Pillar 3 Disclosures

Based on financial data at 31st December 2020

Rowan Dartington

OVERVIEW

These disclosures are prepared in accordance with the Capital Requirements Directive IV ("CRD IV"). The framework consists of three 'pillars':

- Pillar 1 sets out the minimum capital requirements to cover credit, market and operational risk;
- Pillar 2 relates to the Internal Capital Adequacy Assessment Process ("ICAAP") and subsequent Supervisory Review and Evaluation Process ("SREP") through which the firm, and the Financial Conduct Authority ("FCA") as the firm's regulator, assess and agree the level of capital required to cover the risks that it is exposed to; and
- Pillar 3 relates to the disclosures that a firm must make regarding the firm's risks, capital and risk management procedures.

The information contained in this document has not been audited by our external auditors, as this is not a requirement, and does not constitute any form of financial statement and must not be relied upon in making any judgement on the Firm. The disclosure will be made on an annual basis.

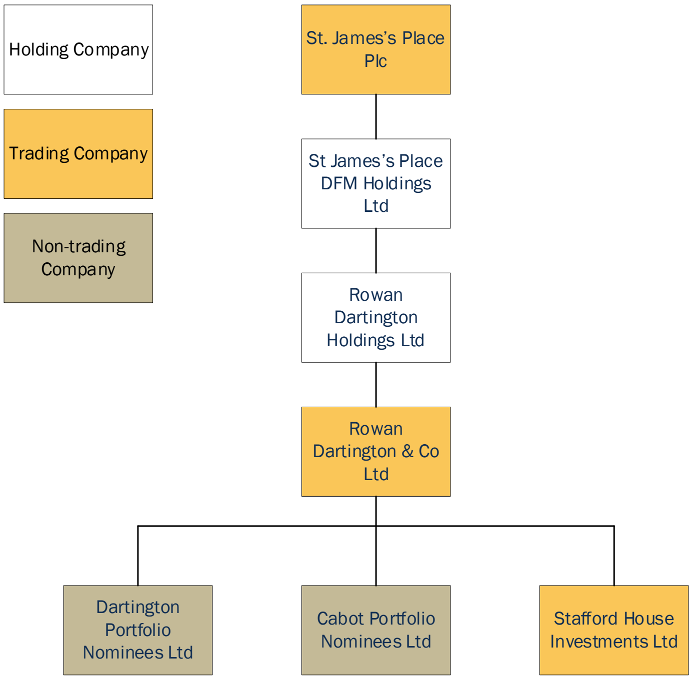
COMPANY BACKGROUND

Rowan Dartington & Co. Ltd ("RDC") is a UK-based stock broker and investment manager providing discretionary, advisory and execution only investment management services to private clients, professional intermediaries and charities. RDC is a wholly owned subsidiary of St. James's Place plc ("SJP"), having been acquired in 2016.

RDC is authorised and regulated by the FCA . Within the FCA's regulatory framework, RDC is considered an IFPRU 125k firm. RDC is also a medium CASS firm.

Governance

The St. James's Place plc legal entity structure is summarised below:



RDC is a private limited company incorporated in 1992 (companies house number 02752304). RDC has three subsidiaries, two of which are non-trading nominee shareholder companies. RDC was acquired by St. James's Place in 2016. RDC is 100% owned by Rowan Dartington Holdings Ltd, which is itself 100% owned by St. James's Place DFM Holdings Ltd. The overall owner is St. James's Place plc, a public limited company (incorporated in 1996, companies house number 03183415) and constituent of the FTSE100.

This document describes the capital resources, risks and risk management for the RDC Group.

The Firm's management structure is detailed on the following page.

The RDC Board of Directors has overall responsibility for the firm. The Board has scheduled meetings 10 times per year, with additional meetings convened as required. The Board has delegated certain responsibilities to three Board Sub-Committee – the Investment Management Committee, the Remuneration Committee, and the Risk Committee. The Board has delegated responsibility for the day-to-day management of RDC to the Chief Executive Officer ("CEO"). An Executive Committee ("ExCo") has been appointed to assist the CEO in the discharge of those responsibilities. The members of ExCo are supported in their duties by a number of advisory Management Forums.

