

St
James's
Place

Creating
Confidence

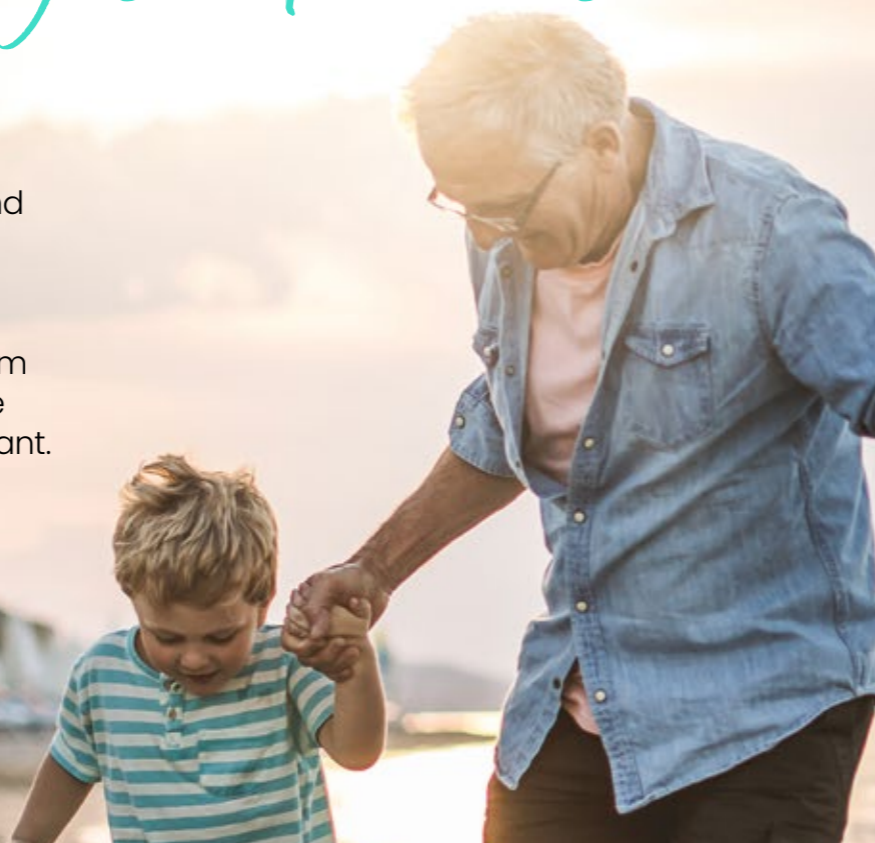


Annual Report and Accounts 2021

2021

At St. James's Place we are *creating confidence*

In a world of uncertainty, we understand that clear financial advice creates confidence. At St. James's Place, we are here to ensure that our clients can move forward without fear, putting them in the driver's seat and giving them the confidence to create the future they want.



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2021 Highlights

Financial highlights

£18.2bn

Gross inflows
Up 27% from £14.3 billion in 2020

£401.2m

Underlying cash result¹
Up 52% from £264.7 million in 2020

£11.0bn

Net inflows
Up 34% from £8.2 billion in 2020

£287.6m

IFRS profit after tax
Up 10% from £262.0 million in 2020

£154.0bn

Funds under management
Up 19% from £129.3 billion at 31 December 2020

51.96p

Dividends per share
Up 35% from 38.49 pence in 2020



£1,545.4m

European embedded value (EEV) operating profit¹

Up 68% from £919.0 million in 2020

Non-financial highlights

+5%

2021 growth in advisers
2020: 2%
▶ Page 26

85%

2021 percentage of employees who feel proud to work at St. James's Place
2020: 89%
▶ Page 54

£6.2m

Invested in our communities
2020: £7.1 million
▶ Page 49

¹ The Underlying cash result and EEV operating profit are alternative performance measures (APMs). The Glossary of Alternative Performance Measures on pages 260 to 262 defines these APMs and explains why they are useful. The Underlying cash result is reconciled to International Financial Reporting Standards (IFRS) on pages 71 and 72.

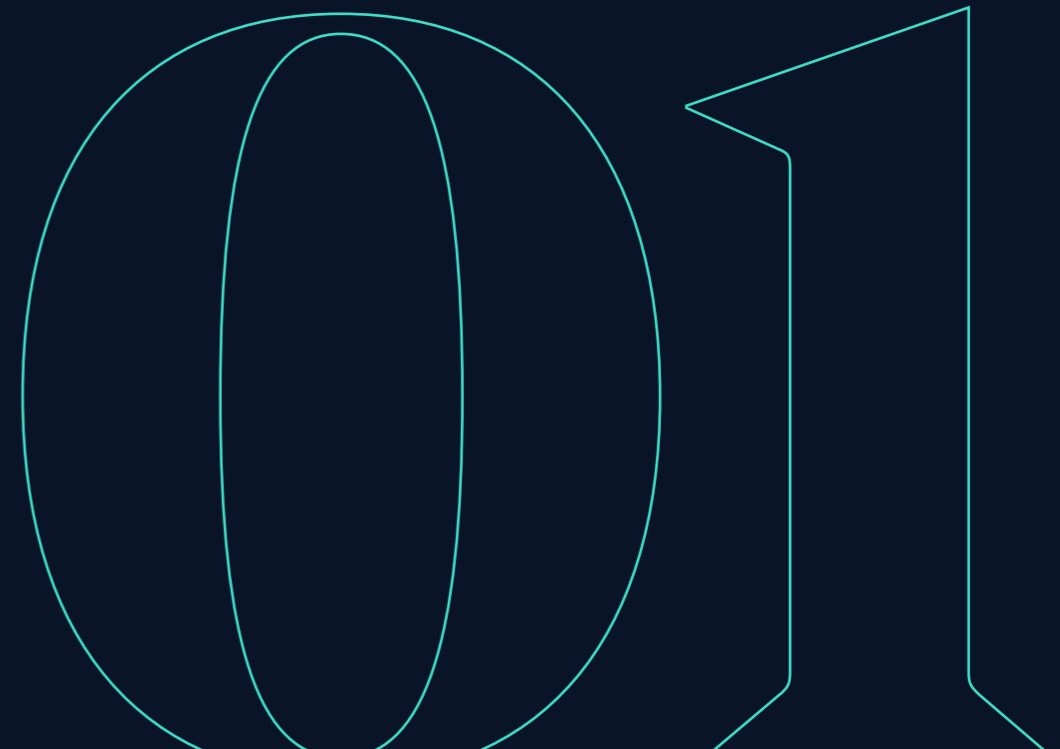
Strategic Report

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◆

**Giving you the confidence to
create the future you want**





"St. James's Place plc is an organisation with considerable opportunity for further growth."

Paul Manduca, Chair

Focus on *quality*

Introduction

I would like to begin my first review by thanking Iain Cornish for the significant contribution he made as a Non-executive Director and as Chair of the Company, and for his support during my induction as a Director and my transition to taking over as Chair. In St. James's Place plc, I have joined an organisation with considerable opportunity for further growth. Whilst self-investment platforms are a great choice for many, the complexity of people's personal finances and the scale of the UK savings gap mean there is increasing demand for advice. St. James's Place has a long-term track record of recruiting, developing and supporting financial advisers with the proven capability to provide clients with the personal advice and financial planning they require. This means we are well placed to help meet this growing demand. The provision of the right advice is only possible by building relationships with clients that enable advisers to develop a true understanding of their needs, and it is proper for this commitment to be recognised by proportionate and appropriate advice fees.

51.96p

Dividends per share

2020: 38.49 pence

85%

2021 percentage of employees who feel proud to work at St. James's Place

2020: 89%

The Board

As was the case for many of us, the Board needed to adapt its ways of working in 2020 to function effectively during the pandemic. I am pleased that 2021 has seen us begin to return to normal, allowing Board members to spend valuable time together, which has been especially important for newer Directors, myself included. What I have found is a Board and organisation with a strong commitment to governance and a keen eye on risk, led by the work of the Board's Audit and Risk Committees.

The implementation of succession plans put in place by the Nomination and Governance Committee in the last few years has enabled St. James's Place to manage successfully the transition of Board membership during a period when a number of longer-serving Non-executive Directors reached the end of their tenures. Departures from the Board in 2021, combined with the need to consider succession in other key Non-executive roles on the Board, provided an opportunity for the Nomination and Governance Committee to further develop its succession plans (see Nomination and Governance Committee Report for more information). This resulted in John Hitchins joining the Board as a Non-executive Director in November, bringing with him a deep knowledge of the financial services sector, audit and financial reporting.

After 30 years with St. James's Place, 19 of which as a Director, Ian Gascoigne will retire from the Board on 31 March 2022. Ian was a founding member of the original management team and has made an enormous contribution to the success of St. James's Place over the years. On behalf of the Board, I would like to express my gratitude for his contribution and commitment to the Company and wish him success for the future. I would also like to take this opportunity to thank Baroness Wheatcroft and Baroness Morrissey DBE who both stepped down from the Board at the conclusion of our 2021 Annual General Meeting.

Performance

The resilience of the business and the Partnership was demonstrated in the robust full-year results we achieved in 2020. During 2021 the Board has been pleased by the performance of the Partnership and the business as a whole, which has enabled us to deliver an impressive set of results for the year. In addition to the strong new business growth achieved, I would highlight the successful management of expenses within the target we set at the beginning of the year. I would like to congratulate management not only on these results but also on their efforts to support our principal stakeholders as the pandemic continued to impact all corners of society and to influence how we do business. Our continued focus on quality of advice has been evident to the Board as management maintained its emphasis on robust business assurance controls and being alert to emerging threats. Whilst the pandemic forced us to make immediate changes to enable Partners and employees to support clients during the various lockdowns, the associated risks have been carefully managed and many of these changes now look likely to deliver longer-term benefits. Recognition of the importance of being easy to do business with, has helped shape our thinking around the use of technology to support our face-to-face advice model. In common with most organisations, we are considering the longer-term implications of the lockdown working environment, but what is clear to us is that person-to-person interaction and engagement remains at the heart of who we are and how we operate.

The Board's priorities and our strategy

When we announced our 2020 results, Andrew Croft set out our key planning assumptions for the next five years. In particular, he highlighted our ambition to grow new business by 10% per annum and contain growth in controllable expenses to no more than 5% per annum, together with an intention to pay out around 70% of the Underlying cash result in dividends to shareholders. The clear messages Andrew delivered alongside the results combined with the further information set out at our capital markets day held in May, provided our stakeholders with greater clarity on our medium-term strategy and our vision to be the best place to create long-term financial security. This clarity of messaging has been well received and feedback has been positive. At the half-year we declared an interim dividend of 11.55 pence per share and the Board is pleased to be able to recommend to shareholders a final dividend for 2021 of 40.41 pence per share (2020: 38.49 pence per share).

Engagement with our key stakeholders during 2021 has provided support for the Board's key focus areas:

The Partnership – Paramount amongst these is the health of the Partnership, upon which so much of our success rests. The Partnership thrives on personal interaction with clients and with each other and the emergence from lockdowns in 2021 has provided opportunities for our adviser community to physically re-engage with each other. Partner conferences have allowed advisers to share experiences with each other, further their development and provide valuable feedback to senior management.

Administration – Our clients share many of the changing needs and expectations of wider society, in particular when it comes to speed and accuracy of information and insight. Supporting our advisers by processing client transactions in a timely and accurate manner is critical to retaining clients and we continue to focus on how we can improve our back-office operations to make this even more efficient.

Digital – In this digital age our advisers and clients want to be able to leverage the benefits that technology can offer, to enhance their investment experience. The completion of the Bluedoor migration provided an essential foundation from which we are now developing a first-class digital proposition for clients and advisers alike.

"We remain immensely proud of the unique culture that has been built up over the last 30 years and the Board recognises how important it is to sustain this culture."

Investment performance – The performance and development of the investment proposition has remained a significant area of focus and we published our second Value Assessment Statement (VAS) during the year. This VAS provided evidence of the progress made against the action plan established in the previous year as well as highlighting where further action is required. The metrics underpinning the VAS have provided the basis on which the Board has been able to monitor investment management performance throughout the year.

Rowan Dartington and Asia – In last year's Annual Report we highlighted how important it was for the companies we had acquired in recent years (Rowan Dartington and SJP Asia) to be able to reach break-even if they were to deliver long-term benefit to the Group. The Board has continued to monitor progress throughout the year and we are pleased that both businesses remain on track to achieve the targets set out at that time.

Whilst I have tried to give a flavour of the Board's activity in 2021, I would encourage you to read the Corporate Governance Report which covers this in more detail.

Our culture and responsibilities

We remain immensely proud of the unique culture that has been built up over the last 30 years and the Board recognises how important it is to sustain this culture if St. James's Place is to continue to generate long-term value for all its stakeholders. Like so many organisations, the past few years have provided an opportunity to reflect on what it means to be a responsible business. For St. James's Place, this is directly linked to our core purpose of giving people confidence to create the futures they want. In turn, this also speaks to our deep culture of giving back and doing the right thing. But the views of our stakeholders are vitally important in helping us to articulate and inform how we take this into the future. We remain committed to supporting our own Charitable Foundation but have also taken time to understand and consider other areas that are material to us when it comes to being a responsible business. As one of the UK's leading investment businesses with some £150 billion of clients' funds under management we understand that we have an important role to play.

Recognising that our responsibilities permeate through our strategy and everyday activities, we are deliberately taking a measured and considered approach to ensure we have the necessary rigour around our decision-making in this area and we will review and, where appropriate, enhance our goals and targets. More details on our approach to being a responsible business, including how we are tackling climate change through the management of our carbon footprint and our approach to responsible investing, can be found throughout this Report and Accounts and specifically in the Responsible Business section on pages 32 to 61.

Concluding remarks

I have already congratulated management on the results achieved in 2021, which would not have been possible if it were not for the efforts of our advisers, supported by our employees and suppliers. After a difficult 2020, during which the business performed admirably, this year we have seen the hard work and commitment of the whole St. James's Place community deliver further evidence of our potential for future growth. I would also like to thank my Board colleagues for their warm welcome and support throughout 2021. I look forward to welcoming shareholders to this year's Annual General Meeting which will be held on 19 May 2022.

Paul Manduca, Chair
23 February 2022

If you would like to discuss any aspect of my report or the Corporate Governance Report on pages 99 to 119 please feel free to email me on chair@sjp.co.uk

How we do *Business*

Who we are

Why we exist

To give you confidence to create the future you want

What we do

We work in partnership to plan, grow and protect clients' financial futures

Where we are going

Our vision

To be the best place to create long-term financial security

Our financial goals to 2025



How we do it

We will work together

Doing the right thing

Valuing, respecting and caring about people

Giving back

Striving to put things right if we make mistakes

Being the best version of ourselves

Achieving and celebrating excellence

Being brave and bold

Embracing diversity

Investing in long-term relationships

Helping each other to develop and grow

Creating success together

Being easy to do business with

► Our culture and being a leading responsible business page 30

Our Stakeholders

#1

Advisers

We give you the freedom to build and grow your financial advice business, your way, with the confidence of a FTSE 100 company behind you.

► Page 10

#4

Shareholders

We offer the opportunity to invest in the leading wealth management business in the UK, giving you access to long-term structural growth through a business that has sustainable competitive advantage and a clear direction.

► Page 13

#2

Clients

We help you feel confident about your future by empowering you with clear financial advice, and investment solutions that help you invest in line with your needs and values.

► Page 11

#5

Society

We are committed to being a force for good, prioritising responsible investing, financial wellbeing and financial education, to create a better tomorrow.

► Page 14

#3

Employees

We offer the opportunity to create the career you want, giving you the confidence to chart your own career path.

► Page 12

Our Stakeholders

Supporting our advisers

We give you the freedom to build and grow your financial advice business, your way, with the confidence of a FTSE 100 company behind you.

How we create confidence for our advisers

Our advisers help clients create the futures they want for themselves, so we enable, support and empower our advisers to deliver sound financial planning advice and build great businesses. We help them grow. We help them succeed. We help keep them safe. Because we've always believed the best financial advice and the best client outcomes start with supporting the best financial advisers.

4,556

Advisers

31 December 2020: 4,338



How we engage with our advisers

We enjoy a close relationship with our advisers, as, by working in partnership with them we can better help our clients. We provide regular bulletins and updates to them through our digital communication channels, but we focus much of our effort on face-to-face engagement, from individual meetings to regional conferences and our Annual Company Meeting. We host consultation sessions and conduct adviser engagement surveys so that we better understand the issues and opportunities that matter to them. We also offer learning and development opportunities so that our advisers are constantly improving in what they do, and provide regulatory oversight so that we keep advisers and clients safe.



Empowering clients

We help you feel confident about your future by empowering you with clear financial advice, and investment solutions that help you invest in line with your needs and values.

