue influence over the decision making of the Company; and
- To identify potential conflicts of interest with its parent and ensure that these are appropriately managed particularly if this is likely to impact the safety and soundness of the Company. With the exception of these areas the QIPL Board is expected to demonstrate an independent approach whilst supporting the execution of the agreed Group strategy.

B1.3 QIPL Executive Responsibility

The CEO of QIPL is delegated responsibility, by the Quilter Chief Executive Officer and the QIPL Board, for the day-to-day management of the QIPL Business, operating within the authorities granted through the Quilter plc Group Governance Manual and the responsibilities articulated in the CEO of QIPL's Role Profile.

To assist the CEO of QIPL in the discharge of those responsibilities, an Executive Management team has been appointed as the CEO's direct report team. This team, along with other key roles in the business, form the Executive Committee.

The Executive Committee meets on a monthly basis, and also holds weekly update calls.

The CEO of QIPL is also assisted in the review and challenge of performance in the context of Risk Appetite as set by the QIPL Board (that is aligned to the Quilter plc risk appetite set by the Quilter plc Board) and to oversee, challenge and monitor the management of risk, including operational and regulatory risk, the adequacy of governance arrangements and the effectiveness of internal controls within QIPL by the Executive Risk Forum (ERF).

B1.4 QIPL Board of Directors

The following table shows the members of the QIPL Board during 2020, and the number of directorships held by these members as at the 31 December 2020.

Note: directorships in organisations that do not pursue predominantly commercial objectives, such as non-profit-making or charitable organisations, are excluded and directorships held within the same group (for external directorships) are counted as a single directorship.

Name	Role	Date of joining /leaving	Number of Directorships held within the Quilter Group	Number of Directorships held external to the Quilter Group
Steven Levin	Chief Executive	-	4	-
Annette Barnes	Non-executive Director	-	2	2
John Gill	Non-executive Director	-	2	2
Scott Goodsir	Executive Director	Resigned 1 February 2021	2	-
George Reid	Chairman and Non-executive Director	-	3	-
Simon Wood	Executive Director	-	4	1

Recruitment and selection of members of the management body

In line with the 2018 UK Corporate Governance Code, the selection and recruitment of Directors is based on merit. Role profiles set out the skills, experience, competencies and knowledge required for the role (and regulatory and firm-specific responsibilities for regulated roles).

Prior to employment and regularly thereafter, background checks are conducted to ensure individuals are fit and proper.

In determining the composition of the management body we aim to ensure that the individuals have the appropriate skills, experience and, as a whole, the right blend of skills and experience to carry out the responsibilities of the management body.

All members of the management body are subject to Quilter's Equality and Diversity Principles which are summarised in the Human Resources Policy as follows:

- Providing an environment where employees are safe and there is equality of opportunity is a key element in enabling our people to succeed and deliver the business strategy. Freedom of association is permitted if requested, which includes the right to join a trade union.
- Using our diversity and our relationships to learn from one another enables us to create one business that provides better opportunities for our people and better outcomes for our customers.

The Quilter Group aims to achieve diversity across all dimensions, including gender, ethnicity, socio-economic background, LGBTI+, age and disability or other characteristics as appropriate.

The Human Resources function works with the Businesses to develop and assist in implementing action plans arising from employee surveys.

It is important that across Quilter Group there is an open and transparent environment where employees are able to raise issues openly.

Governance, Audit and Risk Committee (GARC)

The purpose of the Governance, Audit and Risk Committee of the QIPL Board is to assist the QIPL Board in the effective discharge of its oversight responsibilities for governance and risk management.

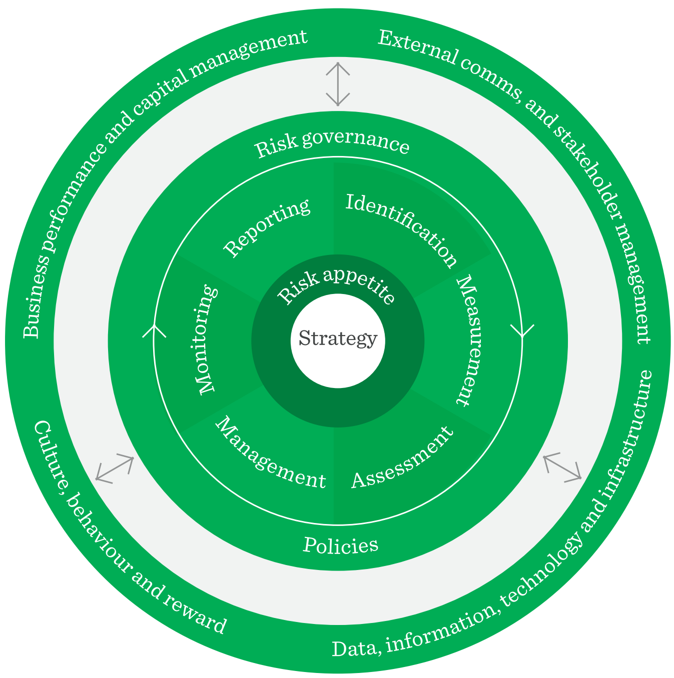
The delegated responsibilities of the GARC include:

- Reviewing and assessing the effectiveness of the risk management systems and controls of QIPL;
- Reviewing the major risk exposures of QIPL and the steps management has taken to monitor and control such exposures;
- Reviewing the risk exposure of QIPL in relation to the risk appetite of the QIPL Board and the risk capacity of QIPL and ensuring the risk appetite is aligned to risk appetite of the Quilter group as set by the Quilter Board;
- Monitoring the development of risk management policies and procedures generally and making appropriate recommendations to the QIPL Board;
- Reviewing the internal control and risk management systems;
- Monitoring and reviewing the effectiveness of the internal audit function, ensuring co-ordination between the internal and external audit functions and considering the findings of any internal investigation;
- Reporting to the QIPL Board on any matters within its terms of reference where it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- Reviewing whistleblowing arrangements by which staff within QIPL may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, with a view to ensuring that arrangements are in place for the proportionate and independent investigation of such matters and considering the major findings of internal investigations and management's response;
- Annually reviewing and making changes to the terms of reference of the Committee for recommendation to the QIPL Board; and
- Considering any other matters as requested by the QIPL Board.

The GARC met 11 times in 2020.

B2 Enterprise Risk Management Framework

B2.1 Risk Management Framework Overview



Quilter's Enterprise Risk Management ("ERM") framework is embedded across the Quilter group and encompasses a number of elements to help the firm manage its risk exposure. The ERM framework ensures a consistent risk management approach across Quilter. It aligns the strategy, capital, processes, people, technology and knowledge in order to evaluate and manage opportunities and uncertainties in a structured and disciplined manner. The framework ensures the risks the business faces are understood and continually managed within our risk appetite, as well as helping us to consider capital implications when making strategic and operational decisions.

The key components of the framework are as follows.

B2.2 Risk Strategy and Risk Appetite

Risk appetite is the amount of risk QIPL is willing to take on in the pursuit of its strategic priorities and is defined by the QIPL Board.

Culturally, this sets the tone regarding the Company's attitude towards risk-taking. Risk appetite also plays a central role in informing decision making, protecting and enhancing the return on capital invested.

Risk appetites are developed for material risks to which the Company is exposed through qualitative statements and quantitative risk appetite measures.

Strategic risk appetite principles

A set of strategic risk appetite principles has been set by the Quilter Board and adopted by QIPL. These principles, set out below, provide the top-of-the-house guidance on our attitude toward key areas of risk and support the ongoing management and oversight of risk.

These are:

- to ensure fair customer outcomes;
- to ensure that the Company has sufficient liquidity to meet its financial and funding obligations;
- to hold or have access to sufficient capital to maintain own capital needs; and
- to operate a robust control environment at all times.

The Company's position against these principles is measured on a regular basis through a series of underlying risk appetite measures. These principles and underlying measures are communicated and applied to all businesses and functions as appropriate.

Policies supporting the system of internal control

The Group Governance Manual ("GGM") and policies form an integral part of the governance and ERM framework, ensuring an appropriate system of risk management and internal control. Together these documents form the basis of clear delegated authorities and accountabilities, ensuring there is appropriate Board oversight and control of important decisions and efficient and effective management of day-to-day business. The GGM and policies are approved by the Quilter Board and adopted by QIPL.

Risk culture

An important element to risk management is a risk-aware culture and risk-informed decision making. Risk management is linked to performance and development, as well as to the Group's remuneration and reward schemes. An open and transparent working environment which encourages our people to embrace risk management, and speak up where needed, is critical to the achievement of our strategic priorities.

B2.3 Risk Identification, Measurement and Assessment

Risks to delivery of the strategy and business plan are identified through the annual strategy development and business planning process.

Risks to business processes are identified through the biannual Risk and Control Self-Assessments by first line management.These assessments allow the business to understand its exposure to operational risks arising from key business processes, systems and products. Where controls are considered to be inadequate or ineffective, management actions are agreed to improve the level of control.

B2.4 Risk Management and Monitoring

Risks are owned and managed on a day-to-day basis by first line risk owners. The second line Risk function provides risk oversight and challenge to support the first line in managing risks.