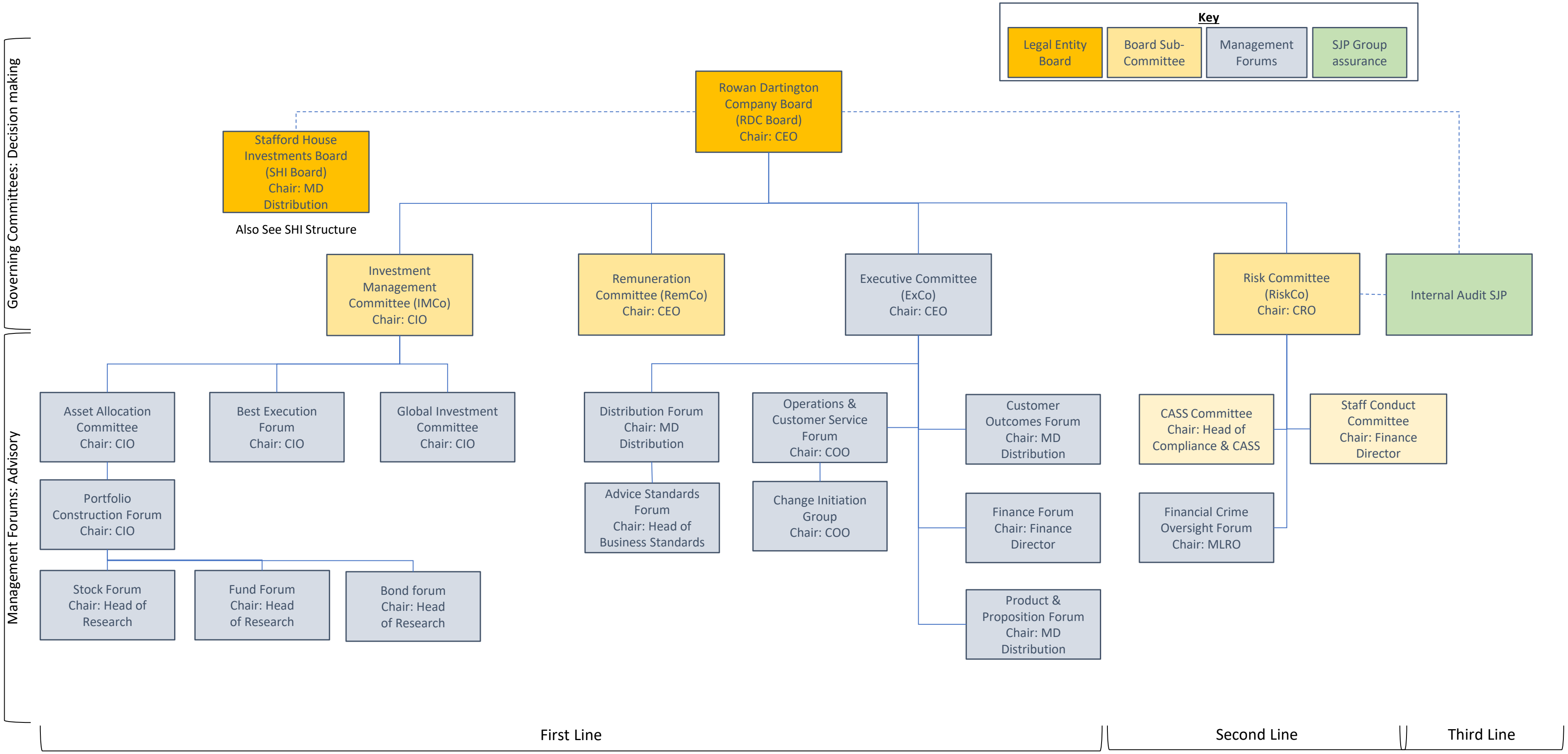
The members of the RDC Board and details relating to the number of other directorships they held as at 31 December 2020 are:

		Number of Directorships held		
		Within SJP Group	Other	Total
D Hobbs	CEO	5	1	6
G Cockerill	Finance Director	5	0	5
R Jukes	Chief Investment Officer	1	0	1
F Richards	Chief Operating Officer	1	2	**3**
S Jones	Managing Director, Distribution and Marketing	1	0	**1**
M Leather	Chief Risk Officer	4	0	**4**
N Hunt	Non-Executive Director (SJP Group)	1	1	**2**

RDC's CEO reports to the St. James's Place plc Director of Investments, who joined the RDC Board as Chairman on 1st April 2021.