How we create confidence for our clients

Planning for your future can be complicated, so we help clients by ensuring they are supported by financial advisers who can give sound, long-term financial advice. Our advisers build trusted relationships across family generations, helping clients support those closest to them too. We want clients to feel confident in their finances, so we provide a broad range of products and services to meet their needs, both for today and for the future. And we help them to invest for the long term, with an investment approach that aims to deliver financial wellbeing in a world worth living in.

868,000

Clients

31 December 2020: 804,000



How we engage with our clients

We want great outcomes for clients so we're always looking to understand how we can do better for them. Our 4,556 advisers enjoy strong relationships with clients so they are a key source of regular feedback. We complement this through engaging directly via client focus groups, regular and ad-hoc client surveys, and targeted market research.



Our Stakeholders

Developing employees

We offer the opportunity to create the career you want, giving you the confidence to chart your own career path.

How we create confidence for our employees

We want to attract and retain the best talent in the UK. Beyond offering a career with an ambitious and fast-growing business, we are committed to personal and professional development, helping our employees achieve great careers with us. We want an engaged and motivated workforce, so we work hard to ensure our employees understand their contribution and feel valued by us. We want a diverse workforce, so we're always doing more to ensure we're an inclusive community. We're constantly reinforcing our culture and values so that our employees share a strong sense of purpose and feel confident they're part of a leading responsible business.

82%
Retention rate for core UK employees

2020: 92%

How we engage with our employees

Hearing directly from our employees is very important in ensuring we have real insight into how our people are feeling. We conduct online pulse surveys and monthly round-table lunches hosted by executive management and senior leadership, with feedback and ideas circulated to the Board. This complements the activity of our Workforce Engagement Panel, led by Non-executive Director Lesley-Ann Nash. We've also embraced digital communication platforms to enable better two-way engagement as compared to traditional intranet and e-newsletter formats.



Committing to shareholders

We offer the opportunity to invest in the leading wealth management business in the UK, giving you access to long-term structural growth through a business that has sustainable competitive advantage and a clear direction.

How we create confidence for our shareholders

We're already the largest wealth manager in the UK, but we've set out ambitious plans to grow our business in the years ahead. Reaching £200 billion of FUM by 2025 will not be easy, but we're confident. Hitting that milestone will result in significant value creation for shareholders as we build on our past investments to grow more efficiently in the years ahead. We'll do all of this while making sure we are financially resilient, ensuring we can continue to invest for the future and provide returns to shareholders. We'll also do it responsibly, ensuring we take leadership on matters most important to us.

£154.0bn
Funds under management

31 December 2020: £129.3 billion

How we engage with our shareholders

We want to build close and direct relationships with our shareholders, so they better understand what we do, and we better understand their views of SJP. We host regular individual and group meetings to explain our strategic progress and corporate performance, and members of the Board also have direct engagement with major investors. We also commission shareholder feedback reports with third parties, giving us valuable and independent insight.

Investing in society

We are committed to being a force for good, prioritising responsible investing, financial wellbeing and financial education, to create a better tomorrow for all.

How we create confidence for society

We recognise that we have an opportunity to help address social, environmental and economic challenges faced by all in society. So, our aim is simple: to always act in a way that considers the long-term impacts of our actions on our communities and the environment at large. This means creating financial wellbeing through delivering great financial advice, as well as delivering financial education in schools and other institutions. It means supporting charities and the St. James's Place Charitable Foundation so they can be confident of continuing their great work. And it means developing an investment proposition that helps clients to invest responsibly so that their money acts as a force for good.

£6.2m

Invested in our communities

2020: £7.1 million



How we engage with society

We want to make sure that we understand the issues and topics that matter most to our stakeholders across society, so we've recently completed a materiality study to help us. This has shaped our Responsible Business Framework; our blueprint for how we will focus our efforts to be a leading responsible business in the years ahead. We're also collaborating with others to ensure we understand how we can support society, whether through industry bodies such as The Investing and Savings Alliance (TISA) or the Money and Pensions Service (MaPS), or through our relationships and consultation with industry regulators and the UK Government.



Chief Executive's Report

Continuing to prosper

"I'm very pleased to report that St. James's Place had an excellent year."

Andrew Croft, Chief Executive

St. James's Place plc

"We remain confident in achieving our 2025 ambitions and continuing to prosper thereafter."

Introduction

In 2020, at the height of the pandemic, St. James's Place demonstrated real resilience during very difficult circumstances, thanks largely to the agility of our advisers and employees. Whilst 2021 was another extraordinary year, with society continuing to navigate lockdowns and disruptions caused by COVID-19, the roll out of vaccination programmes saw many economies rebound strongly with investment markets recording positive returns.

Supported by this more favourable external environment and the desire by individuals to save and invest for the future, I'm very pleased to report that St. James's Place had an excellent year.

Operating and financial performance

During 2021 we saw strong growth in new client investments with gross inflows for the year totalling £18.2 billion, up 27% on the prior year. Our advisers continued to work hard to give clients confidence in their futures, underpinning another exceptional period for retention rates of client investments, which were the highest we have seen in our history. This contributed to net inflows totalling £11.0 billion, up 34% year-on-year and equivalent to 8.5% of opening funds under management.

The combination of these net flows and robust investment markets resulted in funds under management increasing by 19% to a record £154.0 billion at the end of the year.

With controllable expense growth contained to 5%, we delivered a strong financial outcome for the year, with the Underlying cash result of £401.2 million (2020: £264.7 million) being more than 50% higher than the prior year.

Dividend

In the 2025 business plan announced last year, we committed to a policy of paying out around 70% of the Underlying cash result in dividends to shareholders. The strong growth in the Underlying cash result therefore drives a total dividend of 51.96 pence per share for the year, an increase of 35% over the 2020 full year dividend.

Strategic progress

In February 2021, we set out four key assumptions that underpinned our 2025 business plan and I am delighted to report that we have made strong early progress against each of them. During 2021 we:

- delivered 27% growth in gross inflows compared with our compound growth target of 10% per annum
- retained 96% of client investments¹, slightly better than our 95% objective
- contained controllable expense growth to 5% in line with our 5% per annum target
- achieved funds under management of £154.0 billion, leaving us well placed against our £200 billion target by the end of 2025

Having made such a strong start on our journey, we are confident in our ability to deliver against the ambitions in our 2025 business plan.

27%
Growth in gross inflows in 2021
2020: 5% decrease

96%
Retention of client investments¹
2020: 96%¹

¹ Excluding regular income withdrawals and maturities.

Chief Executive's Report

During the year we have also made real progress in delivering against the six business priorities that will underwrite a successful future for St. James's Place:



Building community

A thriving SJP community is critical to supporting great outcomes for our clients and other stakeholders. We're therefore pleased to have grown the Partnership with the addition of a net 218 new advisers during the year through a combination of recruitment of experienced financial advisers and the graduation of advisers through our Academy programmes. We are also delighted with the progress we are making with our learning and development programmes for the Partnership and employees. Technology is enabling us to create more user-friendly, on-demand content and to innovate using tools such as virtual reality to supplement more traditional learning practices.

The investments we have made in our technology infrastructure and the breadth of our offering, mean our proposition for advisers is stronger than ever. This, together with the growing scale of our Academy intakes where we now have more than 350 new advisers in training, means we are well positioned to continue growing the Partnership over the coming years.

At the beginning of 2021 we implemented a restructuring exercise to ensure we are deploying our resources in the best way possible for the future. We know this was unsettling for colleagues, so we have been working hard to ensure that we continue to develop our people and make them feel valued for the contribution they make to the success of our business.

More broadly, the pandemic has presented challenges for individuals across our entire community. We have been focused on supporting our teams at a time when it has not been easy to have physical group gatherings, which are such an important component in building and maintaining a community spirit. With the lifting of COVID-19 restrictions we look forward to getting our community together again so that we strengthen the sense of belonging we have always fostered at St. James's Place.



Being easier to do business with

As a growing business, we know that technology can streamline and optimise what we do and how we do it, transforming the experience we give our people and their clients.

In 2021 we continued the roll out of Salesforce across the Partnership, providing advisers with a best-in-class customer relationship management system that will help them do an even better job for clients, while supporting more efficient working practices.

At the same time, we have been building on the investment we made into our Bluedoor platform, to continue to drive better administration standards, accuracy and efficiency across our business.

Overall, we are pleased by the progress we are making with our technology roadmap and 2022 will be no different as we launch our next-generation app for clients.



Delivering value to advisers and clients through our investment proposition

We put our clients at the heart of our business with the aim of giving them confidence to create the futures they want. We deliver this by ensuring clients are supported by great financial advisers who establish long-term relationships built on trust, and by creating well-rounded propositions that meet their needs. Today, rising inflation is increasingly evident and this only accentuates the need to get this right.

Changes we have made in recent years have contributed to further improvements in the second of our annual Value Assessment Statement that we published during the year. There have been some significant changes to our range of funds, including the relaunch of our Global Equity fund, and we have made bold commitments on reducing the carbon footprint of client investments. Having already joined the Net-Zero Asset Owner Alliance and committed to being net zero by 2050, we have now set out an interim ambition of achieving a 25% reduction in our carbon footprint by 2025, underscoring our desire to create financial wellbeing in a world worth living in.

I am also thankful to our clients for entrusting their savings with St. James's Place and endorsing our business through voting for us in various industry awards.



Building and protecting our brand and reputation

In recent years we have worked hard to strengthen the perception of our business, so that when people think financial advice, they think St. James's Place. We have recently launched a refreshed brand identity for the company which we believe will help drive better awareness and trust, supporting our ambition to serve more clients in the future.

We have also been working to create an improved digital marketing strategy so that we can better help advisers to develop new client relationships, supporting our growth ambitions for the Group.



Our culture and being a leading responsible business

Our culture is a huge asset and in recent years we have focused on codifying this in order to preserve its positive features and be able to understand those areas where there is scope for further evolution. It is also important that we recognise and reward those within our community who exhibit the very best aspects of our culture and we have developed structures to achieve this.

We have always considered ourselves to be a responsible business and in 2021 we took this to the next level when we set out a new Responsible Business Framework to guide our thinking and prioritise our actions to maximise the positive impact we can have as a business. For St. James's Place this means focusing primarily on responsible investment, financial wellbeing, our community impact, and climate change. But our responsibilities extend beyond these key focus areas to others where we must also make sure we're doing the right thing such as being an inclusive and diverse employer, respecting and valuing human rights, and promoting responsible procurement.

The most visible aspect of our local activities is our continued support for the St. James's Place Charitable Foundation. This continues to be a source of enormous pride for all our people who recognise its hugely positive impact on the charities it supports. I am therefore delighted that our community raised a further £8.0 million for the Charitable Foundation in 2021, inclusive of Company matching.



Continued financial strength

The strong operational progress we made in 2021 has been reflected in a record financial result for the year. At the same time I am pleased that our businesses for the future, SJP Asia and Rowan Dartington, have performed well and remain on track to achieve the financial outcomes we set out as part of our 2025 business plan.

All of this enables our financial model to remain robust. We are well positioned to be able to continue to invest in our business to drive future growth while ensuring our balance sheet remains strong and we are able to deliver cash returns to shareholders over time.

Ian Gascoigne

Before I finish, I would like to take this opportunity to say a few words about Ian Gascoigne who is retiring from the Board on 31 March. Ian was with St. James's Place at the very beginning and has made an enormous contribution over the years, as well as being a great colleague. I am delighted that we will still be able to call on his wise counsel in the future.

Summary and outlook

I started my statement by saying St. James's Place had an excellent year and I hope shareholders agree. This outcome could not have been achieved without the excellent work and contribution of the whole St. James's Place community. I would therefore like to personally thank our advisers, their staff, all of our employees and the administration support teams for their continued hard work, dedication and commitment.

Looking forward there is no doubt in my mind that the demand for face-to-face financial advice remains as strong as ever. In fact, as we emerge from the pandemic, I believe more people will be reassessing their life plans and be more likely to seek out a trusted adviser.

St. James's Place is ideally positioned to continue to benefit from this increasing demand for advice. We have a Partnership that continues to grow in scale bolstered in part from our Academy, a rigorous and well-proven investment management approach, modern and scalable infrastructure, and a unique culture and brand. I believe this combination stands us apart from other advisory firms and means we are well placed to continue to lead in our sector with the benefits that confers.

As we look ahead, our performance in 2021, taken together with the investments we are making for the future, means we remain confident in achieving our 2025 ambitions and continuing to prosper thereafter.

Andrew Croft, Chief Executive

23 February 2022

Market Overview

Demand for advice is increasing

The UK wealth market

Rising affluent wealth

Despite the challenges presented by the COVID-19 pandemic, total UK retail wealth is large and growing, with third-parties suggesting that retail liquid assets alone account for some £3.6 trillion as at the end of 2021. Clients with around £50,000 to £5 million of investable assets are estimated to control around 70% of UK investable wealth alone, and that proportion increases when we think about people either side of those thresholds who are also in our target marketplace. We know that the market opportunity is even greater when we consider personal pension assets and insurance-wrapped savings.

A little over half the personal wealth in the UK is controlled by savers between the ages of 45 and 64, and another third is in the hands of those aged 65 and above (source: ONS), showing the extent of asset decumulation we can expect in the years and decades ahead, and the scale of intergenerational wealth transfer to come.

Increasing demand for financial advice

We estimate that there are around 12 million individuals in our target market in the UK, with around half already seeking financial advice. We've seen many developments in the DIY investment platform market, as well as in robo-advice offerings, but demand for personal, face-to-face advice has continued to grow as people lacking the time, inclination or confidence to manage their financial affairs, seek help from a trusted adviser. We expect demand for face-to-face advice to only get stronger.

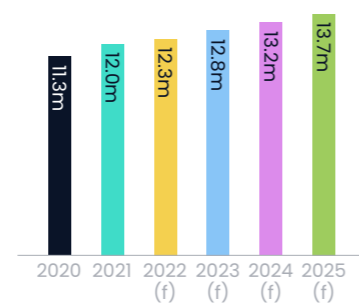
That's because there are a number of factors driving the need for advice:

- intergenerational wealth transfer;
- the scale of the UK savings gap;
- the complexity of personal taxation;
- the decline of defined benefit pension schemes; and
- the options and challenges open to savers through 'pensions freedom'.

Demand for advice is increasing but there aren't enough advisers in the UK to meet this, and the shortfall is likely to worsen as more and more experienced advisers approach retirement or sell their businesses. There's already an 'advice gap' today and we think this will widen.

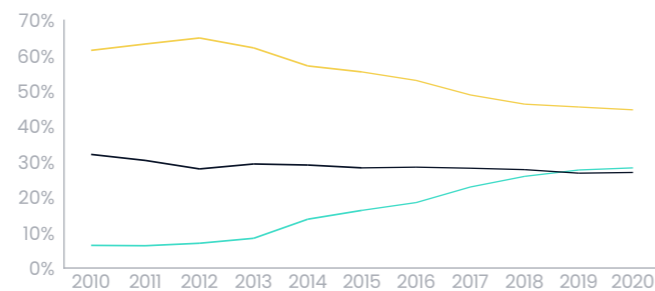
We're the leading advice-led wealth management business in the UK, with 4,556 advisers at the end of 2021. We're a business with a proven track record of attracting and retaining great financial advisers, as well as those looking to build a new career with us through our Academy programmes.

UK individuals with between £50,000 and £5m of investable wealth



(source: GlobalData)

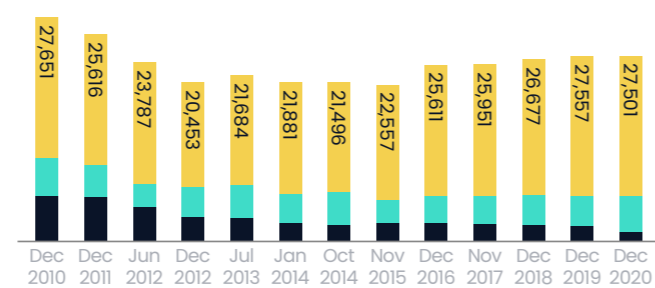
Percentage of UK employees by pension type



■ Occupational defined benefit
■ Occupational defined contribution
■ Other/none

(source: ONS)

Number of retail investment advisers



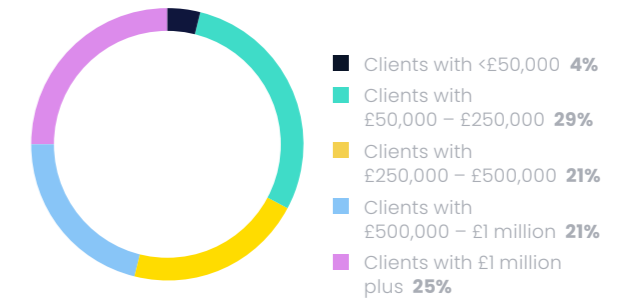
■ Bank and Building Society
■ Other
■ Financial Adviser

(source: FCA)

Our core market

Our core market is UK individuals with between £50,000 and £5 million in investable assets. There were estimated to be 12 million such individuals at the end of 2021, and this number is expected to grow to 13.7 million by 2025. The liquid assets of this group are forecast to increase from £2.5 trillion to £2.9 trillion in this time (source: GlobalData). We also look after clients either side of this mass affluent space, whether individuals in the early stages of accumulating wealth or at the other end of the spectrum those high net worth individuals needing more specialist support.

