St. James`s Place
Investment Administration
Limited

Pillar 3 Disclosures Report
2021

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Introduction

Following the UK's exit from the EU at the end of 2020, the UK adopted the previous CRD IV requirements with only limited changes. Throughout this document, any references to CRD IV should be interpreted as referring to the UK enactment of this legislation (unless otherwise indicated).

This Pillar 3 Report has been prepared in line with the requirements of the Capital Requirements Directive ("CRD IV") and Capital Requirements Regulation ("CRR") which applied at 31 December 2021, to assist clients of St. James's Place Investment Administration Limited (the "Company" or "SJPIA") and other stakeholders in understanding the nature of our business, how it is managed, and its capital position. From 1 January 2022, these requirements will be superseded by those of the UK's new Investment Firms Prudential Regime ("IFPR").

SJPIA is part of the wider St. James's Place group of companies, headed up by St. James's Place plc.

Relevant information about the Company's business is also provided in:

- The Company's Annual Report and Accounts for the year ended 31 December 2021 (the "Company Report & Accounts"), a copy of which can be found at https://find-and-update.company-information.service.gov.uk/company/08764231/filing-history.
- The Group's Annual Report and Accounts for the year ended 31 December 2021 (the "Group Report & Accounts"), a copy of which can be found at https://www.sjp.co.uk/shareholders/reports-presentation-and-webcasts/2022.

Where appropriate we will refer readers to these documents.

There are, however, certain specific CRD IV and CRR requirements which are not already reported publicly elsewhere, and those are specifically included in this report. In particular, this report includes full reporting of the Company's capital position at 31 December 2021.

These disclosures have been reviewed internally and approved by the Board of SJPIA. They have not been externally audited, except to the extent that they reproduce information also included within the Company Report & Accounts or the Group Report & Accounts.

These disclosures do not constitute financial statements and should not be relied upon in making judgements about SJPIA, or for any other purpose other than that for which they are intended.

A. Background

The St. James's Place group ("the Group") is a vertically integrated wealth management group, which benefits from the synergies of combining funds management with the provision of advice.

St. James's Place Investment Administration Limited ("SJPIA" or the "Company") is a limited license investment firm, with no subsidiaries, which administers investments in the Group's range of unit trusts, both UCITS funds and NURS funds, and acts as an ISA manager.

SJPIA is a wholly-owned subsidiary of St. James's Place Wealth Management Group Limited ("SJPWMG"), which in turn is a wholly owned subsidiary of St. James's Place plc ("SJP"), the ultimate parent company of the Group.

An overview of the Group structure, and SJPIA's role within this, is included in the Strategic Report within the Company Report & Accounts.

SJPIA is domiciled in England and Wales (Company Registration No. 08764231) and its registered address is St. James's Place House, 1 Tetbury Road, Cirencester, Gloucestershire GL7 1FP.

SJPIA is authorised in the UK by the Financial Conduct Authority ("FCA").

The Company has fully assessed the requirements of the new IFPR, and implemented the necessary changes to ensure that it complies with the new regulations. Although the IFPR introduces a more granular assessment of required capital, the overall level of required capital will be broadly similar to that required under the existing CRD IV regime.

B. System of Governance

B.1 General information on the system of governance

SJPIA Governance

SJPIA is managed as a Group subsidiary company with a number of key governance, strategy, planning and risk management processes, and, to a large extent, senior operational management, operating at a Group level.

The FCA has approved a modification of its rule IFPRU 1.2.3R, which removes the requirement for SJPIA to have its own entity-level Nomination, Risk and Remuneration Committees (Waiver reference number 00001390 was granted on 28 August 2020 and expires on 1 January 2022). In line with this direction, these committees operate at a Group level.

Following the introduction of the new IFPR regime on 1 January 2022, SJPIA is no longer required to maintain separate entity level Nomination, Risk and Remuneration Committees. These committees will therefore continue to operate at a Group level.

However, certain decisions and key matters must be considered directly by the Board of SJPIA. Such matters include:

- Those required by law (e.g. matters under the Companies Act 2006 (such as dividend payments) and accounting and auditing legislation (such as approving annual accounts));
- Those required by regulators (e.g. approval of relevant internal capital assessments and regulatory disclosures, including the CRD IV disclosures and ICAAP); and
- Other commercial matters the directors of SJPIA deem, in view of their fiduciary duties, they should consider directly (e.g. entering into key agreements).

