JARVIS INVESTMENT MANAGEMENT LIMITED

BACKGROUND

FCA's MIFIDPRU 8.1 rules set out the provisions for disclosure and permit nondisclosure of information that the directors believe to be immaterial, to the extent that such non-disclosure would be unlikely to change or influence the decision of a reader relying on that information. Material considered to be proprietary and/or confidential, disclosure of which might affect the competitiveness of the firm and/or breach client confidentiality obligations may also be omitted.

We have made no such omissions in this, our MIFIDPRU 8 disclosure.

Jarvis Investment Management ltd ("JIM") is a class 2 non-SNI firm, authorised and regulated by the FCA and subject to minimum capital requirements. JIM is wholly owned by Jarvis Securities Plc which is traded on the AIM market of the London Stock Exchange. JIM is the only operating company within the Group and therefore reports to the FCA on a solo-consolidated basis.

JIM has no equity proprietary trading-book exposure.

RISK MANAGEMENT OBJECTIVES AND POLICIES

The Board of Directors considers that the effective management of risk is fundamental to the success of the Firm. It also recognises the importance that continuous identification and management of risk plays in that success. With that in mind, the firm maintains a documented Risk Management Framework defining the firm's approach to risk which sets out the responsibilities of the Board, the Business Risk and Compliance Committees, Senior Managers, and employees of the firm with respect to risk identification, mitigation, and reporting.

Whilst risk is inherent within the industry in which the firm operates, the firm has invested considerable time and effort into the production of its risk management framework, policies, and procedures through the engagement of external regulatory consultants to ensure they are of a sufficiently robust nature to mitigate where possible the risk of harm the firm will face (and poses to its customers and to the wider market) to a manageable extent.

The key tools used by Jarvis to regularly assess the effectiveness of our control framework, including both preventative and detective controls, are:

- **Regular risk assessments and the ICARA Process**: We undertake risk assessments on an at least annual basis incorporating financial crime business wide risk assessment, market abuse risk assessment, operational risk assessment, and regulatory risk assessment. The results will be detailed within our Risk of Harms Register. The Board are responsible for the signing off the Risk of Harms Register on an annual basis.
- **Documented policies and procedures:** We maintain a documented set of policies and procedures that set out the processes that must be followed to ensure our ongoing compliance with our regulatory obligations.
- **Compliance monitoring:** We have introduced a process for undertaking regular second line reviews to ensure our systems and controls are operating effectively.
- **Management information:** We maintain a standing data set of management information that is reported to the board on a quarterly basis. Additionally, the board receives an annual MLRO

report. Further, results from ongoing compliance monitoring reviews are also fed into the Compliance Committee and the Board.

- **Training:** We undertake a regulatory and operational training needs analysis annually and monitor the completion of required training through a training log.

Jarvis operates a risk-centric business model that is consistent with the FCA's operational objectives by operating a regulatory compliance governance arrangement that focuses on customer outcomes and regulatory compliance as the core objectives and informs the design, operation, monitoring and amelioration of Jarvis' business strategy to consistently align with those core objectives.

The Risk Management Framework comprises the corporate and internal organisation structure; the internal procedures and controls; and the various management reports and documents that all form part of the overall corporate governance of the firm. Although many of these processes, controls and documents will be subject to regular formal review, external reviews will also be undertaken on an annual basis.

The Board has established a number of committees which are comprised of appropriate heads of departments and other stakeholders to provide additional oversight of the firm's operations and regulatory requirements. These Committees meet regularly and formally report to the Board. The Committees are responsible for improving and monitoring the firm's processes within their Terms of Reference.

The directors determine the company's business strategy and risk appetite and are responsible for the design and implementation of the firm's risk management framework, based largely on an Internal Capital and Risk Assessment ("ICARA") which is regularly reviewed and updated. In addition, JIM reports on financial risk management objectives and policies within its annual accounts and within those of its parent.

The following is a summary of these objectives and policies:

Financial risk management objectives and policies

The directors consider that their main risk management objective is to monitor and mitigate the key risks to the company, which are considered to be principally credit risk, compliance risk, liquidity risk and operational risk. Several high-level procedures are in place to enable all risks to be better controlled. These include detailed profit forecasts, monthly management accounts and comparisons against forecast, regular meetings of the full Board of Directors, and more regular senior management meetings.