RDC has an appointed representative, which is also a subsidiary of the firm, Stafford House Investments Ltd ("SHI"). SHI is a small firm of independent financial advisors, with six authorised advisors. Oversight of SHI is the responsibility of the Distribution Director, with the SHI executive reporting into the Distribution Committee. RDC's risk management framework applies to SHI. Risks associated with SHI have been considered as part of the firm's ICAAP to the extent that they are material to the RDC group of companies.

Committee Structure



Business Model and Strategy

The strategy of the firm is one of growth. Since acquisition by St. James's Place ("SJP"), the firm has seen significant growth from distribution of its services through the SJP Partnership. This is set to continue and accelerate, as the firm strengthens and broadens its relationships with SJP Partners.

The firm continues to focus on improving its service to clients and developing its investment proposition to ensure clients receive first class investment returns and service.

The firm has recruited Investment Managers in all key SJP locations and so focus has shifted towards maximising the operating effectiveness of those employees, which will in turn enhance profitability.

To augment organic growth, the firm is continuing to explore opportunities to grow the business through acquisitions. Given the uncertainty around acquisitions, they are not included in the business plan or this document. However, material acquisitions will trigger an assessment of the implications on capital adequacy.

RISK MANAGEMENT FRAMEWORK

RDC is committed to ensuring risks are managed in an effective and efficient manner, so as to ensure customer and shareholder interests are both protected and maximised.

In support of this, RDC has in place the following risk management principles:

- Make risk management a central part of its business, such that wherever there are risks - be they positive or negative for the company - proportional resources are deployed to address them;
- Be 'risk aware' as opposed to 'risk averse' - that is, where situations exist such that taking risk may have a positive outcome for the company, RDC will do so in a controlled fashion, rather than avoiding the risk;
- Develop and maintain a risk appetite statement, which is openly shared with the business such that risk taking can be monitored;
- Develop and maintain a risk and control framework which is proportionate to the business, and allows for ease of application and adaptation as the company grows;
- Involve all employees, irrespective of management level, in the management of risk;
- Ensure risks are identified and managed in a consistent fashion across all risk types to which the company is exposed;

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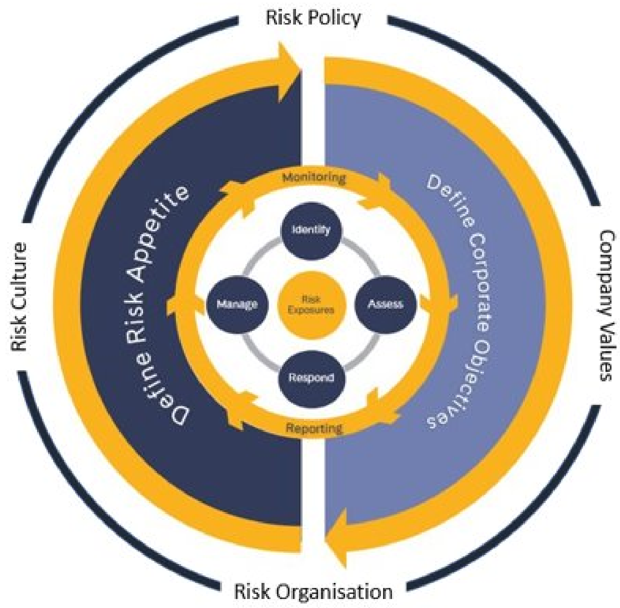
- Take action to address exposures arising from ‘risk events’ and subsequently incorporate any ‘lessons learned’ into the improvement of controls and ensure that they are also applied to the delivery of good customer outcomes;
- Promote an open and honest culture, where all employees, irrespective of management level, can raise concerns about risk taking or impact on customer outcomes and take action to address these without recourse; and
- Actively benchmark the company’s risk management processes and incorporate lessons learned from inside and outside the business into the continuous improvement of risk management practices.