The members of the SJPIA Board are shown in the following table, which also contains details relating to the number of other directorships they hold:

	Number of directorships held		
	Within SJP Group	Other	Total
I S Gascoigne	11	0	11
C G Gentle	17	1	18
I D MacKenzie	7	2	9

Group Governance

The business performance of each of the regulated entities within the Group, including SJPIA, is ultimately linked with that of the Group as a whole and the majority of risks impact more than one of the regulated entities. The governance structure is designed to reflect this high level of integration and interconnectedness, with the business of the Group being governed by a unified Group board committee structure for SJP plc.

The Board of directors of SJP plc (the "Group Board"), in conjunction with its Executive Board Committee ("ExBo"), sets the strategic direction for, and risk appetite of, the Group. The Group Board has delegated certain responsibilities to board committees, whose members are non-executive. The Group Board reserves certain matters to itself but delegates other matters to ExBo, which is responsible for the Group's operational matters. Each member of ExBo has individual responsibility for a number of divisions within the Group, providing smooth and effective reporting structures and delegations of authority.

In line with the centralised governance structure, the key functions are organised as Group functions, ensuring consistent implementation of systems and procedures across the Group.

SJPIA has been subject to the UK's Senior Managers and Certification Regime since December 2019. SJPIA has allocated Senior Management Functions and Prescribed Responsibilities to its senior managers and responsibilities are reflected in the Management Responsibilities Map for relevant staff (as well as in Statements of Responsibility and job descriptions).

Further information on the Board and the Group's System of Governance is provided in the Governance section of the Group Report & Accounts (on pages 101 to 164).

B.2 Group Policies

In line with the centralised governance structure, key policies are set at Group level ensuring a consistent approach across the Group.

Remuneration Policy

Information on the Group's Remuneration policies is provided in Section 3 of the Report of the Remuneration Committee on pages 158 to 160 in the Group Report & Accounts.

Detail on the remuneration of the Directors of SJPIA, including the split between fixed and variable elements, is included below:

Remuneration	Amount (£k)	Number of individuals
Fixed	177.0	4
Variable		
- Cash	97.1	4
Deferred		
- Shares awarded in respect of current year performance	372.1	4
- Shares exercised during the year	(261.1)	4
- Shares lapsed during the year	(307.9)	4
- Shares outstanding at the end of the year (unvested)	953.2	4
Ratio of variable to fixed remuneration	265%	

These amounts relate to the Directors' remuneration in respect of their services to SJPIA.

Recruitment Policy

Information on the Group's Recruitment Policy is included within the Report of the Nomination and Governance Committee, on pages 135 to 137 of the Group Report and Accounts.

Diversity Policy

Information on the Group's Inclusion and Diversity Policy is available at https://www.sjp.co.uk/about-us/inclusion-diversity.

B.3 Risk management system including the ICAAP

Information about the Risk Management Framework that applies consistently across the Group is included on pages 89 to 99 of the Group Report & Accounts.

The Group Board and the boards of the subsidiary entities, including the SJPIA Board, have responsibility for assessing their main risks and these are monitored on a regular basis by the Group Board's Risk Committee and ExBo. Additional information on the activity of the Group Board's Risk Committee can be found on pages 129 to 134 of the Group Report & Accounts.

The Internal Capital Adequacy Assessment Process ("ICAAP") process has proven to be useful in the management decision-making process. The ICAAP is an annual assessment cycle supporting strategic planning and capital management activities. It uses outputs from the Risk Management processes to inform and agree capital requirements. The ICAAP framework consists of:

- Identifying the risk profile of SJPIA;
- Identifying and assessing risks in accordance with the Risk Management Framework;
- Consideration of risk appetite;
- Projecting the capital requirements and expected own funds based on strategic business plans and risk profile;
- Assessing capital requirements within SJPIA to remain solvent under reasonably foreseeable conditions;
- Monitoring compliance with the capital requirements; and
- Reporting conclusions and findings from ICAAP processes to the Board (and on request to the regulator).

The ICAAP process is directed by the SJPIA Board, and comprises a comprehensive risk assessment, providing understanding of the risks that the Company faces, how those risks are managed and how they might change, in the context of the strategic plan. The process incorporates a quantitative analysis of the capital required to protect the sustainability of the Company, and how it might develop over our planning period (five years). In addition, consideration is given to the level of capital to resolve the business in an orderly fashion.

As part of the Group's ongoing Risk Management Framework we perform a range of risk assessment activities and report on the output as part of the ICAAP. These activities include:

- Sensitivity and stress testing of the financial and capital position to changes in key modelling assumptions
- Exploration of plausible adverse scenarios that may arise in the normal course of business
- Operational risk assessments
- Reverse stress tests

Following the implementation of the new IFPR, the ICAAP process will be replaced by an Internal Capital Adequacy and Risk Assessment ("ICARA"). The most notable changes under this new assessment are an increased focus on how risks can translate into harm, and the introduction of more prescriptive regulatory liquidity requirements. However, the overriding purpose from a risk perspective remains, and all new requirements were considered during the Company's 2021 ICAAP process to ensure readiness for the new regime.