Risk mitigation strategy planning is performed for some risks to ensure that risk mitigation plans are effective. An example of risk mitigation planning is the development of business continuity plans, which are defined at a functional level.

Corporate insurance is in place to mitigate some high impact, low frequency risks.

QIPL also monitors emerging risks which are less certain in terms of timescales and impact. The emerging risk profile is subject to regular review by management committees and the QIPL Board. The identification of these risks contributes to the Company's stress and scenario testing, which informs its strategic planning process and capital calculations.

B2.5 Scenario Testing and Modelling

Scenario testing is performed to assess the impact of plausible but severe events and to support management in developing plans to manage such events.

The outcomes and management actions identified through the scenario processes are actively used in business planning and in managing the business through extreme events including, for example, in assessing and implementing actions in response to the COVID-19 pandemic.

The scenario framework focusses on considering scenarios under the following headings:

- Macro-economic scenarios (the key focus being our ability to withstand such events and our exposure relative to our peers);
- Sectoral risks (i.e. risks which could affect all or a subset of firms in the financial services industry, such as tax, regulatory or political changes);
- Specific threats (i.e. risks which could cause a specific threat to the Company but would not impact peer firms to the same extent); and
- Reverse stress testing (i.e. threats which could cause the business model to become unviable).

In addition, operational risk scenario testing is performed to assess the impact of potential plausible but extreme operational losses.

B2.6 Risk Reporting and Escalation

Ongoing oversight of QIPL's risk profile and risk management arrangements is undertaken by the Governance, Audit and Risk Committee, with relevant matters also being considered by the QIPL Board. The Quilter Platform Executive Risk Forum is the primary management committee overseeing the risk profile of the firm. On a quarterly basis, the Chief Risk Officer formally reports the second line perspective on the risk profile of the firm, performance against risk appetite and a second line perspective on the effectiveness of management responses. Regular monitoring and reporting of risks enable continuous review and challenge of risks and mitigating actions.

Risk events with a financial impact over £5,000 and risk events which have a significant non-financial impact, such as impacts on customers and regulatory breaches, are recorded by the function within which the risk event arose.

First line management escalates risk events in line with the risk event escalation protocol which is defined by the Risk function.

Risk events remain open until any management actions to manage the impacts or address the events have been performed.

B3 Adequacy of Risk Management Arrangements

The Company has an ongoing process for identifying, evaluating and managing the principal risks that it faces, and the QIPL Board reviews these over the course of the year. The QIPL Board acknowledges its responsibility for establishing and maintaining the Company's system of internal control, and for reviewing its effectiveness. The system of internal control is designed to manage rather than eliminate the risks to which the Company is exposed. The QIPL Board confirms the adequacy of the risk management systems to the Company's risk profile and strategy.

Section C –
Risk Profile

The following sections set out the risk profile of the Company. Further details are included in the risk notes to the Annual Report and Accounts.

C1 Credit risk

Credit risk is the risk of adverse movements in credit spreads (relative to the reference yield curve), credit ratings or default rates leading to a deterioration in the level or volatility of assets, liabilities or financial instruments resulting in loss of earnings or reduced solvency. This includes counterparty default risk, counterparty concentration risk and spread risk.

The Company has adopted the Group Credit Risk Framework that includes a Credit Risk Policy, Credit Risk Standard and Credit Risk Appetite. This framework applies to all activities where the shareholder is exposed to credit risk, either directly or indirectly, ensuring appropriate identification, measurement, management, monitoring and reporting of credit risk exposures.

The credit risk arising from all exposures is mitigated through ensuring the Company only enters into relationships with appropriately robust counterparties, adhering to the Credit Risk Policy. For each asset, consideration is given as to:

- the credit rating of the counterparty, which is used to derive the probability of default;
- the potential recovery which may be made in the event of default; and
- any second order risks that may arise where the firm has collateral against the credit risk exposure.

Credit risk exposures are monitored regularly to ensure that counterparties remain creditworthy, that there is appropriate diversification of counterparties, and that exposures are within approved limits.

At 31 December 2020, the Company's material credit exposures were to financial institutions (primarily through the investment of shareholder funds), corporate entities (including external fund managers) and individuals (primarily through fund management trade settlement activities).

With the exception of its bank deposits, the Company has no significant concentration of credit risk.

There is no direct exposure to Eurozone sovereign debt within the Company's shareholder investments.

Investment of shareholder funds

The risk of counterparty default in respect of the investment of shareholder funds is managed through:

- setting minimum credit rating requirements for counterparties;
- setting limits and key risk indicators for individual counterparties and counterparty concentrations;
- monitoring exposures regularly against approved limits; and
- ongoing monitoring of counterparties and associated limits.