RDC has in place an enterprise risk management framework (ERMF), which is designed to ensure the above principles are built into all firm activity:



At the nucleus of the ERMF is the risk assessment process; however a number of other policies, processes and structures are in place to ensure effective identification, assessment and management of risks.

Risk Policy

The Policy outlines the approach and attitude of the firm toward risk management: it formally dedicates RDC toward the goal of ensuring risk management is carried out as per the above principles. For consistency, RDC has adopted the SJP Group risk policy (with any exceptions, for example due to differences in regulation, fully documented).

Risk Organisation

RDC has organised itself so as to have 'three lines of defence'. This allows responsibilities to be divided between areas for risk management as follows:

- Own and take risk, and implement controls ('1st line');
- Monitor and facilitate implementation of effective risk management activities and assist risk owners in reporting risk related information up and down the organisation ('2nd line'); and
- Provide assurance to the company's board of directors and senior management of the effectiveness of the company's assessment and management of risk exposure ('3rd line').

Organising the business in this way allows for independence and challenge whilst still promoting a collaborative approach to risk management.

Specific roles and responsibilities are apportioned as follows:

1st Line of Defence ('Risk Takers')

The 1st line of defence is the areas of the business with direct ownership of major operations and processes fundamental to the operation of the company. As such, these areas must take risks in order to 'do business' and meet business objectives.

2nd Line of Defence ('Risk Oversight')

The 2nd line of defence is a central support function and is independent from the 1st line of defence. The 2nd line of defence governs the overall risk management framework and oversees its application.

3rd Line of Defence ('Independent Assurance')

The 3rd line of defence is the internal audit function which provides independent assurance over both the 1st and 2nd lines of defence. RDC uses the SJP group internal audit function. In addition we are subject to external audits, including an annual CASS audit opinion from our external auditors.

Risk Appetite Statement

RDC has defined and documented a risk appetite statement to document how the board of directors choose the level of risk that the company should take in pursuing its objectives. In creating the risk appetite statement, the board has considered which of the major sources of risk, as outlined in IFPRU 2.2.7R, are materially relevant to RDC. For those which are material, the board has discussed and agreed the level of risk the board is, or is not, willing to take. The total level of accepted risk exposure is articulated using the following scale:

- **Nil.** The board has no appetite for taking any risk at all.
- **Avoid.** The board is highly averse to taking risk and wishes to minimise exposure as far as possible.

- **Reluctant.** The board has a very limited appetite for risk and/or is willing only to take risk if it is absolutely necessary for the achievement of objectives.
- **Neutral.** The board wishes to take a balanced approach to risk taking, generally erring on the side of caution with stricter controls in place.
- **Receptive.** The board is open to taking greater risks than normal and is happy to do so within a 'lighter touch' control environment.
- **Eager.** The board is willing to aggressively, and openly, take risk.

RDC's current risk appetite, is as follows:

Source of Risk	Appetite Level
Operational Risk[1]	
- Process	Avoid
- People	Reluctant
- Systems	Reluctant
- External Events	Reluctant
Credit and Counterparty Risk	Neutral
Liquidity and Solvency Risk	Reluctant
Business Risk	Receptive
Group	Neutral

[1] Owing to its scope and material importance, RDC has chosen to articulate its Operational Risk appetite by sub-dividing the risk type as per the Basel II definition.

To further quantify the risk appetite, the board has developed an interpretation of the appetite: that is, how the risk appetite translates into a practical application. This results in each source of risk being separated into risk drivers, thresholds and escalation points:

- **Threshold points** represent the tolerance for risk taking. Any risk taking in excess of this limit would be in breach of the board's stated appetite. Therefore, any such risk taking must be escalated to the board and should be addressed as soon as possible, so as to bring risk taking back within appetite.
- **Escalation points** represent situations where risk taking is still within the board's appetite, but that the level of risk taking has becoming concerning. In these circumstances, such risk taking requires closer oversight and escalation to the risk committee is required.

It should be noted that any risk taking below the threshold points is considered to be within the board's risk appetite.