C. Risk Profile

Information about the risk profile of the business, and the principal risks and uncertainties that are inherent within both the Company's business model and the market in which it operates, is included on pages 4 and 5 of the Company Report & Accounts, in the Principal Risks and Uncertainties section. These are the risks which could have a material impact on the key strategic outcomes.

Against each of the principal risks, consideration is given by the Group Board to the level of exposure (likelihood and impact) and the extent to which the risk can be mitigated. This is recorded through local level risk registers and aggregated into a Group-level list of 'Principal Risks and Uncertainties'. The tables in the Company Report & Accounts set out the principal risks, the key strategic areas on which they impact, and the high-level controls which aim to mitigate them.

The principal risks to our business largely remain the same, but the controls and mitigations are under constant review. The emergence and subsequent impact of COVID-19 was the crystallisation of a low probability but high impact risk event. The uncertainty caused by this has been significantly reduced through the successful rollout of vaccinations in the UK, which has also resulted in restrictions being lifted. However, we remain mindful of the risk posed by emerging mutations of the virus, which may be vaccine resistant, reduce the efficacy of the vaccines going forward, and/or result in the reimposition of certain restrictions. Although new challenges have been introduced, the key risks were familiar to our risk framework and the Group's performance throughout this time has reflected the stability, consistency and resilience of the Group's business model.

C.1 Market risk

Market risk arises from fluctuations in values of, or income from, assets, interest rates, exchange rates or market prices of commodities.

Our investment policy substantially mitigates market risk, by requiring us to invest shareholder assets, above those required to meet client liabilities, in highly rated and highly liquid cash-type investments to minimise shareholder investment risk. Investments are typically made in secure sterling denominated cash-type investments assets, such as Money Market and Liquidity Funds and Bank Deposits. The Company does not therefore have any significant exposure to changes in interest rates.

The Company has no exposure to market risk through a trading book or foreign currency exposure, and hence no Pillar 1 capital is held for Market Risk.

Whilst SJPIA's balance sheet is not impacted in the short term through market risks, the profits emerging over time depend on the value of the net assets on the Bluedoor administration platform upon which service charges are applied.

C.2 Credit risk

Credit risk arises from an event causing an asset (including off-balance sheet transactions) to lose value.

As noted above, our investment policy requires us to invest shareholder assets in highly rated and highly liquid cash-type investments – typically secure sterling denominated assets, such as Money Market and Liquidity Funds and Bank Deposits. Minimum credit ratings and diversification requirements are managed through our Group Credit Risk Policy.

The Credit Risk Capital Requirement under Pillar 1 has been determined using the simplified method for calculating risk weightings.

C.3 Operational risk

Many of the principal risks for the Company, identified on pages 4 and 5 of the Company Report & Accounts are operational risks, reflecting the inherently low risk nature of the Company's business.

Over the last 12 months the risk landscape has improved considerably, and this is reflected in the strong recovery in financial markets and increase in investments made by clients through the SJP Partnership. Operational risks remain however, and the Company continues to assess the impact of operational risks to the business, noting in particular the continuation of partial remote working for many employees presenting further cyber and talent management risks.

In relation to our operations, a key feature of our business model is outsourcing of a number of important elements. Whilst outsourcing changes the characteristics of the 'gross' (inherent) operational risk, our robust governance framework for oversight of material outsourcing arrangements mitigates this exposure, bringing the 'net' (residual) exposure in line with our corporate risk appetite.

The Company assesses its Pillar 1 capital using the standardised regulatory assessment methodology (rules-based approach). Significant operational risks are assessed as part of our ICAAP via the development of scenarios in workshops involving subject matter specialists from across the Group. The output of the scenario workshops is used to inform our own assessment of operational risk capital requirements as part of the Pillar 2 assessment.

C.4 Liquidity risk

Liquidity risk arises when the firm is unable to realise investments and other assets in order to settle its financial obligations when they fall due, including incurring unacceptable losses in order to realise these investments.

Shareholder funds (including working capital) and client money are held in cash or cash equivalents at all times, and are therefore highly liquid. In addition, client unit sale and repurchase processes have been designed to ensure that SJPIA receives cleared funds before having to settle with fund managers and before making payments to clients.

As assets are highly liquid and sources of income are unlikely to be impeded, liquidity risk is considered to be very low for the Company. The maintenance and monitoring of our defined liquidity buffer acts as a mitigant to liquidity risk.