Other credit risks

The risk of default by financial advisers is managed through monthly monitoring of loan and commission debt balances and the establishment of a net provision, when considered appropriate.

The Company is exposed to the risk of default by fund management groups in respect of settlements and rebates of fund management charges on collective investments held for the benefit of policyholders. This risk is managed through the due diligence process which is completed before entering into any relationship with a fund group. Amounts due to and from fund groups are monitored for prompt settlement and appropriate action is taken where settlement is not timely.

Legal contracts are maintained where the Company enters into credit transactions with a counterparty.

Impact of credit risk on fair value

Due to the limited exposure that the Company has to credit risk, credit risk does not have a material impact on the fair value movement of financial instruments for the year under review. The fair value movements on these instruments are predominantly due to changes in market conditions.

C2 Market Risk

Market risk is the risk of an adverse change in the level or volatility of market prices of assets, liabilities or financial instruments resulting in loss of earnings or reduced solvency.

Market risk arises primarily through potential reductions in future revenues. This may occur due to falls in the value of underlying assets as a result of fluctuations in equity prices, bond prices, property prices, interest rates and foreign currency exchange rates.

The Company has adopted the Quilter Market Risk Policy which sets out the market risk management governance framework, permitted and prohibited market risk exposures, maximum limits on market risk exposures, management information and stress testing requirements.

The Company does not undertake any principal trading for its own account. The Company's revenue is however affected by the value of assets under management and consequently it has exposure to equity market levels and economic conditions.

Scenario testing is undertaken to test the resilience of the business to severe but plausible events and to assist in the identification of management actions.

Interest rate risk

A rise in interest rates would cause an immediate fall in the value of investments in fixed income securities within clients' funds, resulting in a fall in fund-based fees. The Company holds no fixed income securities itself and so direct interest rate risk is negligible. However, assuming that the business continues to grow, a rise in interest rates would enable a higher return on new investments, which in turn would cause client investments' values to grow more quickly and so fund-based fees may be higher in the longer term.

Equity and property price risk

In accordance with the Market Risk Policy, the Company does not invest shareholder assets in equity or property assets (or related collective investments) except where the exposure arises from the manager's box positions which are short term and subject to internal limits. Exposure to this risk is immaterial.

The Company derives revenues (e.g. annual management charges from clients) which are linked to the performance of the underlying policyholder assets. Therefore, future earnings will be affected by equity and property market performance.

Foreign exchange rate risk

The Company is not exposed to direct foreign exchange risk and holds no foreign currency balances. However, the Company is exposed to foreign exchange risk indirectly through fund-based fees derived from client funds which hold assets denominated in foreign currencies. Therefore, a movement in exchange rates would affect the value of future fund-based fees received by the Company.

C3 Liquidity risk

Liquidity risk is the risk that there are insufficient assets or that assets cannot be realised in order to settle financial obligations as they fall due or that market conditions preclude the ability of the firm to trade in illiquid assets in order to maintain its asset/liability matching (ALM) profile.

The Company manages liquidity on a daily basis through:

- maintaining adequate high-quality liquid assets and banking facilities that are readily available, the level of which is informed through appropriate liquidity stress testing;
- continuously monitoring forecast and actual cash flows; and
- monitoring a number of key risk indicators to help in the identification of a liquidity stress.

The Company maintains and manages its local liquidity requirements according to its business needs within the overall Group Liquidity Risk Framework that includes a Group Liquidity Risk Policy, Group Liquidity Risk Standard and Group Liquidity Risk Appetite Statement. The framework is applied consistently across all businesses in the Group to identify, manage, measure, monitor and report on all liquidity risks that have a material impact on liquidity levels. This framework considers both short-term liquidity and cash management considerations and longer-term funding risk considerations.

Liquidity is monitored centrally by Group Treasury, with management actions taken at a business level to ensure each Company has liquidity to cover its minimum liquidity requirement, with an appropriate buffer set in line with the Group Risk Appetite Statement.

The Group maintains contingency funding arrangements to provide liquidity support to businesses in the event of severe liquidity stresses that are greater than their risk appetite. Contingency Funding Plans are in place for each individual business in order to set out the approach and management actions that would be taken should liquidity levels fall below minimum liquidity requirements. The plans undergo an annual review and testing cycle to ensure they are fit for purpose and can be relied upon during a liquidity stress.

C4 Operational risk

Operational risk is the risk that failure of people, processes, systems or external events results in financial loss, damage to the brand / reputation or adverse regulatory intervention, or government or regulatory fine.