The company's main credit risk is exposure to the trading accounts of clients. This credit risk is controlled via the use of credit algorithms within the computer systems of the company. These credit limits prevent the processing of trades in excess of the available maximum permitted margin at 100% of the current portfolio value of a client.

A further credit risk exists in respect of trade receivables. The company's policy is to monitor trade and other receivables and avoid significant concentrations of credit risk. Aged receivables reports are reviewed regularly and significant items brought to the attention of senior management.

The compliance risk of the company is controlled through the use of robust policies, procedures, the segregation of tasks, internal reviews and systems controls. These processes are based upon the Rules and guidance notes of the Financial Conduct Authority and the London Stock Exchange and are overseen by the compliance officer together with the management team. In addition, regular compliance performance information is prepared, reviewed and distributed to management.

The company aims to fund its expansion plans mainly from existing cash balances without making use of bank loans or overdraft facilities. Financial risk is therefore mitigated by the maintenance of positive cash balances and by the regular review of the banks used by the company. Other risks, including operational, reputational and legal risks are under constant review at senior management level by the executive directors and senior managers at their regular meetings, and by the full board at their regular meetings.

The company does not have any borrowings. Hence, the directors do not consider the company to be materially exposed to interest rate risk in terms of the usual consideration of financing costs.

The capital structure of the company consists of issued share capital, reserves and retained earnings. The company has an Internal Capital and Risk Assessment process ("ICARA"), as required by the Financial Conduct Authority ("FCA") for establishing the amount of regulatory capital to be held. The ICARA gives consideration to both current and projected financial and capital positions. The ICARA is updated throughout the year to take account of any significant changes to business plans and any unexpected issues that may occur. The ICARA is discussed and approved at a board meeting of the company at least annually. Capital adequacy is monitored closely by management. The company uses the simplified approach to Credit Risk and the standardised approach for Operational Risk to calculate own funds requirements, and observes the FCA's regulatory requirements at all times.

The directors do not consider that the company is materially exposed to foreign exchange risk. The company offers settlement of trades in various currencies, predominately Sterling, US Dollars and Euros. The company does not hold any assets or liabilities other than in Sterling and converts client currency on matching terms to settlement of trades realising any currency gain or loss immediately in the income statement. Consequently, the company has minimal foreign exchange risk.

JIM is approved by HM Revenue & Customs to act as an ISA Manager. The company provides financial institutions, asset managers, investments managers, brokers and private individuals with ISA wrappers and with electronic share settlement and custodial services by way of its membership of CREST. Jarvis Investment Management Limited is a limited liability private company.

RISK APPETITE STATEMENT

The firm intends to maintain sufficient capital to meet the higher of its own funds requirements at all times, and the firm has adopted a relatively risk-averse approach to capital management.

Our risk appetite statement sets out how we balance risk and opportunity in pursuit of achieving our objectives. The statement below forms a key element of our governance and reporting framework and is set by the Board, which also reviews the statement annually.

Risk appetite is the level of risk the Firm is prepared to accept in order to achieve its objectives. It needs to be considered before the risks are addressed (i.e., before deciding on which controls are/can be put in place to mitigate the risk to an acceptable level).

Jarvis does not have a single risk appetite; instead it has various appetites across its various risk areas. This includes eight principal risks as stated below.

Where Jarvis chooses to accept an increased level of risk it will do so subject to ensuring there is sufficient risk capacity, the impact of the risk is fully understood, and it is authorised by the appropriate accountable individuals and/or forums and that there are sensible and proportionate measures in place to mitigate the adverse impacts of the risks.

Jarvis distinguishes between those risks which are operational in nature, and as such within our control (such as security of information) and those external factors (such as the risk of an economic downturn) which are not directly within our control but nevertheless must be identified and considered to address those risks we can influence.

Jarvis is not completely averse to taking risks; and its approach is based on judgement and the circumstances of each potential intervention, and an assessment of its impact. This means Jarvis will not seek to intervene in all situations, rather it prioritises in terms of risk, cost and perceived benefits in a consistent and transparent way, choosing the most appropriate course of action from our suite of enabling, educational and enforcement tools.