FUM by value of clients



Market trends

The UK wealth landscape is evolving, providing opportunities and challenges. Five key trends shaping the UK wealth management landscape of tomorrow are:

#1 Technology: shifting client expectations and digitally-enabled advisers

UK financial advisers are making greater use of digital wealth solutions to improve the experience for their clients and run more efficient businesses. They are using digital tools to simplify how they onboard and service their clients. Clients are also embracing technology. They want a better digital experience with their advisers and wealth managers, and their expectations have risen based on what they experience with leading online businesses, which can use customer data and analytics to deliver unique, personalised services.

#2 ESG

2021 saw environmental, social and governance (ESG) investment approaches move even further into the mainstream, as consumer demand for responsible investing increased significantly. In fact, retail funds under management in responsible investment funds grew by £16 billion in 2021, a £4 billion increase on 2020 (source: Investment Association). As they become more aware of the need to limit climate change, clients want to see their investments act as a force for good – and they expect wealth managers to be responsible businesses too. ESG terminology and standards are evolving rapidly so adviser training will need to keep pace.

#3 Personal finance complexity

Managing your personal financial affairs is increasingly difficult. The UK personal taxation regime is complicated and changes to the pensions landscape in recent years have made planning for your retirement income more flexible but also more challenging. In the near term, Government borrowing has surged in the wake of the COVID-19 pandemic, so there is the prospect of tax increases to come. Meanwhile, interest rates remain low and inflation is high, creating further challenges for savers.

#4 Decline in the population of financial advisers

Despite the number of UK financial advisers increasing modestly in recent years (source: ONS), this isn't expected to continue. Instead, industry experts predict the adviser market will decline over the medium to long term as advisers either retire or sell their businesses due to external pressures including regulation, economic volatility and cyber crime. There is growing demand for financial advice so wealth managers will need to invest in training new advisers to meet this.

#5 Pensions and intergenerational wealth transfer

An ageing UK population means income, investment and pension savings will need to last much longer than previously required. Meanwhile, the decline of defined benefit pension schemes in favour of defined contribution schemes places the responsibility on individuals, rather than employers, to provide for their retirement. At the other end of the scale, young adults entering the workforce are likely to have lower levels of savings in investments compared to previous generations as higher housing costs tie up capital. This intergenerational wealth gap will lead to substantial intergenerational wealth transfer in the years and decades ahead.

Our Business Model

How we deliver value

What makes us different

We provide holistic financial planning and wealth management services, delivered exclusively through the St. James's Place Partnership.

We generate

We operate a fee-based income model where we receive fees based on the level of client funds under management.

We enhance

We attract

We offer an attractive investment, product and service proposition that is exclusive to the St. James's Place Partnership and clients.

We retain

We forge close, trusted relationships with our advisers and help them drive great outcomes for clients.

We improve

We engage with clients, advisers and our people to understand how and where we can improve. We embrace technology. We seek excellence in our operations. We build our community.

We invest

We are a long-term business so we plant seeds for the future through investment in technology, our operations, our proposition, and our people.

We impact

We want to be a leading responsible business that creates financial wellbeing, invests responsibly, has a positive community impact, and commits to limiting climate change.

We deliver

+5%

2021 growth in advisers
2020: +2%
▶ Find out more on page 26

+19%

2021 growth in FUM
2020: +11%
▶ Find out more on page 67

+35%

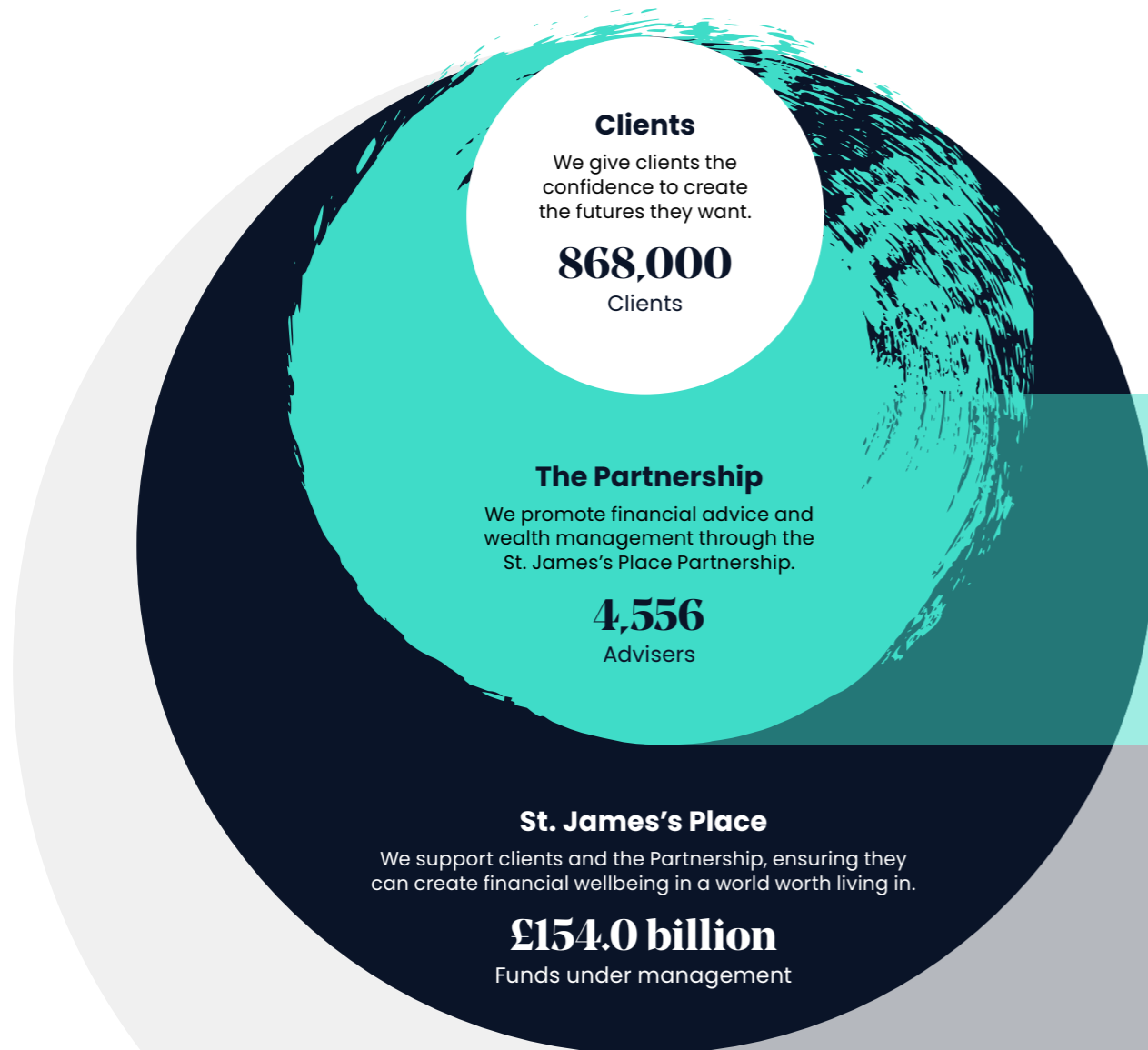
2021 dividend growth
2020: -23%
▶ Find out more on page 17

85%

2021 percentage of employees who feel proud to work at St. James's Place
2020: 89%
▶ Find out more on page 54

£6.2m

Invested in our communities
2020: £7.1 million
▶ Find out more on pages 49 and 52



Responsible business

We are committed to being a leading responsible business, putting responsible and sustainable decision-making at the heart of everything we do and helping our clients and communities to create the futures they want and embrace their tomorrow.



Annual management fee based on client funds under management

Our Strategy

Implementing our strategy

Our key business aim

Our key aim is to grow our funds under management (FUM) over time

We attract, retain and grow client FUM through offering a high-quality service to the Partnership and clients. We therefore pursue a simple growth and support strategy, built on clear and focused strategic objectives.

How we achieve this

We have growth and support strategies that enable us to attract new client investments to St. James's Place and ensure we sustain high client satisfaction, meaning they stay with us for the long term.

Our strategy

Our growth strategy

- Our growth strategy involves:
 - Growing the size of the Partnership
 - Increasing adviser efficiency
 - Broadening our client proposition

£18.2bn

Gross inflows in 2021

Our support strategy

- Our support strategy involves:
 - Delivering exceptional service to advisers and clients
 - Driving great client outcomes
 - Ensuring we remain a trusted, robust and resilient business for our clients

96%

Retention of client investments in 2021¹

¹ Excluding regular income withdrawals and maturities.

Our business priorities

We focus our long-term business priorities on six core areas. In each of these, we maintain a consistent and rigorous approach to risk management and governance.

Business priority	What this means	What we achieved in 2021	Our focus for 2022
 Building community	We'll help every corner of our growing community contribute to its success	<ul style="list-style-type: none"> We refreshed and relaunched our Academy We welcomed 218 net new advisers into the Partnership We rolled out our refreshed culture framework among our employees 	<ul style="list-style-type: none"> We'll deliver improved consultation capabilities to better support advisers We'll launch the My House app for advisers and employees, transforming the way we support learning and development We'll introduce the first phase of a flexible reward approach for our employees
 Being easier to do business with	We'll invest in technology and processes that transform the experience we provide people	<ul style="list-style-type: none"> We substantially rolled out Salesforce across the Partnership We improved service standards with a focus on administration quality and limiting errors We have continued to help and encourage clients to go paperless 	<ul style="list-style-type: none"> We'll launch our next-generation app for clients We'll further integrate Salesforce across the Partnership and launch additional tools and functions to drive benefits through user experience We'll continue to drive our focus on quality of service to support client experience and satisfaction
 Delivering value to advisers and clients through our investment proposition	We'll put the right people, data and governance in place to drive performance, delivering financial wellbeing in a world worth living in	<ul style="list-style-type: none"> We continued our programme of enhancing the value clients receive through investing in our funds, and improved our Value Assessment Statement ratings across a number of funds and portfolios We strengthened the integration of ESG considerations within our investment proposition, including the relaunch of our Global Equity fund We set out our plans to cut the carbon footprint of our investment proposition by 25% by 2025 	<ul style="list-style-type: none"> We'll launch a range of unitised accumulation portfolios for clients We'll focus on developing our approach to responsible investing and financial wellbeing We'll launch a concierge service and reporting enhancements as part of our Private Clients proposition
 Building and protecting our brand and reputation	We'll be clearer about who we are and who we want to be, so when people think financial advice, they think SJP	<ul style="list-style-type: none"> We developed and tested a refreshed brand identity for SJP, ready for launch in early 2022 We increased our media engagement, strengthening our standing with trade and national press 	<ul style="list-style-type: none"> We'll roll out our refreshed brand identity We'll create an improved digital marketing strategy to help advisers create new client relationships
 Our culture and being a leading responsible business	We'll build a purpose-led business that has a positive impact on society	<ul style="list-style-type: none"> We developed a Responsible Business Framework to describe and guide our approach to being a leading responsible business We launched a new internal recognition scheme to encourage and reward the very best aspects of our culture Our community raised £8.0 million for the SJP Charitable Foundation, with Company matching 	<ul style="list-style-type: none"> We'll engage with stakeholders to communicate our Responsible Business Framework We'll focus on the work we are doing to achieve our inclusion and diversity ambitions We'll continue to focus on limiting our environmental footprint across all areas of our business
 Continued financial strength	We'll manage our resources carefully so we can continue to grow the investment into our business	<ul style="list-style-type: none"> We achieved strong new business, FUM and income growth We delivered on our 2021 investment priorities while containing growth in controllable expenses to around 5% We achieved a record underlying cash result, driving strong dividend growth for shareholders 	<ul style="list-style-type: none"> We'll aim to achieve further growth in new business and FUM in support of our 2025 ambitions We'll continue to contain growth in controllable expenses to around 5% We'll prioritise investment in growth opportunities and programmes to drive operational excellence

Our Strategy

Building community

We'll help every corner of our growing community contribute to its success.

Our approach

We know that our people are our greatest asset and they drive the success of our business for all stakeholders. Whether it's our advisers, their staff or our own employees, we want to build a thriving community of people who can build great futures with us.

The Partnership

Growing the Partnership means we can help clients have the confidence to create the futures they want. We'll continue to attract experienced advisers to the Partnership through our traditional recruitment channels, but we're also increasing the capacity and capability of our Academies, which provide the professional training and experience necessary for individuals to become financial advisers. Intake numbers will continue to grow in 2022, helping us to grow and sustain a vibrant and diverse Partnership that can support a growing client base over time. In the future we will take advantage of new ways of delivering content, as we add cutting-edge virtual learning to traditional classroom sessions. Advisers will be able to roleplay client conversations in a virtual environment – with 54,000 different paths to take through the meeting. They'll learn to build deeper relationships and a deeper understanding of the broad range of client needs and the ways in which holistic advice can help to meet them.

We work hard to support our advisers to be the best that they can be so we're refining the way our field management team supports our advisers based on their individual wants and needs. As we look forward, our support will increasingly be delivered by specialists and be tailored to the needs of individual businesses. This approach will be consistent with the fact that the Partnership is not a single entity, but rather a diverse group of individuals and businesses, working in their own local markets, motivated by different things and needing different types of support to thrive.

Our employees

We want to be an employer of choice within the financial services sector; one that is able to attract, develop and retain the best talent in the UK and give our people the confidence to create the futures they want. We're doing more to listen to our employees and understand how we can build a better business for them, whether through greater work flexibility, career development, training, mentoring, reward, and many other areas. Find out more on pages 53 to 55.

What we achieved in 2021

We welcomed a net 218 net advisers to the Partnership in 2021 through a combination of experienced recruitment and the graduation of some 140 advisers from our Academy programmes. We've also built a good pipeline to deliver further growth in the Partnership in 2022 and beyond, with more than 350 new advisers in training in our Academy programmes and our proposition for experienced recruits more attractive than ever.

We're focused too on making sure we retain talent across our business so we're pleased that adviser retention has continued to be very strong at 93%. We implemented a restructuring exercise early in the year so we've worked hard to ensure employees feel confident and comfortable in their careers with us. We want all of our people to feel part of a shared community that cares about them, so we've continued to get our people together whether for formal development opportunities or to engage socially, building on our wellbeing programmes.

Transforming learning and development through technology

We embrace technology across our business and this year we began delivering a class-leading, immersive learning experience using Virtual Reality (VR) and Augmented Reality (AR) technology. Our industry-first VR Financial Adviser training has allowed learners to experience client meetings like never before. Learners can now use VR to roleplay meetings, fact-finding, and rapport-building from the perspective of both client and adviser. VR technology gives learners the opportunity to increase their professional confidence anytime. This is on top of a traditional approach that ensures access to trainers and mentors where they can help.



Being easier to do business with

We'll invest in technology that transforms the experience we provide people.

Our approach

As we've become a bigger business, we've inevitably become a more complex one, as has the industry we're a part of. This can create challenges across our community, whether for clients, advisers, their staff or our employees. Processes can be fragmented, experiences therefore diminished and inefficiencies compounded, so in our 2025 plan we're addressing this.

We're removing processes we don't need any more, decommissioning systems we've outgrown or which have become obsolete, and setting high standards for the providers we work with. Business improvement teams will identify opportunities to simplify and streamline what we do. Experts in robotic process automation will look for ways to automate tasks and therefore enhance the accuracy of processes. We already have more than 250 bots completing basic tasks and we're now focusing our attention on processes like advice checking where there are opportunities at the more straightforward end of the advice spectrum. With Bluedoor now in place and Salesforce in advanced stages of rollout, we have an opportunity to switch off more than 60 legacy systems. As we bring on board new service providers, or renew contracts with existing ones, we'll integrate our systems seamlessly with theirs, with interfaces that communicate with each other automatically in real time. We'll create a new 'hub and spoke' operating model for managing our data, pushing data expertise as close as possible to the Partnership.

All of this will reduce the likelihood of errors, save time and increase efficiency. But above all, it will transform the experience we provide people. Clients will be able to download a redeveloped SJP app. When they need to book an appointment, they'll be able to do it with a click instead of a call should they so wish. If they want to meet virtually, or sign documents digitally, they'll be able to. Every Partner practice will have digital marketing capability, powered by Salesforce. Smart nudges driven by artificial intelligence will prompt the 'next best action' for each client to help advisers contact the right person, at the right time, for the right reason.