Operational risk includes all risks resulting from operational activities, excluding the risks already described above and excluding strategic risks and risks resulting from being part of a wider group of companies. Operational risk includes the effects of failure of administration processes, IT maintenance and development processes, investment processes (including settlements with fund managers, fund pricing and matching and dealing), product development and management processes, legal risks (e.g. risk of inadequate legal contract with third parties), risks relating to the relationship with third party suppliers and outsourcers, and the consequences of financial crime and business interruption events.

Operational risks are managed in accordance with the Quilter Group Operational Risk policy and related standards consistent with the Enterprise Risk Management Framework. Operational risk exposure is measured primarily through scenario assessments which use internal and external loss event data, Risk and Control Self-Assessments, and expert judgement provided by the key subject matter experts. Resultant exposures are evaluated against the Company's risk appetite which is the process that drives operational risk reporting and management action.

In accordance with Group policies, management have primary responsibility for the identification, assessment, management and monitoring of risks, and the escalation and reporting of issues to executive management.

The QIPL Board has responsibility for implementing the Group Operational Risk management methodologies and frameworks and for development and implementation of action plans to manage risk levels within acceptable tolerances and to resolve issues identified.

C5 Business risk

Investment contract risk

Investment contract risk arises through exposure to unfavourable operating experience in respect of factors such as persistency levels and management expenses relative to the assumptions made when pricing contracts, which may prevent the firm from achieving its profit objectives.

The sensitivity of the Company's earnings and capital position to investment contract risks is monitored through the Group's capital management processes.

Persistency

Persistency risk is the risk that the rate at which customers withdraw their funds and cease paying regular premiums exceeds the expectation when preparing the business plan. Excessive withdrawals and regular premium cessations can result in a reduction in profits in future years.

Persistency risk is managed through focus on customer service, conduct and reputation and statistics are monitored monthly to identify emerging trends.

In the short term, profit is not materially impacted by those changes in persistency experience which are reasonably foreseeable.

Expenses

Expense risk is the risk that actual expenses exceed the levels expected when preparing the business plan.

Expense levels are monitored quarterly against budgets and forecasts. Expense drivers are used to allocate expenses to entities and products.

C6 Risk and capital management

The Group operates a robust capital management framework to ensure the optimisation of the balance sheet between policyholder protection and shareholder expectations. The Group Capital Management Policy is closely linked to risk management objectives. It covers the determination of capital requirements and own funds, capital planning processes, stress and scenario testing and capital monitoring and performance.

Throughout 2020, QIPL complied with the regulatory capital requirements that apply at entity level.

Internal Capital Adequacy Assessment Process ("ICAAP")

The ICAAP process is carried out continually and is designed to enable management to understand and manage the key risks to the business; ensure sufficient capital and liquidity is held in order to remain within risk appetite in respect of these risks; and make informed strategic decisions in response to these risks. The assessments are used to identify the level of capital and liquidity that should be retained by stressing each material risk and considering risk interactions and dependencies. The assessments also consider the approach used to manage risks which are not covered by capital or liquidity.

The ICAAP is defined as a set of underlying risk and capital management processes. These processes include:

- Defining and monitoring adherence to the risk appetite framework;
- Assessing, monitoring and reporting of material risks to the achievement of the business plan;
- Assessing the effectiveness of governance and risk management processes;
- Determining capital needs, including the assessment of the Pillar 2 capital requirement; and stress and scenario testing;
- Determining liquidity needs, including liquidity scenario analysis and maintaining and testing contingency funding plans;
- Assessing the processes and resources which would be required to wind-down the business in an orderly manner;
- Carrying out a forward_looking assessment of the risk profile and capital needs over the business planning time horizon; and
- Reporting on the conclusions of ICAAP processes

A number of these processes are performed at a Group level for the Quilter ICAAP Group, although a number (liquidity risk assessment, wind-down planning and stress and scenario testing) are conducted locally.

The Pillar 2 capital requirement is determined by performing an internal assessment of risks which could lead to a potential loss of own funds. This builds upon the Pillar 1 own funds capital requirement by assessing the risks which are not fully captured by the Pillar 1 own funds capital requirement.

The overall capital requirement is the highest of the Pillar 1, Pillar 2 and wind-down cost assessment.

Whilst these risk management processes are ongoing throughout the year, an annual Group ICAAP Report is produced which provides an overall assessment of the current and future risk profile of the business, and demonstrates the relationship between business strategy, risk appetite, risk profile and solvency needs.

The ICAAP is owned by the Quilter Board. The Quilter Board exercises oversight through a number of governance and management committees, through the process of review and challenge throughout the year and by approving the annual ICAAP Report. Where elements of the ICAAP are performed locally, these are approved by the QIPL Board.