To gain further comfort we perform stress and scenario testing which demonstrates that the entity is expected to be able to maintain adequate capital under severe but plausible scenarios. Since all the capital is highly liquid it is not considered that there would be any liquidity constraints under severe but plausible scenarios.

D. Capital Management and Own Funds

D.1 Own Funds

The composition of the Own Funds is as follows:

£ million	31/12/2021	31/12/2020
Share Capital	12.0	12.0
Brought forward profit/(loss)	22.9	12.0
Dividend paid from prior year profit	(11.0)	0.0
Current year audited profit/(loss)*	7.7	10.9
Common Equity Tier 1 Capital	31.6	34.9
Total Own Funds	31.6	34.9

* Post dividends from current year profits of £24.0 million in 2021 and £15.5 million in 2020.

SJPIA holds only Common Equity Tier 1 capital; this is the highest quality form of capital, comprising accumulated reserves and qualifying instruments. None of the Company's assets are encumbered and there are no restrictions on the availability or fungibility of the own funds to meet liabilities.

The Total Own Funds of £31.6 million at 31/12/21 (2020: £34.9 million) are in line with the Total Shareholder Funds shown in the Statement of Financial Position on page 15 of the Company Report & Accounts.

SJPIA has no financial reliance on related undertakings.

D.2 Capital Requirements

The Company's Pillar 1 Own Funds Capital Requirement is calculated in accordance with the rules set out in the CRR, based on the higher of:

- Fixed Overhead Requirement and
- Credit Risk Requirement plus Market Risk Requirement

The resulting capital requirements at 31 December 2021 are summarised in the following table, with comparative figures also shown for the previous year:

£ million	31/12/2021	31/12/2020
A: Fixed Overhead Requirement	9.9	9.4
B: Market + Credit Risk Requirement	1.3	1.4
C: Own Funds Capital Requirement (max of A and B)	9.9	9.4
D: Own Funds*	31.6	34.9
Own Funds ratio (D/C)	**319%**	**371%**

* Own Funds are based on the audited year-end financial statements.

The CRR also requires us to disclose a Capital Ratio assessed as the Own Funds divided by Total Exposure (which is calculated as the Pillar 1 capital multiplied by 12.5), in accordance with article 92 of the CRR. On this basis the Company's total capital ratio was 25% at 31/12/21 (30% at 31/12/20), significantly above the minimum requirements under the CRR of:

- CET1 capital ratio of 4.5%
- Tier 1 capital ratio of 6%
- Total capital ratio of 8%

Our Group Capital Management Policy requires that SJPIA should hold Own Funds at least equal to 240% of its Pillar 1 Capital Requirement. This requirement has been assessed through our ICAAP process, as being sufficient to meet the management risk appetite, which is to hold a margin above the minimum regulatory requirement in all reasonably foreseeable circumstances.

The Company's capital at 31/12/21 is therefore significantly above the minimum levels required under both the CRR and the Group's Capital Management Policy.

Fixed Overhead Requirement

The Fixed Overhead Requirement is assessed as 25% of fixed overheads relating to the previous year, in line with the requirements of article 97(1) of the CRR.

Credit Risk Requirement

SJPIA is a limited license firm and uses the simplified method for assessing its credit risk capital – i.e. as 8% of the Company's risk-weighted exposure to credit risk. This assessment applies to the Company's cash, AAA rated money market fund investments, short-term intercompany and other debt as follows:

£ million	2021				2020
	Amount	Risk weighting	Risk-weighted exposure	Credit risk capital (8% of risk-weighted exposure)	Credit risk capital
Cash	12.1	20%	2.4	0.2	0.1
Money-market funds	22.5	20%	4.5	0.4	0.5
Short-term intercompany debt	9.0	100%	9.0	0.7	0.8
Other debt	0.0	100%	0.0	0.0	0.0
Total	**43.6**		**15.9**	**1.3**	**1.4**

SJPIA uses S&P Global Ratings Europe Limited as its External Credit Assessment Institution (ECAI) and maps these ratings to credit quality steps using the EBA Guidelines.

A risk-weighting of 20% is applied to the Company's cash holdings, which have overnight access and are invested in highly-rated UK banks. A 20% risk weighting is also applied to our investments in money market funds, all of which are AAA rated. For prudence a risk weighting of 100% is applied to intercompany and other debtors. These weightings are in line with the CRR requirements, as set out in the FCA Handbook (in IFPRU 4.2).

No additional counterparty risk capital is required as the Company does not have a trading book.

As a limited license firm, SJPIA is not required to hold any countercyclical capital buffers.