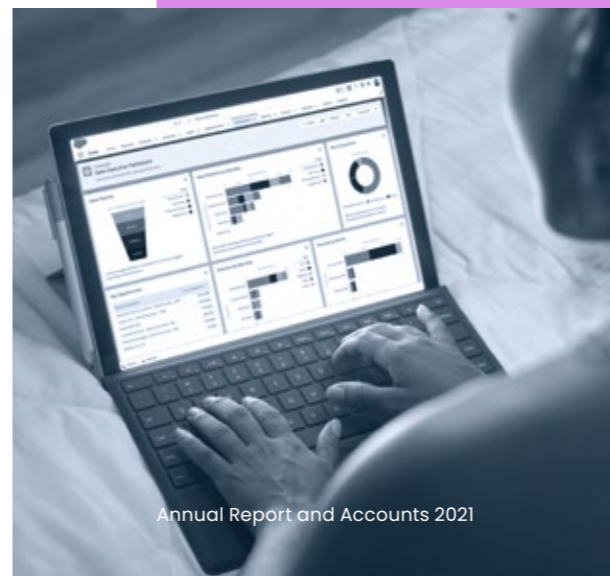
All this will add to up to what we're calling the 'next-generation client experience'. It will be faster and easier – meaning there's more time to focus on clients, relationships and advice.

What we achieved in 2021

We made good progress on our technology journey in 2021. We continued the roll-out of Salesforce across the Partnership and we've also improved our business processing and administration areas. Clients are increasingly using our online wealth account and digital correspondence.

Adopting Salesforce to better support advisers and clients

Salesforce is the enabler in driving a digital future for SJP advisers, clients and employees: an integrated future of seamless interconnectivity. While 2020 saw the successful completion of the Salesforce rollout to the Partnership, meaning that over 2,500 Partner businesses gained access to Salesforce, 2021 was about enabling them to fully embrace the system, aligning its capability with the client advice journey and exploring the benefits Salesforce provides to deliver superior service and client outcomes.



Our Strategy



Delivering value to advisers and clients through our investment proposition

We'll put the right people, data and governance in place to drive performance, delivering financial wellbeing in a world worth living in.

Our approach

We're focused on giving clients the confidence to create the futures they want by planning, growing and protecting their wealth over time. We take an approach to investment management that gives clients diversification and expertise on a global scale that is beyond many wealth managers. We design and build our own range of investment funds and portfolios, but we contract some of the world's best external managers to manage them. We also offer our clients discretionary fund management and stockbroking services. Over the last decade, this approach has helped an average client see their wealth grow by over 80%, while taking considerably less risk than if they were fully invested in the FTSE 100 index. But we're still targeting more.

We've established a team of over 35 investment professionals, who are supported by a panel of investment advisers, to focus on the performance of our funds and portfolios. Their work is underpinned by best-in-class data and technology solutions, and a governance structure that's designed to support well-informed decision-making.

We put our investment beliefs at the centre of every decision we make. Seven in total, these are our drivers for good decision-making, and range from putting client outcomes first to using money as a force for good in the world. This is about getting it right for the client.

▶ Further details of our seven investment beliefs can be found on page 40

We're also making investments easier to understand, change and administer by developing a single, integrated proposition. We're looking to put more information directly into clients' hands with a new reporting tool that keeps them better informed not just on performance, but also on the wider impact of their investments. We want clients not only to be able to see case studies that bring their investments to life, but also to better understand the carbon footprint of their portfolios, as we move to becoming a net zero investor by 2050.

What we achieved in 2021

We're always evolving our investment proposition so that we can support great client outcomes, which is our first investment belief and the starting point for everything we do. Changes we've made in recent years have contributed to notable improvements which are reflected in our second annual Value Assessment Statement, published this year. We've also made some significant changes to our range of funds, including the relaunch of our Global Equity fund, and we've made bold commitments on reducing the carbon footprint of client investments. We aim to be net zero by 2050, but an important first step towards this will be achieving a 25% reduction in our carbon footprint by 2025. We're already making great progress to achieve this target.

Embedding ESG to support financial wellbeing in a world worth living in

We see responsible investing as an opportunity to mitigate risk and drive superior investment returns, while also driving positive change for people and the planet. This thinking underpinned our decision to make changes to our Global Equity fund during 2021. These changes saw new managers appointed to manage three new strategies, each with an equal weighting, to blend active and passive styles. For clients, this approach looks to deliver smooth and consistent returns at a lower cost and with a carbon intensity half that of the fund's benchmark.



Building and protecting our brand and reputation

We'll be clearer about who we are and who we want to be, so when people think financial advice, they think SJP.

Our approach

Our brand is the sum of all the thoughts and associations people have when they hear the name 'St. James's Place'. We want our brand to attract people to us – making them more likely to choose us, partner with us or work for us.

Our brand is already strong but we're refreshing it: modernising how it looks, feels and sounds so we appeal to a broader audience. We wanted to get this right, so we engaged with multiple stakeholder groups to ensure we're all well aligned on this journey, and we'll see the results of this brand evolution roll out across our business and broader SJP community over time.

We're creating more content directly for clients, making our intellectual property available to a wider audience. And we're working hard to raise our profile in the media.

We want to improve across four key areas – relevance, differentiation, knowledge and esteem. If we achieve this then more people will consider SJP and we'll generate more activity for the Partnership. Beyond that, we want to develop an even stronger sense of pride in SJP across our community and a greater sense of purpose for our future – so when people think of financial advice, they think SJP.

What we achieved in 2021

As well as progressing the evolution of our brand identity, we've focused on how we engage with the media, building and strengthening relationships with journalists. This work has resulted in improving media perception scores in 2021 as people better understand who we are and what we do for our clients.

Evolving our brand to be fit for the future

'Project Brand' was launched in 2020 with the core objective to create a clear, compelling and robust brand for SJP – one that attracts people to us, whether clients, advisers or employees. During 2021 we worked hard to define what this new brand identity is: how it looks, how it sounds and how it feels. We've worked with third parties to design and test where we're heading so as we enter 2022 we're confident in how we've evolved our brand positioning and how we'll roll this out across our business.



Our Strategy



Our culture and being a leading responsible business

We'll build a purpose-led business that has a positive impact on society.

Our approach

Culture is a strength for SJP.

The values and behaviours we promote are the ones that will enable us to deliver our strategy. They'll make us better at embracing change, managing our resources, and making our business less complex. That's why we're having conversations about culture across the business and across the Partnership – to celebrate when we get things right and challenge ourselves where we need to improve.

Culture touches every part of our business. And behaving responsibly touches every part of our business too. It's a philosophy that informs every decision we make, from how we grow to what we choose to prioritise.

We have a Responsible Business Framework that guides our thinking on how to deliver on our ambition to be a leading responsible business. This is important as we believe tomorrow's clients, advisers and employees will only want to buy from, work with and work for a company that understands its responsibility to society. We're in a great position to contribute in solving many problems society faces around financial wellbeing – from the retirement savings gap to the long-term care crisis and gender inequality in pensions.

But we also have a unique opportunity to use our scale and influence for good in other areas. We can invest responsibly so that our client assets are a force for good. We can have positive community impact through the SJP Charitable Foundation and our local community impact programmes. And it's why we're committing to being carbon positive in our operations by 2025, and to achieving net zero in our supply chain and across the Partnership by 2035. It's why we've set clear commitments to become a more diverse and inclusive workplace. And it's why our advisers and employees are helping school children build their financial literacy – giving them the confidence to create the future they want, just as we do for our clients.

What we achieved in 2021

2021 was a key year in our development as a leading responsible business, as we established a Responsible Business Framework to guide us in how to have the greatest positive impact as a business in the years ahead. We've always seen our culture as a key asset, but we've looked to make this clearer to our community and reward those who exhibit it. We also made strong progress in developing our approach to responsible investing. The work of the St. James's Place Charitable Foundation continues to be a huge source of pride and we're pleased that our community raised £8.0 million during the year with Company matching.

Taking action on climate change

Climate change is one of the most significant global challenges we face today. It is a critical issue that impacts all our stakeholders, whether clients, advisers, employees, suppliers or others, so we're taking action to lead in the transition to a lower carbon economy. In 2021, we set net zero commitments across our wider business community, with the ambition to be:

- climate positive in our operations by 2025
- net zero in our supply chain by 2035
- net zero in the Partnership by 2035
- net zero in our investments by 2050

Photo by Red Zeppelin on Unsplash



Continued financial strength

We'll manage our resources carefully so we can continue to grow our investment into our business.

Our approach

We have a straightforward financial business model. We generate revenue by attracting clients through the value of our proposition. They trust us with their investments and then stay with us. This grows our funds under management (FUM), on which we receive initial and annual product management charges. This income is then used to meet our overheads, invest in the business and pay dividends for our shareholders.

We're financially prudent and we make sure that we're always holding assets to fully match our clients' investments. This and the simplicity of our business model means we have a resilient capital position capable of meeting our liabilities even in adverse market conditions.

Our ambitions

We've set ambitious financial objectives through to 2025. We want to build funds under management to £200 billion and we'll do this by growing new client investments by 10% per annum on average over that period, and by retaining 95% of existing investments every year. We believe these growth ambitions are achievable given the market opportunity, the quality of our proposition and the strength of the Partnership.

We've also set out a financial envelope for how we manage our resources over time, with the aim of containing annual growth in controllable expenses to 5%. This will be challenging but it's achievable. The investments we're making in how our business runs will allow us to work more efficiently. Better data, better systems and more automation will mean more control, fewer errors and less waste. We can grow our business more efficiently and we can prioritise strategic investment.



Key performance indicators

£1,545.4m

EEV operating profit before tax

2020: £919.0 million

51.96p

Total dividend pence per share

2020: 38.49 pence per share

£401.2m

Underlying cash result

2020: £264.7 million

IFRS profit after tax was £287.6 million in 2021 (2020: £262.0 million). Whilst IFRS profit after tax does not immediately benefit from strong years of new business, the result nonetheless is up 10% year-on-year. This reflects growth in FUM and stronger investment markets in 2021, offset by a partial and anticipated reversal of the policyholder tax asymmetry that benefitted the 2020 IFRS result in the presence of weaker markets. Further detail on this asymmetry is included in the Financial Review on page 69.

Our Responsible Business

At SJP, we're committed to being a leading responsible business, putting responsible and sustainable decision making at the heart of everything we do and helping our clients and communities to create the futures they want. In this section of the Annual Report and Accounts we discuss our approach and impact on the long-term wellbeing and resilience of individuals, communities, the environment and society.

What do we mean by leading?
As a FTSE 100 company with £154.0 billion of funds under management, we recognise the impact and influence our scale can have, and our responsibility to use this positively; we don't have all the answers but we are committed to making progress and understand the role we can play in leading the transition and bringing others with us on the journey.

Our approach

Society is facing great challenges, from the devastating effects of climate change to social inequality and poverty. World leaders are calling on countries and businesses to work together and collaborate to drive change for the better, and financial institutions and investors are recognising the role they play. Like many other businesses, we're on a journey to focus our efforts on the areas where we can have the greatest impact, and be a leading responsible business.

Being a leading responsible business marries our culture of giving back with our clear purpose to help all our communities embrace their tomorrow. During 2021 we evaluated our approach to corporate responsibility and developed a clear framework to bring greater focus to the matters most material to us. Our approach reflects the core aspects of our business: our advice, our people and the impact we seek to have. Gaining a greater understanding of where we can drive the most progress ensures we direct our resources in the most effective way.

We are encouraged by the increased focus on responsible business from all our stakeholders and, importantly, we have taken time to review our approach from multiple perspectives. We believe that by doing so we are better placed to add value for all stakeholders, and where relevant support their own responsible business journeys, such as by engaging with and educating our Partner practices.

To develop our Responsible Business Framework, we conducted in-depth materiality studies and consulted with sustainability experts to ensure we better understand the social and environmental impact of our operations, as well as opportunities to improve as we grow the business sustainably. Our Framework is guided by our vision, purpose and culture, and focuses on four Responsible Business strategic pillars, underpinned by related people and governance topics, our 'strategic enablers'.

Naturally, many of these topics are interrelated and our work in 2022 will focus on exploring these relationships and clearly articulating our goals and metrics. To make sure we are tracking our progress, we have established a new Responsible Business Group who will provide oversight and governance to our approach. The group has representation from all areas of our business and will report regularly to our Executive Board and Risk Committee.

"To be relevant to our advisers and clients today and 100 years from now, we need to be sustainable. This means looking ahead to understand how the world is changing around us and taking a long-term view on the decisions we make."

Vicki Foster, Divisional Director, Responsible Business

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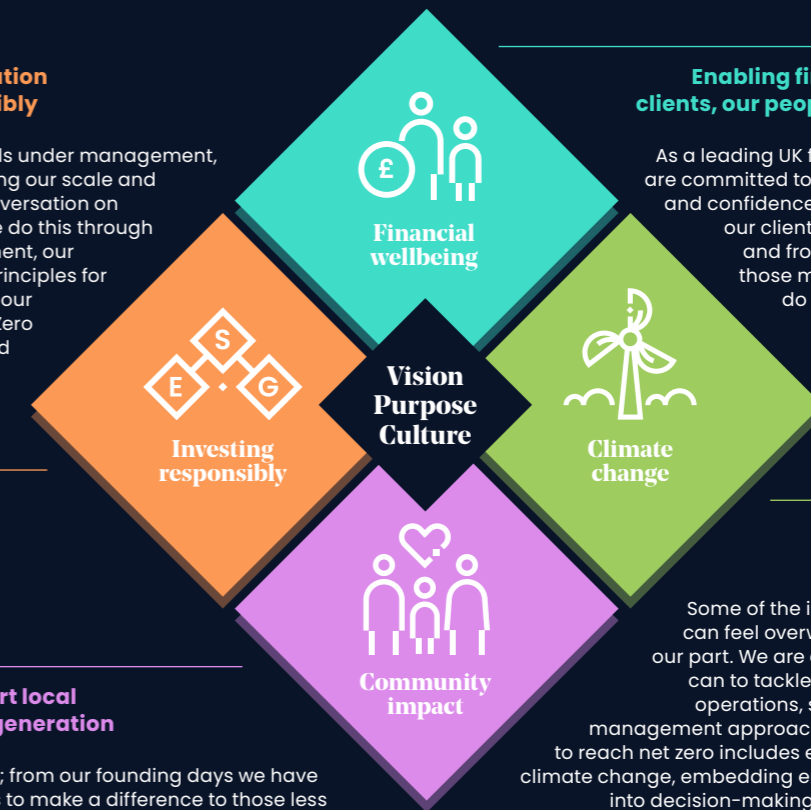
St. James's Place Responsible Business Framework

Leading the conversation on investing responsibly

With £154.0 billion of funds under management, we are committed to using our scale and influence to lead the conversation on investing responsibly. We do this through fund manager engagement, our commitment to the UN Principles for Responsible Investment, our membership of the Net-Zero Asset Owner Alliance, and our education for clients on how to use money as a force for good.

Enabling financial wellbeing for our clients, our people and our communities

As a leading UK financial advice business, we are committed to enabling financial resilience and confidence in all our communities, from our clients to the charities we support, and from primary school children to those most vulnerable in society. We do this through great education and sound financial advice.



Taking action on climate change

Some of the issues facing our world today can feel overwhelming but we can all play our part. We are committed to doing what we can to tackle climate change through our operations, supply chain and investment management approach. Our four-pronged strategy to reach net zero includes educating our community on climate change, embedding environmental considerations into decision-making and conserving resources – to only reduce our impact, but have a positive one.

Giving back to support local communities and regeneration

Giving back is in our DNA; from our founding days we have looked beyond ourselves to make a difference to those less fortunate. We are committed to driving positive community impact, building social capital within communities, and connecting the dots between the charities we support and the social initiatives we run, by offering place-based and skills-based outreach.

Strategic enablers

People

- Responsible relationships
- Inclusion and diversity
- Policy influence
- Client satisfaction and retention

Governance

- Risk management
- Data privacy
- Human rights
- Responsible procurement
- Corporate governance

Bringing together material topics that enable our business to function and grow.

These areas of focus are the things we must get right, from people matters such as inclusion and diversity, client satisfaction and retention, to key issues of governance like data security and risk management.

Our Responsible Business



How we measure our progress



We want to make it easy for all our stakeholders to understand the work we're doing and how we're measuring our performance. We are aligning our approach to key external frameworks which help broaden our impact.

United Nations Sustainable Development Goals (UNSDGs)

In 2020 we became a participant of the United Nations Global Compact, with the ambition to further embed those UNSDGs most relevant to our business into our long-term approach.