The ICAAP process and conclusions are subject to supervisory review and evaluation by the FCA on a periodic basis.

Section D –
Capital Resources

D1 Regulatory Pillar 1 Capital Resources

Regulatory capital is recognised as either Tier 1 or Tier 2 depending on the characteristics of the capital items. QIPL regulatory capital consists only of Tier 1 capital.

Certain capital deductions are made against the Company's capital items, reflecting the different regulatory treatment for capital adequacy purposes. Capital deductions consist of deductions for intangible assets and deferred tax.

The table below illustrates the elements of QIPL's capital resources.

Own Funds	31/12/20 £000s	31/12/19 £000s
Permanent share capital	106,430	94,430
Profit and loss account and other reserves	36,489	49,190
Interim net losses	(9,416)	(12,701)
CET1 deductions – intangibles and deferred tax	(4,402)	(4,914)
Own funds	**129,101**	**126,005**

The Permanent Share Capital consists of 106,430,000 ordinary shares of £1 each (2019: 94,430,000).

The issue of 12,000,000 ordinary shares of £1.00 each was approved on 14 April 2020. FCA permission to include these additional shares as part of the CET1 capital calculation was received during the year.

The Company has elected under the Companies Act 2006 to remove authorised share capital limits.

D2 Reconciliation of Pillar 1 Basis to International Financial Reporting Standards Basis

Reconciliation to IFRS basis	31/12/20 £000s
Share capital	106,430
Capital contributions	218,500
Retained losses	(191,427)
Total IFRS equity (audited)	133,503
Deductions for contract costs and deferred tax intangible assets	(4,402)
Own funds	**129,101**

Section E –
Capital Requirements & Capital Adequacy

E1 Regulatory Pillar 1 Capital Requirement

The Pillar 1 capital requirement under CRD IV is based on the higher of the credit risk capital requirement plus the market risk capital requirement and the fixed overhead requirement. The table below gives a summary of the Pillar 1 capital requirement at 31 December 2020:

Pillar 1 capital requirement	£000s
Credit risk capital requirement	4,278
Market risk capital requirement	0
Total of credit and market risk	**4,278**
Fixed overhead requirement	**15,819**
Pillar 1 capital requirement	**15,819**

E1.1 Credit risk capital requirement

QIPL has adopted the standardised approach to calculating relevant components of the credit risk capital requirement as 8% of total risk-weighted exposures.

The major credit risk exposures for QIPL are cash deposits at banks, money market funds, intra-group balances and amounts due from customers and HMRC in relation to tax reclaims in respect of ISA business.

The components of the credit risk capital requirement at 31 December 2020 are set out in the following table:

Credit Risk capital requirement	Exposure (£000s)	Average risk weight	Risk weighted exposure (£000s)	Risk weighted exposure at 8% (£000s)
Institutions	72,198	21%	15,447	1,236
Retail	5,585	75%	4,189	335
Corporates - intra-group	27,127	98%	26,565	2,125
Other - accrued income and deferred tax	993	102%	1,014	81
Collective investments undertakings (CIU)	27,701	23%	6,261	501
Exposures to Central Government	3,745	0%	0	0
Total	**137,349**		**53,476**	**4,278**

Risk weights

The risk-weighted exposures are based on the exposure class to which the exposure is assigned, the credit quality of the associated counterparties and the time to maturity. Where possible, the Company assesses the credit quality of its counterparties using External Credit Assessment Institutions ("ECAI's"). The ECAI used by the Company is Standard & Poor's. Standard & Poor's ratings are recognised as an eligible ECAI by regulators and are used to assess the credit quality of all exposures, where available.

Each exposure is mapped to one of six credit quality steps based on its credit rating. Where no credit rating can be obtained from an endorsed ECAI, the exposure is categorised as unrated and the relevant risk weighting applied in accordance with the CRR regulations. Unrated exposures (included in Other in the table below) include collective investments, trade and other receivables, intercompany balances and deferred tax assets.

The following table provides the credit risk exposure analysed by credit quality step.

Credit Exposure Summary by Credit Quality Step

Credit Quality Step	1 £000s	2 £000s	3 £000s	4 £000s	5 £000s	6 £000s	Other £000s	Total £000s
Credit Risk Exposure amount	44,230	58,376	–	–	–	–	34,743	137,349

E1.2 Market risk capital requirement

QIPL does not have any exposure to market risk through a trading book or direct foreign currency exposure and hence no Pillar 1 capital is held for Market Risk. Company money is held in bank deposits and money market funds.