Risk Appetite classifications

The Firm's approach to its risk appetite can be categorised in one of three ways: **ACCEPTED, RESTRICTED and PROHIBITED.**

Classification	Description
Accepted appetite	Activities may potentially carry or contribute to a high degree of residual risk. Jarvis will conduct business and activities and monitor the associated risks.
Restricted appetite	There is a willingness to accept/tolerate a degree of risk to achieve key deliverables or initiatives. Jarvis will conduct business and activities and monitor the associated risks taking a risk-based approach.
Prohibited/No appetite	Avoidance of certain risk types and uncertainty is of high importance. Jarvis will not conduct business or activities of this nature.

The Board of Jarvis accept that risk is inherent in any business, whether that be risks the firm faces, or risks that may be posed to the Firm’s customers and the wider market. Jarvis has assessed and calculated the levels of risk that apply to the business after all controls have been applied to the inherent risk. The Firm's residual risk descriptions are as follows:

Residual Risk		Description
Very High	13 to 16	More than normal amount of risk to Jarvis remains and requires routine compliance oversight. Controls are periodically evaluated for improvement.
High	7 to 12	Normal or expected amount of risk to Jarvis remains. Compliance maintains oversight of process and periodically evaluates internal controls.
Medium	4 to 6	Lower than normal or expected amount of risk to Jarvis remains. Compliance reviews internal controls periodically, but does not emphasize these areas when prioritizing based on risk.
Low	1 to 3	Little to no risk exposure to Jarvis. Internal controls are reviewed periodically, however these requirements are reviewed only when necessary or required.

Residual Risk Scoring

Inherent Risk Score	Control Assessment				
16	16	16	16	16	16
15	15	15	15	15	15
14	14	14	14	14	14
13	13	13	13	13	13
12	12	12	12	12	12
11	11	11	11	11	11
10	10	10	10	10	10
9	9	9	9	9	9
8	8	8	8	8	8
7	7	7	7	7	7
6	6	6	6	6	6
5	5	5	5	5	5
4	4	4	4	4	4
3	3	3	3	3	3
2	2	2	2	2	2
1	1	1	1	1	1

Control Assessment Key	
1	7 point reduction
2	5 point reduction
3	4 point reduction
4	3 point reduction
6	1 point reduction
9	0 point reduction

The above risk scoring model has been applied to each of the Firm's material risks, and the residual risk score, as at 15/11/2023, for each is provided in the following table.

	Average Inherent Risk Score	Average Control Effectiveness Score	Average Residual Risk Score
Principal Risk Type:	1-3 = Low 4-6 = Moderate 7-11 = High 12-16 = Very High	1 = Fully functional 2-4 = Partially functional 5-9 = Not functioning	1-3 = Low 4-6 = Moderate 7-11 = High 12-16 = Very High
1. Operational Risk	5	4	3
2. Conduct Risk	4	3	1
3. Prudential Risk	5	1	1
4. Business, Strategic and Reputational Risk	5	4	3
5. Legal and Regulatory Risk	3	3	1
6. People Risk	5	3	3
7. IT Risk	5	3	2
8. Financial Crime Risk	5	5	3

Quantitative Financial Impact Tolerance

Insignificant	<£25K	Limited impact on business strategy and/or operations
Minor	£25K - £149k	Minor impact, with some disruption. Negligible effect on P&L and own funds
Moderate	£150k – £499K	Moderate impact on business strategy and/or operations Undesirable effect on P&L and own funds, but able to be absorbed by the firm although additional capital may be required
Severe	£500k - £750k	Severe impact on strategy and/or key initiative Significant impact on the P&L, own funds and liquidity that may result in additional capital being required
Critical	>£750k	Critical impact on strategy and/or key initiatives, P&L, own funds and liquidity to the extent that an injection of capital is likely to be needed

GOVERNANCE ARRANGEMENTS

The Board is responsible for the effective governance, overall management and long-term success of the company. The Board operates in accordance with its Terms of Reference and is ultimately accountable to the company and its shareholders. It is committed to upholding high standards of governance. All Executive Directors have a job description clearly setting out their role and responsibility. Further, they each have a relevant Statement of Responsibilities.

Each director brings their own individual skills, business experience and understanding of both the company and its environment to Boardroom discussions. The directors believe that the Board is sufficiently extensive and between them they have the requisite skills to enable the Board to provide strategic leadership and effective stewardship and governance of the company whilst at the same time being small enough for productive engagement.