Within our Responsible Business Framework, each of our material topics contributes to the progress of the UNSDGs. In particular there are six UNSDGs we believe we can have the greatest impact on.

SDG	Our promise and progress
 <p>Target 4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills for employment, decent jobs and entrepreneurship.</p>	<p>Our promise To improve money management in the next generation by supporting schools and other organisations to deliver financial education to children and young people. Alongside this, we aim to provide our advisers with the resources and knowledge to teach financial education.</p> <p>To provide relevant financial skills and education to our clients to give them the confidence to create the future they want.</p> <p>Our progress In 2021 we provided financial education to 12,881 young people, totalling 37,169 since we started our provision in 2015.</p> <p>The COVID-19 pandemic continued to present challenges in delivering face to face financial education, but we continued to provide virtual and home learning resources for primary and secondary school aged students, and developed a new offering for 5-7-year-olds.</p> <p>We also continued the development and provision of our financial education training and accreditations for advisers and employees, who delivered sessions not only within schools but financial wellbeing sessions within businesses also.</p> <p>Recognising we are also well placed to support beneficiaries of our Charitable Foundation-supported charities with financial education, particularly those from disadvantaged backgrounds, we began to deliver this service among some of our charities.</p>
 <p>Target 5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.</p>	<p>Our promise To ensure equal opportunities for women through our inclusion and diversity programmes and by ensuring we align to national commitments.</p> <p>Our progress We remain committed to increasing female representation in senior roles and on the Board of St. James's Place. Female representation on the Board stands at 30% and we continue to work towards our Women in Finance Charter commitment to increase the number of women in senior roles which stands at 24.4%. To support this, in 2021 our Executive Board actively engaged with our female talent pipeline with development and mentoring opportunities.</p> <p>Recognising a clear need for more information in the workplace on matters affecting women, we also launched menopause guidance to support all our employees and managers.</p>

SDG	Our promise and progress
 <p>Target 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.</p>	<p>Our promise To invest in our employees through training and development.</p> <p>To increase the aspirations of young people by working with schools and charities to support employability and provide positive work experiences. As part of our social mobility strategy we actively seek to support disadvantaged young people into financial services careers.</p> <p>Our progress We have continued to provide a range of development opportunities to our employees accommodating different learning styles and platforms, and acknowledging the important role line managers have to play, we launched a refreshed suite of learning for all line managers.</p> <p>We have also continued our drive to support the accessibility of careers in financial services, such as running our first Futures in Finance programme (see page 58) which sought to remove some of the social barriers to industry work experience. We also established a disability network to continue our focus on increasing our accessibility and inclusion for both joining and existing employees.</p>
 <p>Target 9.2 Promote inclusive and sustainable industrialisation and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries.</p>	<p>Our promise To encourage responsible practice among our suppliers and fund managers in the areas of environmental impact, societal impact and governance.</p> <p>To support our Partner practices in operating responsibly and aligning to national standards.</p> <p>Our progress In 2021 we continued to evolve ESG considerations in our due diligence and conversations with suppliers and within our fund management approach, with further initiatives being considered for 2022. We have specific requirements for all of our third-party fund managers in relation to ESG to which we have set 5-year interim targets, while we work towards our commitments to be net zero throughout our supply chain by 2035 and in our investments by 2050.</p> <p>Following the creation of our Responsible Business Framework (see page 33) we have also begun developing support and education for our Partner Practices.</p>
 <p>Target 10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.</p>	<p>Our promise To support the St. James's Place Charitable Foundation, through funding and volunteering, as its grants support charities that reduce social inequality and promote economic inclusion.</p> <p>To support employability programmes throughout our business.</p> <p>Our progress In 2021, the Charitable Foundation raised £8.0 million and supported 578 charities, supporting social mobility both in the UK and overseas. We also continued our strategic partnership with the Duke of Edinburgh (DofE) award (see page 50).</p> <p>To support workplace inclusion, we took part in the Aleto Foundation's mentoring scheme, and sponsored internships with the 10,000 Black Interns programme. We also delivered virtual work experience sessions, allowing us to reach a greater number and range of students through digital technology, increasing the accessibility of work experience and exposure to our industry (see page 57).</p>
 <p>Target 13.2 Integrate climate change measures into national policies, strategies and planning.</p>	<p>Our promise To control and reduce our environmental impact and promote sustainable business practices.</p> <p>Our progress In 2021 we joined the 'race to zero' and made key net zero commitments for our operations, supply chain, investments and across the Partnership (see page 45).</p> <p>We also delivered our first Task Force on Climate-Related Financial Disclosures report, produced a suite of educational content around the 2021 United Nations Climate Change Conference, and reached 50% electric vehicles in our fleet.</p>

Our Responsible Business

Sustainability Accounting Standards Board

We're pleased to begin to align our reporting to the Sustainability Accounting Standards Board (SASB) framework for our industry. The SASB framework offers a consistent method of reporting and although we are not yet ready to report fully against this, we are keen to begin adopting the framework for the benefit of all our stakeholders, sharing sustainability data in a consistent and transparent way.



Given our focus on wealth management we have responded to the reporting standards for Asset Management & Custody Activities but are also reviewing the standards for Insurance for potential in our 2022 reporting approach.

Topic	Accounting metric	2021	Code
Transparent Information & Fair Advice for Customers	(1) Number and (2) percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings	We publish complaints data half-yearly which can be found on our website . We do not currently publish further information.	FN-AC-270a.1
	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product related information to new and returning customers	We do not currently publish this.	FN-AC-270a.2
	Description of approach to informing customers about products and services	Before any advice is provided, our advisers must inform clients about the products and services we offer. This is a closely regulated area in the UK and we are fully compliant. We publish numerous supporting documents, available on our website .	FN-AC-270a.3
	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees	This data breakdown can be found on page 56.	FN-AC-330a.1
Incorporation of Environmental, Social, and Governance Factors in Investment Management & Advisory	Amount of assets under management, by asset class, that employ (1) integration of environmental, social, and governance (ESG) issues, (2) sustainability themed investing, and (3) screening	1. 100% 2. 3% (Sustainable and Responsible Equity Fund) 3. Our general approach is for engagement rather than divestment with companies to drive positive change. However, we are in the process of establishing a house policy across all funds on where the line gets drawn with certain companies that don't meet our standards.	FN-AC-410a.1
	Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment and/or wealth management processes and strategies	Responsible investing is a defining characteristic of our investment approach and is an important component in creating long-term value for our clients. Our approach to Responsible Investing can be found here .	FN-AC-410a.2
	Description of proxy voting and investee engagement policies and procedures	Details on proxy voting are publicly disclosed in our: <ul style="list-style-type: none">Stewardship and Engagement ReportShareholder Voting and Engagement Policy These and further statements can be found on our website .	FN-AC-410a.3

Topic	Accounting metric	2021	Code
Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations	We do not currently publish this.	FN-AC-510a.1
	Description of whistle-blower policies and procedures	We maintain robust whistleblowing policies and procedures, overseen by our Whistleblowers' Champion, which enable members of our internal community and those external to the Group to raise any concerns about wrongdoing connected to SJP. Our employees receive regular training in whistleblowing arrangements. The whistleblowing policy can be found on our website .	FN-AC-510a.2
Systemic Risk Management	Percentage of open-end fund assets under management by category of liquidity classification	We do not currently publish these metrics.	FN-AC-550a.1
	Description of approach to incorporation of liquidity risk management programs into portfolio strategy and redemption risk management		FN-AC-550a.2
	Total exposure to securities financing transactions		FN-AC-550a.3
	Net exposure to written credit derivatives		FN-AC-550a.4
Activity	(1) Total registered and (2) total unregistered assets under management (AUM)	(1) £0 (2) £154.0 billion The majority of AUM is retail unit trusts authorised by the FCA in the UK, with the balance primarily being insurance company assets.	FN-AC-000.A
	Total assets under custody and supervision	Our closing 2021 Funds under Management stood at £154.0 billion.	FN-AC-000.B

Memberships and partnerships

Strategic partnerships and collaboration are essential to driving meaningful change and contributing to greater progress. As well as aiming to report in a way consistent with our industry, we are also proud to be members and supporters of many organisations driving change, including those shown below.



Our Responsible Business



Financial wellbeing

Enabling financial wellbeing for our clients, our people and our communities.

We know financial wellbeing is a key component of a healthy and thriving society. When we talk about financial wellbeing, we mean the feeling of being financially confident and resilient. We are committed to supporting and improving the financial wellbeing of our clients, our people and our communities, helping them to cope with life's changing circumstances through financial education, guidance and sound advice.

Facing societal challenges

Knowing how to grow and protect your finances is complicated and the risk of getting it wrong is high, so getting advice from a trusted professional can help people make better choices for the future. This is at the heart of what we offer our clients: the confidence to create the future they want. Receiving professional financial advice between 2001 and 2006 resulted in a total boost to wealth (in pensions and financial assets) of £47,706 in 2014/16, according to the International Longevity Centre UK's 2019 report, What It's Worth. The research showed that "fostering an ongoing relationship with a financial adviser leads to better financial outcomes". Those who reported receiving advice at both time points in its analysis had nearly 50% higher average pension wealth than those who only received advice at the start.

There are significant non-financial benefits too, from peace of mind to greater access to information to make informed financial choices. A great example is supporting clients in vulnerable circumstances with the key drivers of health, life events, resilience, and capability. Over the last year we have continued to develop our client assistance and client awareness offering, with **new sections on our website** and via thought leadership with our 'vulnerability' podcast series. Ensuring our advisers and employees are suitably knowledgeable also remains a focus. We have partnered with Altus Consulting to develop market-leading e-learning.

As a leading UK financial advice business, we are also deeply aware of societal challenges such as the retirement savings gap and the long-term care crisis, and also some of the specific challenges facing our female clients, particularly given the extent of the female advice gap and gender inequality in pensions. With nearly 400,000 female clients, this is something we believe our advisers can help address. We have spoken to female clients and advisers, and as a result have evolved our proposition with relevant materials to use in conversations with female clients and the public. Acknowledging the diversity of our client base is important to us and we will continue to engage with clients and our advisers to make sure our propositions meet their needs.

In line with this, core topics on our corporate social media channels in 2021 included education and confidence, including the links between financial wellbeing and mental health, the universal nature of financial worries and the positive impact of budget planning. These topics received high engagement, showing us there is a real need and demand for this type of content on accessible platforms.

£57,500

We gave £57,500 in grants to charities to support financial education activity in 2021

Broadening our impact

Looking beyond our client base, greater financial literacy benefits society as a whole, so we're also committed to providing financial education to school children and young adults, and making financial advice more accessible to people from all walks of life.

We have been delivering a financial education programme for a number of years, with the aim of increasing financial literacy in children and young adults through workshops in schools. Despite continuing COVID-19 restrictions, in 2021, we reached a total of 12,881 young people: 5,207 young people through face to face and virtual workshops led by employee and adviser volunteers and 7,674 by providing resources and funding to schools and charities. Our live financial education workshops are delivered by advisers and employee volunteers across schools and other youth settings. Our workshop materials have been through an extensive accreditation process with Young Money, in association with the Money and Pensions Service, to maintain the FE Quality Mark. In addition, to give our people the skills and confidence to deliver these workshops, we have developed an in-house accreditation process.

As well as being a leading provider of face-to-face financial education workshops, we also extend our reach and impact by providing grants to charities including Young Enterprise, The Money Charity and National Numeracy, and we are a founding supporter of the Centre for Financial Capability. We are also exploring the connections between our financial education work and our Charitable Foundation-supported charities to provide financial education to their beneficiaries, to evolve our commitment to supporting young people to improve their financial wellbeing and help disadvantaged young people have a better start in life. Through our adviser-led programme we also continue this into adulthood and engage with businesses to provide workplace education sessions for adults, to inform, educate and boost employee wellbeing. We also support adult financial wellbeing through initiatives and relationships with organisations such as Help for Heroes and Forces MoneyPlan.

310

We supported the delivery of 310 financial education sessions to 12,881 young people in 2021

2020: 2,461 young people



1,000

We reached 1,000 Chartered financial planners within our community

868,000

We enable financial wellbeing for all our 868,000 clients

2020: 804,000

Our Responsible Business



Investing responsibly

Leading the conversation on investing responsibly.

Our investment beliefs underpin every decision we make. At their core is our commitment to delivering great client outcomes. This is the starting point for everything we do, and it defines our approach to investing responsibly.

With £154.0 billion of client investments, we are the largest financial advice business in the UK. Our size and scale enable us to lead on responsible investment and bring others with us on the journey. We believe that active ownership is not only a responsibility, but also a huge opportunity.

By being active owners, we can help our clients use their money as a force for good. Investing responsibly is about identifying opportunities that drive returns, mitigate risks, and have a positive impact on the world around us, without any of these outcomes compromising each other. That is why our seventh investment belief is:

◆ Responsible investment is key to achieving long-term, sustainable returns and to delivering financial wellbeing in a world worth living in.

£154.0bn

Client investments – we are the largest financial advice business in the UK

“We’ll continue finding ways to operate better as a business because we know if we get this right, our clients benefit, as well as the planet. This is how our investment beliefs help deliver financial wellbeing in a world worth living in.”

Robert Gardner, Director, Investment Management
SJP Capital Markets Day 2021

For us, this is not about only investing in businesses whose environmental, social and governance (ESG) standards are already market-leading. Even more so, it is about engaging with companies who are early on or have yet to begin their journey. We use our influence, which comes with our sizeable investments in these companies, to push for better ESG standards. This is mutually beneficial: for the company, improved standards can mean higher profits, happier people and a healthier planet. For us, it presents better investment returns and outcomes for our clients.

Embedding responsible investing across our investment proposition

Our seventh investment belief brings with it the requirement that our fund managers use ESG considerations holistically in their decision-making. They select stocks based on disciplined research and actively engage with investee companies on ESG matters to drive returns, mitigate risks, and positively impact society.

In 2021 we made substantial changes to our investment proposition, including to our Global Equity fund – a fund valued at approximately £14 billion when it transitioned. The new structure has three new fund managers, all of whom explicitly include ESG considerations as part of their investment mandate. The new fund structure still allows the managers to choose a diverse selection of companies, but we expect the carbon emissions of the fund to reduce to around half of its relative benchmark, the MSCI All Country World Index (MSCI ACWI). This change demonstrates our commitment to supporting the planet alongside our ongoing aim to drive long-term performance for our clients.

Our commitments

We embrace the responsibility that comes with our growing size, scale and influence.

In 2020, we joined the Net-Zero Asset Owner Alliance, a global group of investors committed to reducing emissions and limiting global warming to 1.5 degrees Celsius by 2050, in line with the Paris Agreement.

In 2021 we set ourselves a target to reduce the carbon emissions of our investment portfolios by 25% by 2025. Crucially, we aim to hit this target through engaging with companies and working with our fund managers, rather than through divestment. We are proud of the progress we have made with regards to reaching this target and are well on the way to hitting our 2025 goal. Details of our progress can be found within our Task Force on Climate-Related Financial Disclosures (TCFD) report, available [here](#).

We and all our fund managers are signatories to the UN’s Principles for Responsible Investment. We regularly review our Select, Monitor, Change process for assessing fund managers, ensuring their decision-making process remains robust and rigorous. And we are committed to continuously raising our standards, balancing being both ambitious and realistic in our expectations of ourselves and our external fund managers. Our Climate Framework for investments, set out in [Our Approach to Climate Change](#) on our website summarises our strategy and planned activity to achieve our respective emissions targets for 2025 and 2050.

Our seven investment beliefs



New fund structure

- ◆ Man Numeric (33%)
- ◆ LA Capital (33%)
- ◆ State Street Global Advisors (33%) (Cap weighted passive core)
- ◆ -50% Carbon intensity vs MSCI All Country World Index



Our Responsible Business

Increasing engagement

Engaging with companies is a vital way we can invest responsibly. We believe that all our fund managers should be engaging with companies on the ESG factors they consider to be financially material to their business. Given our size and scale, we also recognise that we can use our voice to influence our fund managers and the companies they invest in to drive tangible change.

In 2021, we substantially increased our direct engagement capabilities by partnering with engagement specialists Robeco, who engage with large companies on our behalf. This complements our existing channels of engagement and is additional to fund manager activities. Since our partnership began, Robeco has engaged with companies on themes including net-zero carbon emissions, biodiversity, the living wage in the garment industry, and culture and risk management in the banking sector.

The past year also saw us join the Climate Action 100+ group of investors. Alongside other members of this group, we manage a combined \$60+ trillion in assets and use our influence to engage across 167 companies, with the aim of reducing their emissions to net zero. We are also now members of the Institutional Investors Group on Climate Change (IIGCC), a European investor body that looks to drive progress towards net-zero through capital allocation decisions, stewardship and engagement with companies.