E1.3 Fixed overhead requirement

The fixed overhead requirement is calculated as 25% of the preceding year's fixed expenditure as derived from audited financial statements.

E2 Regulatory Pillar 1 Capital Adequacy

The following table provides a summary of the capital position as at 31 December 2020.

	£000s
Pillar 1 capital resources	129,101
Less: Pillar 1 capital requirement	15,819
Capital surplus	**113,282**
Capital coverage ratio	816%

E3 Regulatory Pillar 2 Capital Adequacy

Under Pillar 2 investment firms are required by the FCA to carry out an assessment of the adequacy of their capital resources based on their own assessment of the risks that they face rather than the regulatory prescribed calculation under Pillar 1. This assessment is the ICAAP. The ICAAP is produced on a consolidated basis for Quilter (excluding insurance entities and other entities which fall outside the scope of the prudential consolidation group).

Section F – Remuneration Policy and Practices

F1 Introduction

The following disclosure explains how Quilter plc (and hence QIPL) complies with the requirements of the UK implementation of CRD IV, in particular Articles 92 to 95. For the 2019 performance year, CRD IV applied to QIPL.

Under CRD IV certain rules apply to the remuneration policies and practices for staff whose professional activities have a material impact on the risk profile of QIPL. These employees are referred to as Material Risk Takers "MRTs" under CRD IV.

F2 Remuneration Policy

Remuneration for MRTs is governed by the Quilter plc Remuneration Policy. The policy has been designed to discourage risk taking outside of Quilter's risk appetite, to support the strategy, objectives and values and to align the interests of employees, shareholders and customers.

The policy is overseen across Quilter by the Quilter plc Remuneration Committee ("the RemCo").

The RemCo is appointed by the Quilter plc Board and consists of Non-executive directors of Quilter plc, which enables it to exercise independent competent judgement in remuneration matters in the context of managing risk, value and capital in line with shareholders' expectations as well as ensuring Quilter's compliance with the relevant remuneration regulatory requirements. This includes the remuneration process, structures and operation which are actively monitored as an integral part of its oversight. The RemCo met eight times in 2020. The Risk and Compliance Functions as well as the Quilter Board Risk Committee input into the Remuneration Policy and remuneration decisions as appropriate.

The Remuneration Policy has been developed based on a number of key principles. These are:

- Remuneration must reinforce wider people management practices, and only reward results which support a positive employment culture and customer values;
- Remuneration must align to the business drivers, corporate vision and strategic priorities of the Quilter Group and its component businesses as disclosed to shareholders from time to time;
- Remuneration plans and policies must align the interests of executives with those of shareholders by rewarding delivery of the chosen strategy and sustained performance against agreed financial goals that create long-term shareholder value;
- There must be a robust quantitative and qualitative approach to reflecting risk metrics and risk management in the outcome of remuneration plans and total remuneration must be justifiable and affordable in relation to the performance attained; and
- The determination and communication of all remuneration plans must be simple, clear and transparent for employees and shareholders.

F3 Material Risk Taker identification

Quilter plc has identified MRTs as individuals who can, by their professional activities, create material risks for the CRD IV entities within the Group. For 2020 these entities included QIPL. Quilter plc has identified MRTs in line with regulatory technical standards published by the European Banking Authority setting out qualitative and quantitative criteria. Categories of staff considered as MRTs include senior management, employees in key control function roles, other employees who could create material risks, and high earners and employees remunerated at the same level as other MRTs who can create material risks for the business. The identification process takes account of the key risks defined in the relevant ICAAP as well as the controls and governance framework that individuals operate within.

F4 Link between pay and performance

Remuneration for MRTs is made up of fixed compensation (salary and benefits) and variable performance-related pay (short-term and long-term incentives). All employees are eligible for variable pay and fixed compensation is set at a market competitive level enabling a fully flexible variable remuneration policy, including the ability to pay no variable pay where appropriate. The long-term nature of the businesses in which we operate is reflected in our remuneration structures that both protect customers and support the creation and preservation of enduring value in the Quilter Group for the benefit of all shareholders, such as appropriate risk adjustment measures, growing the business sustainably and creating shareholder value. QIPL is a Level 3 business and consequently applies the remuneration requirements of CRD IV in a way that is proportionate to its size, nature and complexity.

Short-term incentives

Short-term incentives are structured to incentivise the achievement of annual financial and non-financial performance objectives, including risk and conduct, and to align MRT reward to customer and shareholder outcomes as appropriate. Business plans against which performance objectives are set and measured are market appropriate. Control function employees are assessed against role-specific performance objectives which are independent of the performance of the business units they oversee.