The role of the Board is to provide strategic leadership within a framework of prudent and effective control and robust risk management. The Board meets quarterly and sets the company's strategic approach, ensuring that the necessary financial, human and operational resources are available to meet its overall objectives. The Board also reviews the company's financial performance as well as capital and liquidity position to ensure that it has the required level of financial resilience. The Board is key to establishing the company's culture and standards and ensures that its obligations to shareholders and all stakeholders are understood and met.

The firm has the following committees:

- **Compliance Committee**: Responsible for ensuring that the appropriate compliance and risk policies and procedures are in place to enable the effective management of the regulatory framework and risks to which the firm is exposed and to ensure that these policies and procedures are effectively implemented, executed and are compliant with the relevant legislation. This Committee is chaired by the Head of Compliance, and will include the Senior Compliance Analysts, Operations Director, Deputy Head of Operations and Heads of CASS, Trading, HR and IT.
- **Business Risk Committee**: This Committee is responsible for reviewing and assessing the risks the business currently faces through the use of a Business Risk Register. It will discuss how to effectively manage/reduce any risks that are reaching or breaching thresholds and resolve any risk events. This Committee is chaired by the Head of Compliance, and will include the Operations Director, Deputy Head of Operations, and Heads of CASS, Finance, Trading, HR and IT.
- **Products Management Committee**: This Committee is responsible for agreeing and implementing plans for any changes to products, such as the withdrawal of or amendments to existing products or the introduction of new products. This Committee is chaired by the Managing Director and will include the Operations Director, Heads of Compliance, IT and Trading, and the Deputy Head of Operations.

A Remuneration Committee is not deemed necessary as the remuneration for all Board members is set by the Remuneration Committee of the parent company, Jarvis Securities Plc. In addition, remuneration for all other staff is agreed by the Board.

An Audit Committee is also not deemed necessary, As part of the risk management framework the firm will utilise a three lines of defence model. Therefore, on an annual basis, the firm will obtain external assurance on its systems and controls to ensure we continue to operate in line with our risk appetite statement and risk management framework. In addition to this, our Financial Statements are audited and we have an external CASS audit.

We also believe that separating out the Risk and Compliance Committee will provide for more clearly defined responsibilities for individuals and aligns with our risk management framework.

Number of Directorships

JIM Director	No. of Directorships*
Andrew Grant	4
Sarah Angus	1
Steve Middleton	4

* This number excludes executive and non-executive directorships held in organisations which do not pursue predominantly commercial objectives and executive and non-executive directorships held within the Group.

OWN FUNDS

Tier 1 Capital	**31-Dec-23**
	£'000
Called up share capital	860
Retained earnings	3,106
Own Funds	**3,966**

The company does not include within its Tier 1 capital any intangible assets, revaluation reserves, deferred tax assets that are dependent on future profitability or dividends that have been declared by the Board. The Tier 1 Capital above agrees to the Capital and reserves shown in the firm's audited financial statements as at 31st December 2023.

Risk appetite is the degree of risk that the directors are willing to accept without having to apply further resources and capital to mitigate said risk or risks. Risks are assessed in terms of the probability of the risk occurring after taking into account any risk mitigation. All reasonable steps are taken by the directors to reduce the probability of any risk crystallising.

CAPITAL REQUIREMENT

IFPR Regime

The ICARA was adopted by The Board on 24th November 2023 and the appropriateness of the capital requirements are reviewed at each quarterly board meeting or more frequently if required. The firm has adopted the requirements of the IFPR reporting regime.

Capital adequacy

As at 31st December 2023 Jarvis Investment Management Limited had an Own Funds Threshold Requirement (OFTR) of £3,148k. The company has at all times maintained surplus capital resources to satisfy minimum capital requirements.

K-Factor Requirement	**31-Dec-23**
	£'000
K-AUM	-
K-CMH	941
K-ASA	1,598
K-COH	3
K-DTF	5
Total K-Factor Requirement	**2,548**

	31-Dec-23
	£'000
K FACTOR REQUIREMENT (KFR)	2,548
FIXED OVERHEAD REQUIREMENT (FOR)	1,508
PERMANENT MINIMUM REQUIREMENT (PMR)	190
OWN FUNDS REQUIREMENT	**2,548**
Additional Own Funds Requirement - Ongoing Activities	370
Additional Own Funds Requirement - Wind down	1,640
OWN FUNDS THRESHOLD REQUIREMENT	**3,148**

Capital surplus

	31-Dec-23
	£'000
Own Funds	3,966
Own Funds Threshold Requirement	3,148
Surplus/(Deficit)	**818**

As at 31st December 2023 Jarvis Investment Management Limited has a Tier 1 capital surplus of £818k and a solvency ratio of 126%.