Bringing others with us on our journey

We support our advisers with their advice and responsible investment propositions by providing them with engaging content. This has included setting up the Responsible Investing Hub, an internal resource where advisers can access marketing materials and client education about different aspects of responsible investment.

On a regular basis we share case studies of our responsible investing activities. We demonstrate the opportunities and impact of responsible investment by communicating with our stakeholders through webinars, events, articles, podcasts and interviews. The sustained focus on responsible investing and increasing global attention has driven significant interest in the topic: by the end of COP26, our Responsible Investing Hub had received over 31,000 page views by advisers, and they had downloaded over 3,500 documents.

In order to ensure our responsible investing views remain aligned with those of our clients, we conducted client research about our responsible investing activities and reports. Similarly, we have given advisers a forum for feedback through virtual workshops. This feedback has informed our strategy, levels of disclosure and communication channels.

Transparency

Last year we published our first **Task Force on Climate-Related Financial Disclosures (TCFD) report**, which detailed our position against the risks and opportunities of climate change as at the end of 2020. The report provided a snapshot of our position and commitment to future progress, aligned with the Government's ambition to make the UK the world leader for green and sustainable finance. Our 2021 Report will be available **on our website** in April.

We have also evolved our policies and reporting capability, detailed in public documents that can be found on our website, including:

- Our Approach to Responsible Investment
- Our Approach to Climate Change
- Stewardship and Engagement Report
- Portfolio Carbon Emissions Report



Our focus for 2022

We will continue to educate our stakeholders about responsible investment and our approach to climate change. This will be an integral part of our wider investment communications approach. We'll extend our expertise to our advisers and employees through webcasts, news articles, reports and interviews, including a digital learning module. We can help others understand the importance of engagement, the material factors of ESG, the collection of credible data and how these factors fit into our investment proposition, and we will work hard to achieve this.

Our priority is to continue using our size and scale to advocate for transitioning to a net zero economy, understanding that the greater our visibility in this space, the greater our influence. We will use this influence to push for change across our industry and the economies we invest in. COP26 has done much externally to increase public understanding of the climate emergency. We believe this momentum can help us to further incorporate considerations of the 'just transition' of different economies, and further our dialogue with fund managers and Robeco's activity on our behalf. We will also continue our focus on mitigating climate risk and better understanding its impacts on different populations, geographies and environments.

Finally, we will work collaboratively with industry bodies, service providers and regulators to advocate changes that will help us meet our clients' needs and demands for investing responsibly.



Climate change

Taking action on climate change.

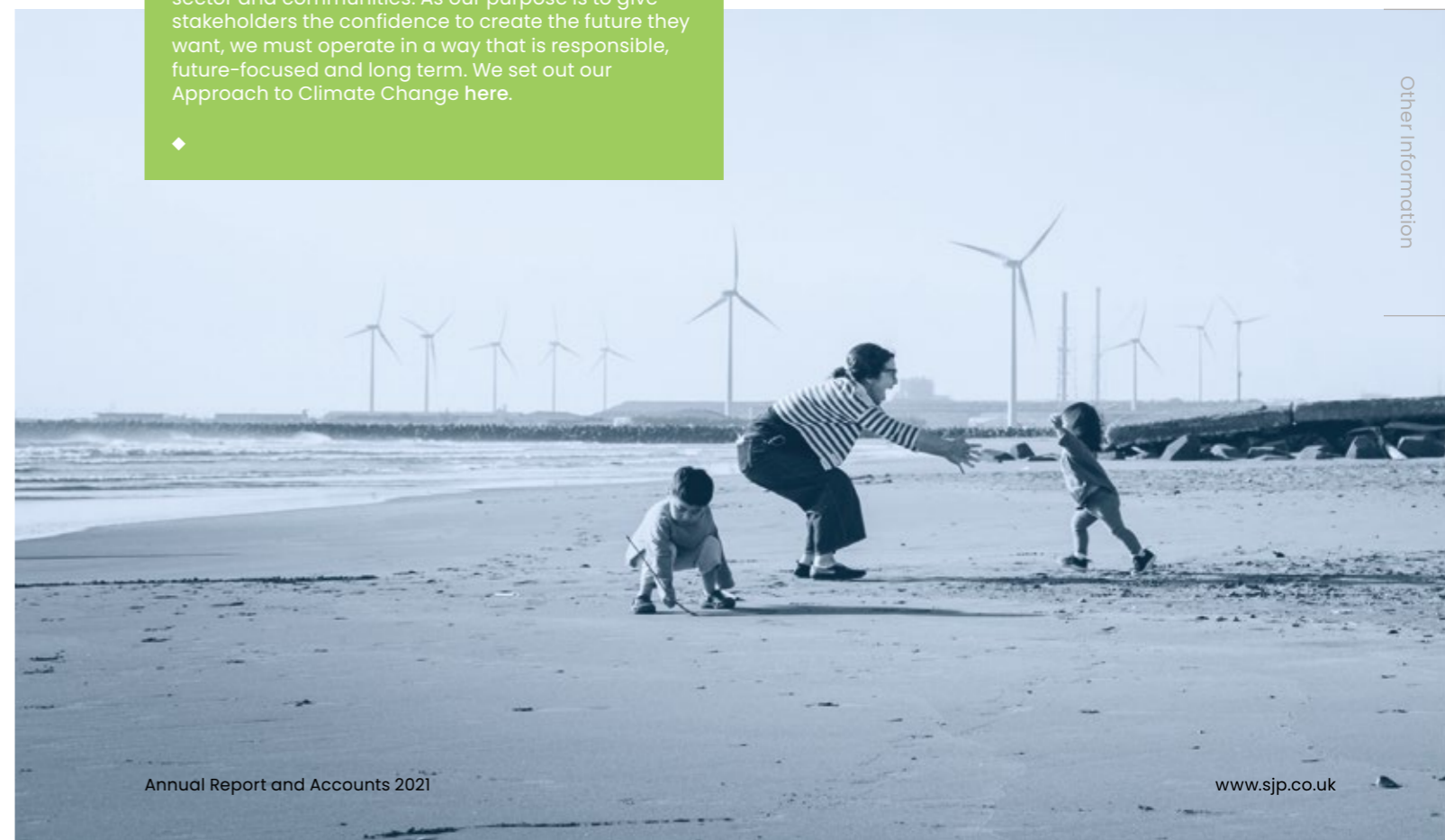
"Effective and robust climate governance is critical to executing our strategy, fulfilling our responsibilities to clients, and delivering value for all of our stakeholders."

Liz Kelly, Chief Corporate Affairs Officer

Climate change is one of the most significant global challenges we face today. It is a critical issue impacting all our stakeholders, and we recognise that financial services companies have a central role to play in the transition to a lower carbon economy. We are committed to being a positive and proactive force in that transition.

Our commitment to addressing climate change

Taking action on climate change is one of our four Responsible Business pillars, as we know it presents significant financial and non-financial risks to our sector and communities. As our purpose is to give stakeholders the confidence to create the future they want, we must operate in a way that is responsible, future-focused and long term. We set out our Approach to Climate Change here.



Our Responsible Business

We are advocates of transparency

We recognise that effective and transparent reporting promotes accountability. We therefore welcome and endorse the recommendations of the Financial Stability Board and advocate the increased regulatory focus on disclosing climate-related risks and opportunities from the Bank of England and the Financial Conduct Authority. These disclosures demonstrate how we assess the impacts of climate change on our business and can promote a more informed understanding of climate-related risks and opportunities in our whole community.

We are reporting against the Task Force on Climate-related Disclosures (TCFD) framework for the second time this year, building on our prior year reporting. Given its size and scale, our comprehensive 2021 report including all 11 disclosures can be found separately **on our website**. To aid readers of the accounts we provide a summary of the key disclosures from the report below, together with an overview of our approach to addressing climate change.

Theme	Description	Page in the 2021 TCFD report	TCFD recommended disclosure	Our disclosure in our TCFD report
Governance	Disclose the organisation's governance around climate-related risks and opportunities	8 - 13	a) Describe the Board's oversight of climate-related risks and opportunities b) Describe management's role in assessing and managing climate-related risks and opportunities	We have provided an overview of how we govern climate-related risks and opportunities, our accountable leaders, and our performance against new and former commitments
Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	14 - 23	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a +2°C or lower scenario	We have provided a summary of where we are today, our memberships, our carbon audit and levers to achieve net zero, and our scenario analysis
Risk management	Disclose how the organisation identifies, assesses, and manages climate-related risks	24 - 35	a) Describe the organisation's processes for identifying and assessing climate-related risks b) Describe the organisation's processes for managing climate-related risks c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	We have provided our climate-related risks and opportunities, over what time frame they manifest and their significance to our business, and an overview of our risk management
Metrics and targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	36 - 42	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	We have provided our operational metrics, our progress against targets and the impact of our investment proposition in regards to our exposure to carbon intensive companies

Our governance

Accountability for managing climate-related risks and opportunities is led by the Board, which decides the strategic direction of our environmental strategy. The Executive Board then facilitates the execution of the activities, and these are supported by the Environment Working Group, the Risk Committee, the Investment Executive Committee and our Sustainable Investment Regulation Programmes. The main committee overseeing activities is our Environment Working Group, with ultimate responsibility resting with our Chief Executive, Andrew Croft. The Environmental Working Group meets regularly to co-ordinate Group carbon reduction plans, review environmental performance and agree mandatory and voluntary environmental reporting and disclosure.

Our strategy

This year we began to develop our climate change strategy, which is a collective and credible approach across the Group covering all areas of our business, including our operations, supply chain the Partnership. Our approach will focus on four key areas set out in the diagram below.

With the ambition to be a leading responsible business in the UK, we want to lead the transition to a lower-carbon economy. We have therefore set net zero commitments across our business. We aim to be:

- Climate positive in our operations by 2025
- Net zero in our supply chain by 2035
- Net zero in our Partnership by 2035
- Net zero in our investments by 2050

During 2021 we continued to make progress on our environmental approach. We have:

- maintained 100% purchasing of electricity from renewable sources;
- maintained our operational carbon neutrality through offsetting;
- retained our Carbon Disclosure Project 'Grade B Management' score for the fifth year running;
- encouraged 83,686 clients to go paperless. In total, we now have 185,491 clients paperless;
- ensured over 50% of our company cars are now electric;
- continued to capture the benefits of decreased business travel and use of accommodation through reviewing our policies on travel and face to face meetings, and empowering employees to make the low carbon choice the norm; and
- become members of two external initiatives to drive change, including Race to Zero and Business Ambition for 1.5°C.



Our climate change strategy

It starts with awareness

Understanding climate change is imperative for action. We want to educate our clients, our people and our community on climate change.



Educate
our community on climate change



Embed
climate into our decisions



Reduce
our footprint and become net zero



Conserve
our resources

Make it instinctive

If addressing climate change is integrated into our people, processes and practices, it will become a necessity to operating.

Our net zero commitments

Net zero is scientifically proven to address climate change. We know we can accelerate through setting leading commitments across the Group.

Use less and recycle more

Our goal is to move away from a linear economy to a circular one. We want to use less resource, reduce waste and recycle more.

Our Responsible Business

Our risk management

We choose to assess and manage both direct and indirect climate-related risks and opportunities, so that we fully understand how climate change impacts our business, strategy, and financial planning. Full details of our risk management approach are available in the Risk and Risk Management section of this report, on pages 86 to 95.

Our metrics and targets

We collect and report our environmental data from October to September. The tables below summarise our targets and progress, expressed in terms of both absolute and normalised carbon dioxide equivalent (CO₂e) emissions for our core business activities in recent years. Core business activities are defined as those within 'operational control'. Our emissions are calculated in line with the Greenhouse Gas Protocol using the 2020 emission factors provided by the Department for Environment, Food and Rural affairs (DEFRA). The emissions were calculated by our external sustainability partner, BeZero.

1. Targets

We are committed to doing our part to cap global warming to 1.5 Celsius by 2050 and are aiming to set science-based targets in each area of our business. On the journey to limiting global warming to 1.5 degrees by 2050 we have set the following interim targets for 2025:

Absolute emissions targets

ID	Scope	Description	% of emissions in scope	% decrease from base year	Base year	Base year emissions	Target year
Abs1	1	Gas and owned vehicles	100%	50%	2018	835	2025
Abs2	2 (Market-based)	Electricity	100%	100%	2018	167	2025
Abs3	3	Business travel, waste, and well to tank (WTT)	100%	50%	2018	10,830	2025

2. Progress

Absolute emissions progress

ID	Scope	Actual emissions in year (tonnes CO ₂ e)	% of target achieved	Comment
Abs1	1	934	-24%	Since 2019, we have opened three new larger offices, Lombard Street, Knightsbridge and Aztec West. These were in frequent use over 2021 which has consequently increased our gas consumption. We will continue to monitor and introduce efficiencies into these offices as occupation stabilises.
Abs2	2 (Market-based)	102	39%	In 2021, we continued to purchase 100% renewable electricity for our UK operations, reflecting best practice and driving demand in the renewable energy market.
Abs3	3	625	186%	Restrictions on travel over 2021, as a result of the COVID-19 pandemic, has contributed to the reduction of business travel emissions. Throughout this period the adoption of teleconferencing enabled the continuation of business activities and events.

3. Gross emissions

As a large, quoted company incorporated in the UK, we are required to report our global and UK energy use and carbon emissions in accordance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The data presented below represent emissions and energy use for which St. James's Place plc is responsible. To calculate our emissions, we have used the requirements of the Greenhouse Gas Protocol Corporate Standard along with the UK Government GHG Conversion Factors for Company Reporting 2020. The results below represent 100% of our activity using the Operational Control approach. Any estimates included in our totals are derived from actual data which have been extrapolated to cover the full reporting period.

Scope	Description	Unit	2018		2019		2020		2021		
			UK	Global (excl. UK)	UK	Global (excl. UK)	UK	Global (excl. UK)	UK	Global (excl. UK)	
1	Emissions from gas, refrigerants and owned vehicles	tCO ₂ e	835	-	725	-	544	-	934	-	
2	Location-based	Electricity emissions using geographical location	tCO ₂ e	1,836	168	1,861	141	1,533	108	1,629	102
	Market-based	Electricity emissions using purchased electricity factor	tCO ₂ e	-	168	-	141	-	108	-	102
3	Business travel in private cars	tCO ₂ e	1,208	-	1,459	-	695	-	158	-	
1, 2 & 3	Location-based	Total emissions	tCO ₂ e	3,879	168	4,045	141	2,772	108	2,721	102
	Market-based	Total emissions	tCO ₂ e	2,043	168	2,184	141	1,239	108	1,092	102
	Direct and indirect energy consumption	kWh	15,471,870	263,607	17,684,002	245,956	12,486,750	177,951	12,633,648	164,045	
1, 2 & 3	Location-based	Normalised emissions to kWh	tCO ₂ e/kWh	0.0003	0.0006	0.0002	0.0006	0.0002	0.0006	0.0002	0.0006
	Market-based	Normalised emissions to kWh	tCO ₂ e/kWh	0.0001	0.0006	0.0001	0.0006	0.0001	0.0006	0.0001	0.0006
3	Other business travel, waste, hotel stays, WTT and T&D	tCO ₂ e		9,171		5,495		2,222		467	
3	Property Trust	tCO ₂ e		11,469		9,561		8,584		8,586	
Total (market-based)			tCO ₂ e	22,851		17,380		12,154		10,246	

We account for 100% of our operational activity accounting the Operational Control Approach. There are no exclusions.

Normalised emissions

Scope	Normalised emissions in prior year (tonnes CO ₂ e per '000 sq ft)	Normalised emissions in year (tonnes CO ₂ e per '000 sq ft)	Comment
1	1.08	1.74	Emission intensities have overall decreased as a result of the COVID-19 pandemic. Country and global restrictions on travel has resulted in significantly reduced business miles. Throughout this period the adoption of teleconferencing enabled the continuation of business activities.
2 (Market-based)	0.22	0.19	
3	4.28	1.17	



Community impact

Transformative community impact, giving back to support local communities and regeneration.

From the day we were founded, giving back has been a core part of our DNA and we've always looked to find ways to make a difference to the communities in which we live and work. In 2021 we made Community Impact a strategic pillar of our Responsible Business Framework to reflect its importance to us and to strengthen our commitment to support local communities and regeneration.

Our community impact strategy

Community initiatives such as employability, financial education, team challenges, volunteering and fundraising for our Charitable Foundation are central to our approach. All our community-related activities are focused on supporting social mobility and social inclusion in the UK, through both a skills-based and place-based approach. We believe economic independence is an enabler of choice. To us, economic independence gives people the confidence, knowledge and opportunity to make better decisions that positively affect their future. We include social inclusion in our model because we believe that people cannot make informed decisions if they are experiencing exclusion.