Risk Assessment

RDC assesses risks and controls through top down (board level top risks) and bottom up (department level) processes. Risks are quantified using the following scale:

Rating	Likelihood	Severity
1	Rare	Minor
2	Unlikely	Moderate
3	Occasional	Major
4	Likely	Critical

Once a risk has been evaluated, an appropriate response is determined, and the risks are recorded in risk registers and monitored accordingly.

Monitoring

The on-going monitoring of the level of risk in the organisation is performed by all three lines of defence. In the first line, RCSAs (Risk Control Self Assessments) are maintained and are used to track and respond to risks. RDC also operates a risk event management process, which is overseen by the 2nd line of defence. The 2nd line risk function provides feedback to the rest of the business through regular management information, allowing departments to identify and respond to risk and control themes identified.

The 2nd line of defence provides management information to the governance fora so as to provide assurance, or otherwise, that the level of risk within RDC is below the board's stated risk appetite. The 2nd line function provides an assurance report to the risk committee. This provides an overview of all elements of the risk management framework, alongside a professional opinion upon the effectiveness of risk management in the firm.

The 3rd line of defence is provided by the SJP Group Internal Audit function. Findings from audits are reported to management, with Group Internal Audit attending the firm's risk committee on a quarterly basis.

CAPITAL RESOURCES

The table below summarises the capital resources of the RDC Group as at 31st December 2020:

Capital resources at 31 December 2020	£m
Share capital	45.6
Share premium	0.7
Capital redemption reserve	0.1
Share option reserve	3.9
Retained earnings	(34.0)
Net assets	**16.3**
Less: intangible assets	(0.3)
Capital Resources	**16.0**

The capital resources of RDC can all be regarded as common equity tier 1 capital.

REGULATORY CAPITAL REQUIREMENTS

Pillar I establishes the regulatory minimum, 'own funds', capital requirement and is a rules-based approach to calculating capital.

The EU Capital Requirements Regulation (EU CRR) prescribes the methodology to be applied in calculating an own funds capital requirement as the higher of the initial capital requirement, the sum of the market and credit risk capital requirements, and the fixed overhead requirement. Having applied the EU CRR methodology, RDC has calculated that its pillar I requirement is driven by its fixed overhead requirement:

Capital requirement	£m
Pillar I - Higher of:	
Initial capital requirement	0.1
Market and credit risk requirement	2.1
Fixed overhead requirement	5.7
Pillar I Requirement	**5.7**

The firm's common equity tier 1 capital ratio, tier 1 capital ratio and total capital ratio, expressed as a percentage of its total risk exposure amount (calculated as 12.5 multiplied by the Pillar 1 requirement), are all 24.8%, significantly higher than the respective regulatory minimum requirements under the CRR which comprise:

- Common equity tier 1 capital ratio 4.5%
- Tier 1 capital ratio 6.0%
- Total capital ratio 8.0%

The firm has documented its overall evaluation of the level of capital required to support current and future activities within its Internal Capital Adequacy Assessment Process ("ICAAP").

The firm has assessed whether the level of capital held under Pillar 1 provides adequate protection against the prescribed Pillar 1 risks, and also whether capital should be held against any other risks that the firm is exposed to.

The firm has projected capital resources over a 5 year planning horizon, both under normal trading and economic conditions, and under a variety of stress scenarios. The firm has also evaluated the level of capital required to execute an orderly wind down of the business.

CREDIT RISK

The Firm's credit risk exposures primarily comprise:

- Liquidity held with large highly rated UK banks;
- Accrued income from clients;
- Dealing debtors which result from a short term timing difference between the execution and settlement of trade; and
- Other miscellaneous assets.

RDC has a conservative approach to the management of its liquid asset resources. All liquidity is held in instant access accounts with large highly rated UK banks.

Accrued income from clients arises because fees are charged on a periodic basis in arrears. RDC considers the credit risk to be minimal because RDC has a contractual arrangement with the end clients to be able to deduct those management fees from the client's cash balances, or to execute a sale of their investments to enable payment of the fee. This provides significant mitigation to this credit risk.

Dealing debtors derive from a short term timing difference between the execution and settlement of a trade.