The Board is provided with monthly management information detailing the firms ‘own funds’, ‘own funds requirement’ and ‘liquid assets’ which is used to determine if the firm holds sufficient own funds to cover the ongoing requirements of the business and sufficient resources to cover the wind down of the firm.

REMUNERATION

Decision making process

Due to the relatively small size of Jarvis Investment Management Limited (circa 54 employees), the company does not have a dedicated remuneration committee. Instead, this committee sits at the Group level with the firms’ parent company, Jarvis Securities Plc (“JSP”). The Remuneration Committee comprises the Non-Executive Director and the Chairman of JSP. The committee is responsible for reviewing the remuneration of Board members and the remuneration policies within the Group.

Objectives of financial incentives

The intention of the remuneration scheme is to motivate employees by providing a fair return for additional effort or exceptional performance, as well as to attract and retain talented staff. However, there are circumstances when payment may not be justified or possible.

Link between pay and performance

Remuneration is comprised of two main elements; fixed remuneration and variable remuneration. Fixed remuneration can include both basic salary and private medical insurance and is not dependent on the firms' performance. Variable pay is intended to reflect personal achievement in combination with the performance of the firm as a whole over the relevant timeframe, though there are no specific quantitative measures, either for the individual or the firm as a whole, used in the calculation and award of variable remuneration. Variable remuneration can apply to all staff and no categories are excluded.

External Consultants

The firm does not use external consultants with regard to its remuneration policy, barring the advice of external recruitment consultants when hiring for specific roles.

PRINCIPLES OF REMUNERATION POLICY

Purpose

Jarvis runs a discretionary annual bonus and salary review scheme for all levels of staff to recognise an employee's individual performance within the review year. The intention of the bonus scheme is to motivate employees by providing a fair return for additional effort or exceptional performance, as well as to attract and retain talented staff. However, there are circumstances when payment may not be justified or possible. The company operates an uncomplicated approach to variable remuneration. It operates on the basis that all staff contribute to the success of the company and it is keen to see staff efforts rewarded over and above their salaries. Variable remuneration is also gauged against regulatory capital and liquidity requirements.

Definitions

The Remuneration Committee consists of the Chairman and the Non-Executive Director of the parent company Jarvis Securities Plc.

With the exception of Directors, the renumeration scheme for all staff is conducted by the Board of Directors, in conjunction with senior management as appropriate.

In line with the FCA Handbook, (SYSC 19G), Jarvis' has a Remuneration Policy Statement (RPS). This is reviewed annually by the Board and updated by the Head of Compliance and the HR Manager.

Remuneration Awards

Employees who are eligible to participate in the scheme do not have any contractual or other entitlement to be considered for an award or to receive an award under the scheme.

When exercising its discretion, Jarvis will take into account a range of factors, including (but not limited to):-

- profitability during the financial year ending in the relevant review year;

- individual contribution to the team,
- individual performance during the relevant review year through achievement of performance and compliance objectives, including but not limited to:
    - Adherence and upholding the SM&CR Conduct Rules
    - Adherence and upholding the Consumer Duty principles and policies

<u>Directors</u>

Any remuneration review that is conducted as part of the scheme for Directors will be done by the Remuneration Committee. The committee will review and discuss the remuneration package for each Director and will take in to account similar factors mentioned above under Remuneration Awards.

Records of discussions and agreements from the Remuneration Committee are forwarded to the HR Manager for processing and record keeping.

Quantitative Disclosures

YE 31st Dec 2023:	**All Staff**	**Senior Managers**	**Other MRTs***	**Other Staff**
	£	**£**	**£**	**£**
Fixed Remuneration	2,599,517	680,435	0	1,919,082
Variable Remuneration	58,500	15,000	0	43,500
Total Remuneration	**2,658,017**	**695,435**	**-**	**1,962,582**
MRTs* = Material Risk Takers				

No guaranteed variable remuneration or severance payments were awarded during the period.