In recognition of the work we are doing, this year we were recognised in the Social Mobility Employer Index for our commitment to ensuring we are open to accessing and progressing talent from all backgrounds. We were ranked 66 in their top 75 employers.

A place-based approach

We take a holistic, place-based approach to local funding and volunteering around our head office location. This involves actively encouraging our charity partners to work together with the local authority and other major stakeholders to understand and tackle the most critical issues facing people in the local community. An example of this in action is our work with Citizens Advice Stroud & Cotswold Districts (CASCD), a locally-focused charity which forms part of the national network of local Citizens Advice services.

94%

Percentage of Group employees involved in supporting our communities and good causes

2020: 90%



£6.2m

Total invested in communities

2020: £7.1 million

12,395

The total number of hours our employees gave during working hours in support of community engagement activities

2020: 4,406 hours

£599,356

The value of the time our employees gave during working hours

2020: £147,871

"We are incredibly grateful to SJP for their continued and enhanced support in 2021."

Elizabeth Hall, CEO,
Citizens Advice Stroud & Cotswold Districts Ltd

Citizens Advice Stroud & Cotswold Districts

Since 2016 our unrestricted funding has been used by CASCD to enhance their dedicated debt caseworker team and deliver specialist advice as part of their Cotswold Money Advice work. They work with complex cases and have played a significant part in supporting hundreds of people with money related issues over the last year, including 293 people with debt issues and 176 households with financial services and capability issues.

As the COVID-19 pandemic continued into 2021, we adapted our funding to facilitate a Social Welfare Law Administrator and designated Poverty Supervisor to reach those more vulnerable families in the restrictions, especially with food poverty, and incorporating fuel poverty from 2022.

CASCD also works closely with the Churn Project to support the most vulnerable and marginalised people around Cirencester, offering advice, advocacy and tailored support for financial, mental and physical wellbeing, with individuals on average increasing their wellbeing scores by five points on the Warwickshire Edinburgh Mental Wellbeing (WEMWB) scale.

Alongside funding, our volunteers have used their time and skills to support these charities in a variety of ways such as designing CASCD's annual report and being part of the local foodbank's signposting team. We are proud of our approach to working with our local communities and the relationships we have built.

"We are incredibly grateful to SJP for their continued and enhanced support in 2021. The funding has enabled us to provide money related advice to hundreds of local households, resulting in over £100,000 worth of debts and loans being written off, rescheduled or reimbursed. Our money related advice and foodbank advice have helped huge numbers of vulnerable families and individuals resolve the problems that led them to crisis point."

Elizabeth Hall, CEO, Citizens Advice Stroud & Cotswold Districts Ltd

Our Responsible Business

2%

Community investment

Percentage of profit before tax attributable to shareholders' returns invested in supporting our communities and good causes

2020: 2%

The Duke of Edinburgh (DofE) scheme

As part of a five-year strategic partnership with DofE which began in 2018, we look to support social mobility in the UK. Funding of £400,000 a year is directed to support the DofE's strategic aims of working with disadvantaged young people - over 70,000 to date. Both our organisations are dedicated to helping people define their own futures, and through the DofE raise aspirations, confidence and personal goals. This strategic partnership had a number of successes in 2021, notably:

- Helping the DofE establish a new strategy and impact function, enabling them to develop their first theory of change setting out DofE's intended impacts, and to develop a robust impact measurement toolkit;
- Offering the Gold DofE Award to all of our apprentices, a cohort of 17 joined us in 2021 on full time contracts; and
- Promoting careers insight and work opportunities to DofE participants. In 2021 we continued to host virtual work experience events, reaching 4,600 young people of which 43% were from lower socio-economic backgrounds, and supporting access to the industry. Feedback from participating students indicated that they were not aware there were so many opportunities available within the financial sector and that you didn't need to be 'an 'A* student in Maths' to find your place.

Volunteering as a tool to reconnect

As the COVID-19 pandemic has continued to affect everyday life, we have seen a strong continuation of employee engagement to sustain volunteering, and an increased drive to assist in the spirit of our core cultural value of giving back.

As restrictions began to lift, we wanted to use volunteering as a tool to build community and hosted our largest ever volunteering challenge involving over 200 SJP employees over a five-day period, where, with the help of the volunteering group SPLASH Community Projects, we transformed an outdoor play area for one of our local charity partners, Cirencester Opportunity Group (COG). COG provides integrated education for preschool children and support for their families in responding to the ever-changing needs of the community, which we are keen advocates for. In addition to having a long-term impact by transforming the outdoor play area for children to enjoy for years to come, this was a great opportunity for our colleagues to reconnect and indeed for some to meet in person for the first time. In this spirit, a number of other team challenges happened around the UK and we continued our relationship with Wellchild using our volunteers to help create safe, accessible and sensory garden spaces for children and young people with complex health needs.

As a business we encourage all employees to volunteer for at least two days a year in work time, in addition to participating in a team challenge. This year, 23% of employees volunteered for one day or more. We also encourage and recognise employees who volunteer in their own time, with 42 £300 grants given to the charities they supported. Our people supported a wide variety of causes during work time, including:

- environmental team challenges such as beach cleans, litter picks and tree planting;
- mentoring young people aiming to inspire and unlock their true potential: 52 young people supported via Envision, Career Ready and Aleto Foundation; and
- employability skills workshops helping to engage and prepare people for the world of work: supporting 88 people via targeted workshops with Street League, Pursuing Independent Paths (PiP), Yes Futures, and 3,071 young people reached via activities with schools and colleges.

We know that volunteering has a much broader impact than directly supporting beneficiaries. In our annual impact survey of the 563 employee volunteers who responded 96% report that volunteering improved at least one aspect of wellbeing, 95% developed a new skill that helped either their personal or professional development and 83% said it increased their pride in St. James's Place.

746

The total number of employees who volunteered in work time

2020: 400

Support through the St. James's Place Charitable Foundation

A grant-making charity supported by the community of St. James's Place.

The St. James's Place Charitable Foundation (the 'Charitable Foundation') is an independent registered charity established by the founders of St. James's Place in 1992 to enable our community to give back to those less fortunate in the communities in which the SJP community work and live. The Charitable Foundation has grown alongside the St. James's Place Group and is now the third largest corporate foundation¹ in the UK. It provides support to small and medium-sized charities across the UK and overseas through a range of grant programmes and has supported in excess of 4,000 charities since it began. The Charitable Foundation focuses its grant-making in four key areas:

- Children and young people who are disadvantaged or have a disability;
- Hospices;
- Cancer support; and
- Mental health.

The community of St. James's Place is generous in its support of the Charitable Foundation, through a variety of fundraising activities undertaken across the year. A key activity is monthly giving, and 85% of UK employees and Partners give monthly gifts, which in 2021 together represented 43% of the annual income raised. All monies raised for the Charitable Foundation are then matched by the St. James's Place Group. In 2021, despite the challenges in undertaking our usual fundraising activities due to the continued restrictions and impacts of the pandemic, £8.0 million was raised and £6.2 million given out. The Charitable Foundation provides a key cultural connection for all of us across the Group.



£110.1m

Total amount raised for good causes since inception in 1992

2020: £102.1 million

£6.2m

Amount given out to charities in 2021

2020: £10.5 million

578

Number of individual charities supported in 2021

2020: 807

Better Society Awards 2021

Partnership with an international charity

¹ Association of Charitable Foundations, Giving Trends report 2021.



Our Responsible Business

85%

Percentage of UK Partners and employees who donate through a monthly covenant

2020: 86%

Focusing on strong outcomes through grant-making and sustainability

In 2021 the Charitable Foundation continued to focus on small to medium-sized charities, enabling them to deliver essential services at a grassroots level, many of which saw increased demand due to the ongoing impact of the COVID-19 pandemic. Continuing to evaluate transformational impact on the charities supported, they have also continued to add value to grantees, providing a range of holistic support through a series of 'support webinars' for charity personnel to give help and advice as they navigated the ongoing challenges of the pandemic and through skills sharing and volunteering. The 2021 Impact Survey highlighted strong impact from the grant-making, with two-thirds of beneficiaries supported by the charities funded experiencing substantive or transformational change.

"Like many teams we've struggled with the connectivity of management over the pandemic, which combined with the breakneck speed that we have been growing and adapting, has meant many of the senior team are exhausted. The coaching provided by SJP through its Charitable Foundation brought our usual camaraderie back; we made some joint decisions and were able to build a manageable future road map. I can't thank the SJP Charitable Foundation enough for all your support and understanding of our work."

Rob Owen OBE, Chief Executive, St. Giles' Trust

"We believe that working in partnership with our supported charities creates more impactful change. Utilising the skills and experience of the St. James's Place community, we know we add value to our grant-making. In doing this we believe we can help charities become more robust, confident and empowered to reach those most in need."

Catherine Ind, Head of The Charitable Foundation

£8.0m

Amount raised in 2021

2020: £9.0 million

66%

Beneficiaries report a substantive or transformational impact on their life

2020: 70%

"We believe that working in partnership with our supported charities creates more impactful change"

Catherine Ind, Head of The Charitable Foundation

Thank you

The Charitable Foundation is grateful for the continued and generous support of the St. James's Place community both in the UK and Asia, and the St. James's Place Group, who year on year provide outstanding support in donations, fundraising and volunteering time. The ongoing enthusiasm, creativity and willingness to give back is inspiring and is an agent for positive change in our communities both in the UK and overseas.

Through our grant-making and wider support mechanisms, we will continue to:

- be responsive and supportive to our grantees during and post the pandemic;
- build on our partnership funding model with key supported charities;
- connect skills, knowledge and expertise to enable transformational change; and
- inspire the St. James's Place community to continue their generous support to the Charitable Foundation, so that together we can and will make a positive and lasting difference to people's lives.

Strategic enablers

Our people

The following section reports against our material people themes. We are in the early stages of reporting against our new Responsible Business Framework, so some of the sections that follow have more detail than others at this stage.

- ◆ **Here we cover our approach to:**
 - Responsible relationships
 - Inclusion and diversity
 - Policy influence
 - Client satisfaction and retention
- ◆



Responsible relationships

Being a leading responsible business means making sure we take care of our relationships with our people. As well as being a responsible employer for our employees, this also refers to the relationships we have with our Partnership and their employees also. This section details the support we have given our people in 2021.

Leadership and people development

Providing our team and community members with world-class learning experiences has continued to differentiate us throughout 2021. The extensive disruption caused by the COVID-19 pandemic has further highlighted the need for a modern, flexible and digital approach to learning. We've created an innovative, evidence-based training environment that delivers content through virtual, digital, and classroom channels.

Through this, we launched our Invest in You programme to provide high-impact, short, virtual sessions that target the skills necessary for our team and community members to supercharge their professional growth. We also launched a new leadership programme to support the continued growth of high-performance teams.

This year, we also began delivering immersive learning through Virtual Reality (VR) and Augmented Reality (AR) technology. Our industry-first VR financial adviser training (Oculus Quest 2) allows learners to roleplay meetings, fact-finding and rapport-building from the perspective of both client and adviser, and increase their professional confidence without the need for live trainers. We are committed to leveraging technology to enhance learner engagement while simplifying access.

To continue to place the learner at the centre, we also introduced a new course evaluation method, using research and benchmarking to predict how successful potential content will be. Once delivered, real-world data is used to assess the true impact of the training. We are building a development mindset of continuous improvement to allow constant optimisation of our content.

Note: The Charitable Foundation is not controlled by the St. James's Place Group, so the financial performance and position of the Charitable Foundation are not consolidated in the Group Financial Statements presented on pages 178 to 242.

Our Responsible Business

Delivering an industry-leading qualification through our Academy programmes

In 2021, our Academy programmes have continued to push the boundaries of a professional qualification programme through our extensive programme redesign. Their industry-leading training programme now incorporates flexible access to tailored learning solutions delivered using cutting-edge technology. Our digital-first approach has been designed to engage and challenge while providing extensive support from real-world industry leaders and mentors along the way.

Employee wellbeing

Employee wellbeing remains a key focus for ensuring responsible and successful relationships. Across 2021 we provided a range of initiatives to support and promote wellbeing and a healthy work-life balance, including nutrition support in collaboration with nutritional therapist Jen McDiarmid, and support with physical wellbeing through a partnership with Buddyboost, encouraging our communities to undertake a daily exercise challenge, sponsored by Sammy Kinghorn, World Champion wheelchair racer and Paralympic medallist.

We've also continued our focus on mental wellbeing, especially as the COVID-19 crisis progressed, providing additional counselling and wellbeing seminars as well as a new memorial garden for employees to take time out to reflect. We supported Mental Health Awareness Week once again, along with International Men's Day which focused on the benefits of opening up and being honest about how we're feeling. Throughout these events we were also able to signpost our employee assistance programmes, counselling and GP support.

Building on this, in April 2021, we launched the Compassionate Employers Programme through Hospice UK. The initiative is a comprehensive workplace programme, which aims to assist organisations to best support their communities who may be facing life-limiting or terminal illness, caring responsibilities or bereavement. By signing up to the Programme, we are committing to a goal of creating and improving a compassionate environment for all our communities. The Programme is well-aligned with our philosophy of treating people well and supporting each other, especially during challenging times.

81%

Percentage of employees who would recommend St. James's Place as "a great place to work"

2020: 85%

Employee engagement

Understanding the true sentiment of our people is crucial for us to build a thriving and inclusive business. In September 2021 we ran a short pulse survey focusing on culture, values and employee engagement. The focus was driven by recent work undertaken on culture and business priorities and we used the opportunity to check in on employee engagement given a challenging 12 months in and out of the workplace. The results were compared to last year's biennial all-company employee survey with the following results:

- I feel proud of the work this company does to help others through the SJP Charitable Foundation: 93% (97% in 2020)
- I feel proud to work for this company: 85% (89% in 2020)
- I would recommend this company as a great place to work: 81% (85% in 2020)
- I intend to still be working for this company in 12 months' time: 81% (88% in 2020)
- My work gives me a sense of personal achievement: 81% (80% in 2020)

In recent years we have taken some difficult decisions that will have impacted our people, including freezing annual bonuses and pay rises at the height of the pandemic, and in early 2021 implementing a restructuring exercise to ensure we are deploying our resources in the best way possible for the future. This will have affected our engagement results during the year. Whilst a drop in these scores was anticipated, we continue to monitor our results closely and seek feedback from our Workforce Engagement Representatives and other listening posts to better understand employee sentiment. The engagement questions will continue to be pulsed as part of the quarterly pulse surveys.

Effective communication with our employees continues to be a primary focus. We make sure our people are aware of the financial and economic factors affecting the Group through communications to all employees announcing quarterly results, biannual management meetings providing an overview of business performance, and our Annual Company Meeting. We communicate in a variety of ways including written communications, videos, newsletters and internal social media platforms such as Yammer and Rungway, as well as cascading key messages through senior leadership teams and people managers.

Reward and benefits

Our reward and benefits are a key part of our employee value proposition, supporting the attraction and retention of talent, with a focus on performance while serving the needs of a diversified workforce. We provide market-competitive rewards and benefits that are regularly benchmarked and monitored, including for gender pay equality. We have maintained our Living Wage employer status for all our employees in the UK and in equivalent initiatives overseas.

Our focus in 2021 has been on building a performance culture and fully integrating the behaviours aligned to our culture and values into our performance management process, ensuring business goals are achieved in line with our values and risk appetite. This process also continues to link in with our annual bonus and share allocations.

We also introduced:

- a new employee impact recognition scheme aligned with the SJP culture and values, comprising of both financial and non-financial recognition; and
- a new online 'Total Reward Statement' for employees to access information regarding all their reward and benefits in once place and see the value of their total package

We believe it is important that our employees build a sense of ownership and share in the success of the business. We encourage employee equity participation through our SAYE and SIP share schemes, which are highly popular and see higher participation than market average.