The table below highlights the Pillar I credit risk capital calculation for RDC Group as at 31 December 2020, based on the standardised approach to credit risk:

Description	Exposure (£k)	Risk Weight	RWA (£k)	Cap'l req't (£k)
Intangible assets[1]	350	-	-	-
Tangible fixed assets	6,258	100%	6,258	501
Cash at banks	10,935	20%	2,187	175
Prepayments and accrued income	3,632	100%	3,632	291
Dealing debtors	7,987	100%	7,987	639
Client funding account	1,342	75%	1,007	80
Deferred tax	291	250%	728	58
Other assets	2,590	100%	2,590	207
TOTAL	**33,385**		**24,388**	**1,951**

[1] Intangible fixed assets are deducted from capital and therefore attract a zero risk weight.

The Group uses credit assessments from External Credit Assessment Instutitions ("ECAIs") to determine the appropriate risk weight to use in the Pillar 1 credit risk capital calculation. The ECAIs used are Fitch, Moody's, and Standard and Poor's.

MARKET RISK

Market Risk is the risk of loss resulting from fluctuations in values of, or income from, assets, interest rates, exchange rates or market prices of commodities. The firm has no exposure to market risk through a trading book. The firm is exposed to some foreign currency exposure as a result of holding foreign currency denominated bank accounts, and based on the value of these accounts at December 2020 the market risk is calculated as £0.1m.

OPERATIONAL RISK

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Although the firm is not required to hold capital against operational risk under Pillar 1, the firm has considered its exposure to operational risk within its ICAAP to ensure that it is holding sufficient capital to cover the risks to which the business is exposed.

LIQUIDITY RISK

Liquidity risk is the risk that a firm does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost.

As detailed above, RDC has a conservative approach to the management of its liquid asset resources with all liquidity held in instant access accounts with large highly rated UK banks.

The firm is not exposed to risk associated with renewal of funding, because the firm is entirely funded through permanent capital.

The firm complies with the overall SJP Group liquidity risk policy, and monitors the movement in cash on a daily basis.

REMUNERATION DISCLOSURE

The RDC Board has overall responsibility for the firm and as such the Directors can have a material impact on the risk profile of the firm. The firm has also identified some additional employees that have been designated as having a material impact on the risk profile of the firm.

The RDC Remuneration Committee is responsible for setting remuneration packages for the RDC Board and other identified individuals who have a material impact on the risk profile of the firm. The RDC Remuneration Committee comprises the RDC Chairman, the RDC CEO and the CEO of the SJP Group. To avoid a conflict of interest, the remuneration of the RDC CEO is determined by the CEO of the SJP Group.

Total remuneration includes a combination of base pay reflecting an individual's responsibilities and experience, a defined contribution pension scheme, a benefits package including a range of benefits such as private medical insurance, a discretionary annual performance bonus, and a number of share based compensation arrangements.

The annual performance bonus rewards achievement of the RDC business plan, and also the wider SJP Group business plan, and also recognises an individual's personal performance.

As part of the SJP Group, RDC has operated a number of SJP share-based payment arrangements:

- Executive deferred bonus schemes – under these plans, the deferred element of the annual bonus is used to purchase shares at market value in SJP plc. The shares are held in trust and vest three years after the date of grant.
- Executive performance share plan – awards of performance shares to the Executive Directors and other senior managers. The ultimate value of shares released to recipients is dependent on a variety of conditions linked to the performance of the SJP Group over a three year period, as agreed by the SJP Remuneration Committee.
- SAYE plan – this is a standard HMRC approved scheme that is available to all employees where individuals can contribute up to £300 per month over three years to purchase shares at a price not less than 80% of the market price at the date of the invitation to participate.

Details of the remuneration of the Board, and the other individuals who have a material impact on the risk profile of the firm is detailed below.

£k	RDC Board	Other individuals	Total
Number of individuals at the end of 2020	6	4	**10**
Fixed remuneration	1,203	562	**1,765**
Variable			
Cash	-	-	-
Deferred			
Shares outstanding at 31 December 2019 (unvested)	1,123	80	**1,203**
Leavers	(161)	-	**(161)**
Shares exercised or lapsed during 2020	(29)		**(29)**
Shares awarded in respect of 2020 performance	-	-	-
Fair value adjustments	(75)	4	**(71)**
Shares outstanding at 31 December 2020 (unvested)	858	84	**942**