Awards for MRTs typically include an element of deferral in Quilter plc restricted shares. The deferred portion is designed to further align staff and shareholder interests and to support employee retention. The vesting period is 3 years. Guaranteed variable remuneration is paid only in exceptional circumstances and is limited to the first year of service and the severance policy does not reward failure.

Long-term incentives

Long-term incentive awards for eligible MRTs are intended to align senior management remuneration with the success of the Company and shareholder interests.

MRTs who are members of the Quilter plc Executive Committee may receive an award in the form of nil-cost options in Quilter plc shares, which is subject to three-year performance conditions aligned to the creation of long-term shareholder value. The vesting period is three years from the date of grant with a two-year post-vesting retention period. The extent to which the award vests depends on the achievement of the performance conditions and may be between 0% and 100% of the award.

MRTs who are not members of the Quilter plc Executive Committee may receive an award of Quilter plc Restricted Stock Units ("RSUs"). The award of RSUs is subject to an assessment prior to grant and during the vesting period to validate that there have been no conduct issues or breaches of Quilter plc risk management policies. The vesting period is three years from the date of grant and the vested shares are subject to clawback for a further period of two years from the vesting date.

In both cases the RemCo may also reduce the extent to which an award vests if it considers that undue risks were taken which could adversely impact future business earnings, operations or the reputation of the Company.

F5 Determining bonus pools for variable pay awards

The way that the bonus pools are determined ensures that the outcomes are aligned to specific, measurable and relevant business results in a transparent manner with full consideration of the risk performance of the business.

The main pool structure is designed to share a portion of the value created with employees. It is funded based on performance against IFRS profit targets (excluding amortisation of intangibles and goodwill, and policyholder tax charges or credits) derived from the Company's business plan and approved by the Quilter RemCo. Members of senior management are also subject to additional risk, customer and personal metrics that comprise an overall balanced scorecard used to determine final incentive outcomes.

The RemCo may exercise its judgement and discretion to apply a risk-based adjustment to the pool and/or individual outcomes based on the effectiveness of risk culture and the risk management performance of the business. To inform the RemCo in discharging its responsibilities in this respect, an independent risk report covering both quantitative and qualitative risk measures, as well as an assessment of any material risk events that have crystallised during the year, is prepared by the Chief Risk Officer and considered by the Quilter Board Risk Committee which provides an opinion to the RemCo on whether any adjustments are warranted.

Final senior management outcomes and the broader pool allocations are determined based on a bottom-up/target framework and reflect relative business performance where appropriate. Each business and function distributes its final allocation to employees based on relative employee performance against a balanced set of individual objectives.

F6 Share related awards and link to performance

Share awards are subject to malus and clawback provisions, which may be applied if, in the opinion of the RemCo, any of the following circumstances apply:

a) if the results or accounts or consolidated accounts of any company, business or undertaking in which the participant worked or works or for which he/she was or is directly or indirectly responsible are found to have been materially incorrect or misleading;

b) any company, business or undertaking in which the participant worked or works or for which he/she was or is directly or indirectly responsible subsequently makes a loss out of business written due, in whole or part, to a failure to observe risk management policies in effect at the time;

c) the participant has committed an act of gross misconduct or it is discovered that the participant's employment could have been summarily terminated;

d) the participant has acted in a way which has damaged, or is likely to damage, the reputation of Quilter or any Group member, or has brought, or is likely to bring, Quilter or any Group member into disrepute in any way;

e) any other circumstances similar in nature to those described above which the Committee considers justifies the application of malus; or

f) in the reasonable opinion of the Committee, he or she should not have received or be entitled to receive an award.

Share Plan rules require that awards may not be hedged in any manner (such as by the participant ceding or assigning rights to a third party).

The exit conditions to be applied to share awards will be determined by the share award scheme rules.

F7 Quantitative disclosures

14 MRTs were identified for 2020, including three Non-executive Directors. The aggregate quantitative information on remuneration shown below relates to executive MRTs only for performance year ending 31 December 2020.

In respect of 2020, the following amounts were paid in fixed and variable remuneration to MRTs. Fixed remuneration includes base salary and benefits received between 1 January 2020 and 31 December 2020. Variable remuneration includes 2020 annual bonus awards made in March 2021 and the value of long-term incentive awards that vested in 2020.

Total remuneration for MRTs (excluding Non-executive Directors)

	Senior Management	Other MRTs
Number of MRTs	3	8
Fixed Remuneration (£ '000s)	1,076	1,447
Variable Remuneration (£ '000s)	1,171	386
Total (£ '000s)	**2,248**	**1,833**

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Please be aware that calls and electronic communications may be recorded for monitoring, regulatory and training purposes and records are available for at least five years.

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