Inclusion and diversity

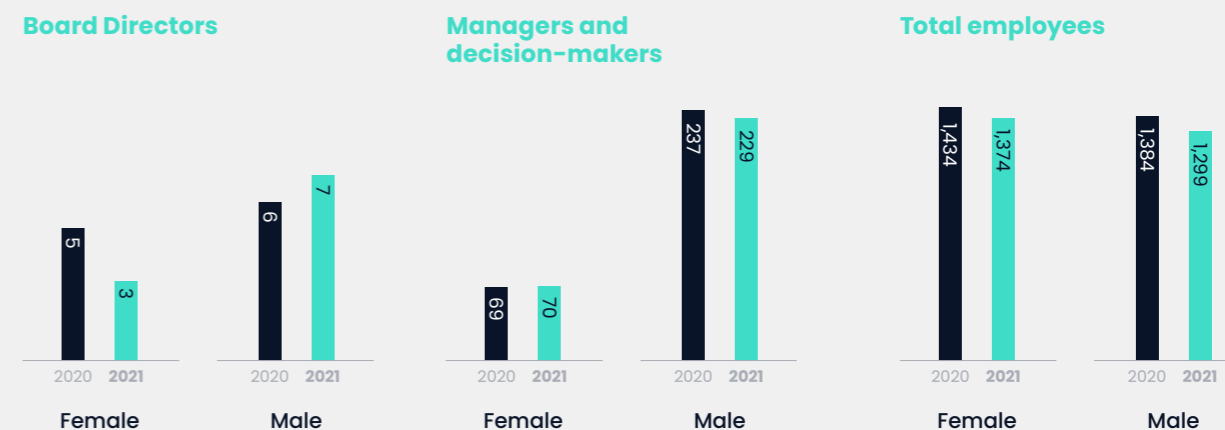
An inclusive culture and diverse business are key to becoming a leading responsible business, which is why being the best version of ourselves and embracing diversity are two of our core cultural values. In 2021 we built on the ways that people can both demonstrate and be recognised for these values.

Public commitments

We continue to make progress against the public commitments which we agreed in 2018, although along with our financial sector colleagues, this is slower than we would like. Female representation on the St. James's Place board is 30% and in senior roles is 24.4%. Our minority ethnic representation is 6% (based on voluntary completion of our Diversity Data survey discussed overleaf).



As at 31 December 2021 we employed 2,673 people across the world, including 2,419 in the UK (31 December 2020: 2,818 people across the world, including 2,585 in the UK) and the breakdown of our workforce by gender was:



Our Responsible Business

Understanding the SJP community – our diversity data campaign

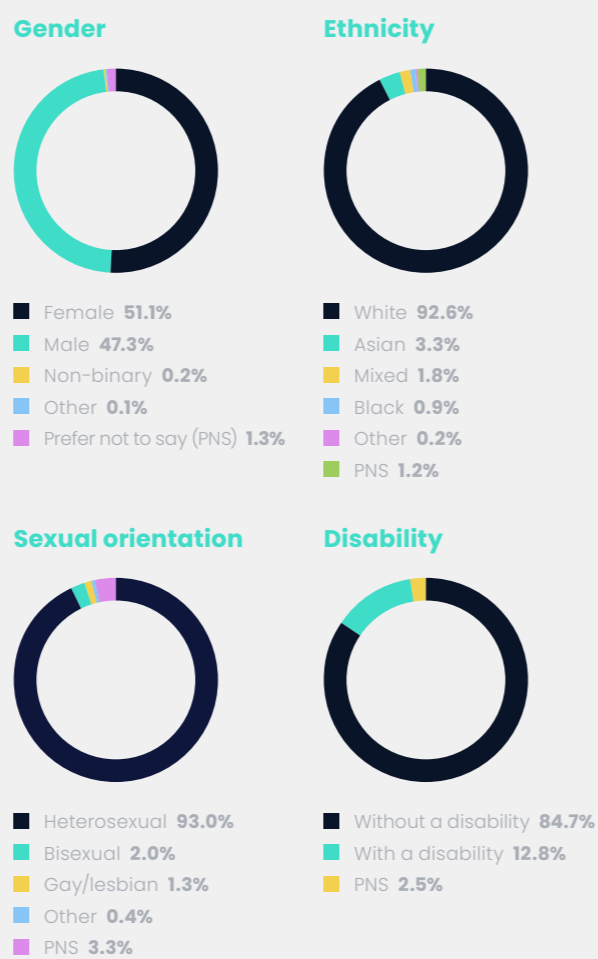
In 2021 we developed our approach to collecting diversity data, re-engaging with employees to provide data and this time incorporating questions on socio-economic background, while also utilising a new system which connected the data to anonymised employee profiles to enable us to better measure long-term trends. We are pleased that 72.3% of our UK employees shared their diversity data and all UK employees can now add or update their data at any time. This data helps us gain a better picture of diversity at SJP and the journeys that individuals take throughout their time with us. Understanding this picture helps us to better focus our support and development for all employees.

Attracting diverse talent

We continue to focus on how to attract diverse talent to the financial services industry and to our business. The measures we put in place in 2021 such as diverse interview panels on all selection processes and a trial of blind CVs revealed that there is still much to do to strengthen the external pipeline of talent and attract a greater range of people to work in our sector. Despite these challenges we are working hard to raise awareness to these opportunities and to develop our internal talent pipeline. One area where we have had greater success is our Early Careers approach. The team have been successful in engaging with organisations and charities to help encourage diverse young talent into our business – some into short term work experience/internship opportunities, others into full time roles through apprenticeship and graduate schemes. We give full and fair consideration to all applicants, having regard to an individual's aptitudes and abilities. When needed, we will consider modifications to the working environment so employees with disabilities can take up opportunities or enhance their role, and we aim to assist employees who become ill or disabled, for example, by arranging appropriate support and training.

When in the business, supporting employees to establish mentoring relationships continues to be a focus. For example, from a gender perspective, for the fourth year running we've continued our relationship with the 30% Club, offering 30 mentors and matching 30 female mentees with mentors from a cross section of industries and sectors. We also commenced an in-house mentoring programme for talented women in the pipeline for senior roles, and these 50+ women are being mentored by senior leaders as well as having access to masterclasses and psychometric profiling. Mentoring remains a development focus for all employees.

Here we break down the data collection results with overall population percentages, followed by a more in-depth breakdown for race and ethnicity as gender is covered on the previous page.



Race and Ethnicity

	% responding population	White	Asian, Black, Mixed, Other	Prefer not to say
Exec Management ¹	13.5%	93.6%	4.8%	1.6%
Non-exec Management	16.5%	91.9%	6.3%	1.8%
Professional and all other employees	60.7%	92.4%	6.5%	1.1%

¹ We have defined Exec Management as a combination of Board Directors and Managers and Decision Makers as in the Gender table on the previous page. Managers and decisions makers align to the definition of 'senior roles' used for our Women in Finance Charter commitment.

Tracking progress

Our approach to inclusion and diversity is centred around three themes; attracting, retaining and developing diverse talent. Delivery of the strategy is overseen by the I&D Steering Group, chaired by CEO Andrew Croft, with support from the Nomination and Governance Committee and our Board. During 2021, all Executive Board members took an active role in I&D, each sponsoring a different aspect of diversity and signing up to individual plans and targets.

I&D engagement

We have a thriving community of networks and resource groups which include members from the Partnership as well as employees. Members offer support and training delivery, and provide input and feedback on policy change. Given the intersection between all areas of diversity, the groups regularly collaborate on events and initiatives to raise awareness. Our groups span the following areas:

- **LGBT+** including the SJPrude network
- **Race and ethnicity**, including the Embrace network
- **Gender**, including Unity, the professional women's network, with over 10 chapters internationally
- **Disability and neurodiversity**, a group with a growing membership
- **Parents**, established during the pandemic for increased connection and support
- As well as smaller groups sharing interests in **age, the menopause, wellbeing, religion and faith** and **socio-economic background**.

We continued to support various I&D related themes throughout 2021, including Mental Health Awareness Week, International Women's Day, International Men's Day and the anniversary of Blackout Tuesday. All of our initiatives are intended not only to raise awareness around a particular subject but to provide the opportunity for open discussion and learning forums in a safe environment. Training also continued to be delivered across the organisation, tailored to the needs of the audience, and will be enhanced in 2022 with the introduction of virtual reality learning experiences and toolkits based on key I&D principles.

Our strong desire to continue to learn and grow is underpinned by our partnerships with external organisations who offer guidance, best practice sharing, research and resources. These include: The Diversity Project, LGBT Great, The Valuable 500, The Aleto Foundation and Disability Confident.

Policy development

Throughout 2021 we have continued to share stories from those who are utilising our Time Off for Parents policy which was launched in 2020 to help equalise paid parental leave. Our flexible/hybrid working policy is also now embedded across the business and offers much needed flexibility as we continue to navigate a changing environment through COVID-19. Other progress made during 2021 included the sharing of helpful videos and an informative guide on the menopause, providing advice and support to employees and guidance for line managers; this is being supplemented with training in early 2022, and we are also incorporating policy on miscarriage to support all our employees through this difficult time in their lives.

Recognition and awards

Whilst we know we still have much to do, it is nonetheless encouraging to receive recognition of the progress we are making. In 2021 we achieved a silver accreditation from Inclusive Employers (improving on last year's bronze standard) and were ranked 66th in the top 75 employers for social mobility by the Social Mobility Employers Index.

We were also pleased to celebrate the success of some of our people in 2021:

- Derek Mills, Senior Partner, was a finalist for Diversity Champion of The Year at The Money Marketing awards.
- Our Responsible Business Divisional Director, Vicki Foster, was shortlisted for the European Diversity Awards
- Several of our Executive Board/Senior Managers, including Andrew Croft, have been recognised as being 2021 Global Top 100 Executive Allies – elected by LGBT Great
- In addition we were also shortlisted for awards by PIMFA; The Best Approach to wellbeing; Inclusive Talent Management and Emma Palethorpe as D&I Champion

Our Responsible Business

‘Futures in Finance’ early careers recruitment initiative

We know that inclusive and diverse teams provide the foundations for creativity, innovation and business growth and yet the face of our industry has looked much the same for many years. ‘Futures in Finance’ was an action-orientated initiative to attract diverse and under-represented talent into the finance industry. The initiative was created by one of our industrial placement students, Clinton Omenyi, who used his experience as a young black man from inner-city London to challenge barriers to entry into the finance industry with uniquely accessible internships. The exciting new assessment method for SJP involved research, creativity, and innovation. Applicants produced a project based on two questions: What does money mean to you? and What does someone who is in control of their money look like? Applicants could respond using any media and entries included poems, songs, artwork and animations.

Clinton had three goals: give young people an improved financial education; better equip them to manage their own personal finances; and help them to pass the message on to others. The panel selected five winners who received a fully paid summer internship with us, working with departments such as Finance, Investment, Environment and Inclusion and Diversity. They also selected a further ten students to receive a week’s work experience with our Partner practices. On top of a paid internship, the five winners were given the opportunity to take part in our inaugural fast track application process for the year placement, Academy, and Graduate programmes. Ultimately this initiative encouraged individuals who had previously felt they didn’t belong in finance to find their place and be valued for exactly who they are. Here’s what one of the Future in Finance winners had to say about the programme:

“In my experience, seldom come opportunities in the finance realm such as the Futures in Finance competition, where those who do not possess the most relevant work experience are given an equal chance and footing to enter the wealth management space.”

“I have always felt slightly intimidated by the financial world due to a lack of prior knowledge as well as barriers such as race and gender. However, the Futures in Finance opportunity gave me the chance to get experience, boost my CV and even opened up career opportunities.”

Policy influence

Raising our voice to influence public policy means using our scale and influence to help shape the future of our industry for the better and have a positive impact on the communities we live and work in.

We continue to actively engage with the FCA, and Government departments/select committees where relevant, on their various consultations, most notably this year on the FCA’s Consumer Investment Market strategy, new Consumer Duty and various Value for Money initiatives. We are also actively seeking to further the public debate on the value of financial advice and the challenges in planning for, funding, and provision of social care. We published our paper ‘The Social Care Report’ in July 2021.



Client satisfaction and retention

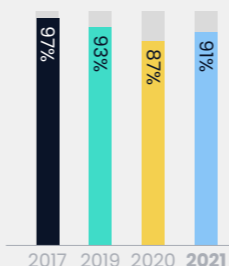
Our business is based on building meaningful long-term relationships and the satisfaction of clients is very important to us. Retaining satisfied clients not only feeds into financial results but is also directly related to our long term sustainability as a business. A recent survey conducted in our Partnership in 2021 indicated excellent client sentiment with 91% clients having strong advocacy and recommending St. James’ Place, 87% believing we are good value for money and 96% being very satisfied with their overall experience with us.

91%

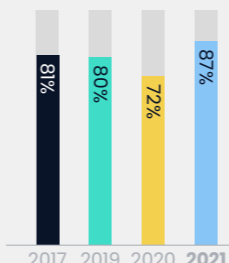
Positive advocacy

Trend

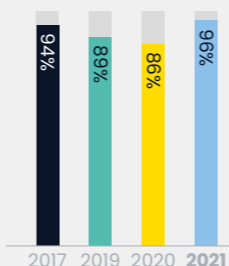
Advocacy



Value for Money

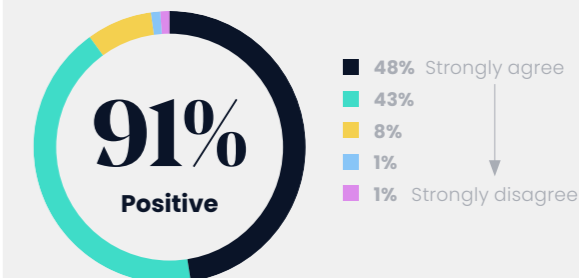


Overall Satisfaction

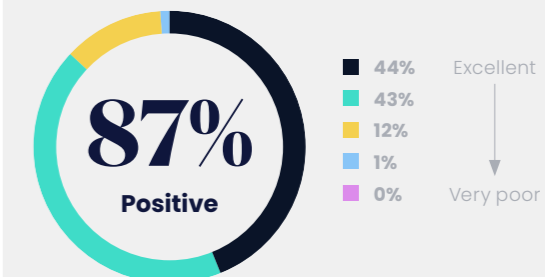


2021 Detail

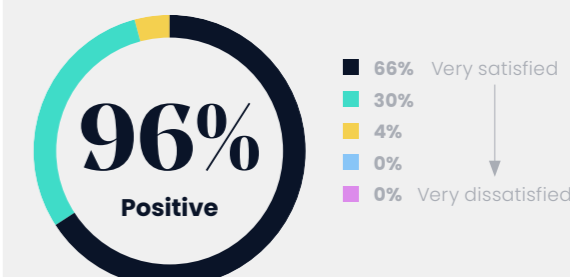
Advocacy



Value for Money



Overall Satisfaction



Our Responsible Business

Our governance

While we are in the infancy of reporting to our new Responsible Business Framework, some sections have more detail than others.

- ◆ **Here we cover our approach to:**
- Risk management
 - Data privacy
 - Human rights
 - Responsible procurement
 - Corporate governance
- ◆

Risk management

As a responsible business, effective risk management underpinned by a strong risk culture supporting the Group's vision and purpose is critical to our success, and forms a key part of the business planning process. This includes developments to our strategic objectives, client and Partner propositions, investments and dividend payments.

The inherent risk environment faced by the Group develops over time, therefore we continuously and comprehensively identify and assess risks against our risk appetite. We will then manage and monitor these accordingly. For instance, in 2021 this included assessing the impacts from COVID-19, political risks such as changes in taxation, macro-economic factors, cyber crime and climate change. Under the leadership, direction and oversight of our Board, these risks are carefully understood and managed to enable us to achieve our strategic objectives. Our full Risk and Risk Management report can be found on pages 86 to 95.

Data privacy

On 25 May 2018, the UK Data protection Act 2018 and EU General Data Protection Regulation (GDPR) came into effect across all 28 countries of the European Union. Following Brexit, the UK continues to closely adhere to GDPR requirements, and as such so do we. It is important we also demonstrate that any transfer of a data subject's personal data outside of the European Union to 'third countries' is in accordance with a comprehensive International Data Transfer Policy.

We are committed to protecting the privacy of all individuals we interact with. Our Data Policy can be found [here](#).

Human rights

We are committed to managing our business in an ethical manner and recognise that responsible management is important to all our stakeholders – shareholders, clients, the Partnership, employees, suppliers and the communities in which we operate. We will not tolerate or condone abuse of human rights (including modern slavery) in any part of our business, and we are committed to minimising the risk of slavery or human trafficking in all parts of our supply chain. Our due diligence and ongoing oversight seeks to secure evidence of good practice in relation to human rights.

All employees receive a copy of our Code of Ethics and our equal opportunities policy, which make clear that we oppose all forms of unfair discrimination or victimisation. Our bullying and harassment policy sets out our approach in relation to allegations of harassment and/or bullying.

Harassment, in general terms, is defined as unwanted conduct affecting the dignity of people in the workplace. It may be related to age, sex, race, disability, religion, nationality or any personal characteristic of the individual and may be persistent or an isolated incident.

Anti-bribery and corruption

St. James's Place has a zero-tolerance approach to bribery and corruption. The Board has responsibility for oversight of the Group's anti-bribery and corruption policy and procedures and annually carries out a review of their adequacy. Employees and advisers are provided with annual training with regards to money laundering, financial crime, fraud, bribery and corruption via online training programmes, the completion of which is compulsory. The anti-bribery and corruption policy, which contains additional information, is available on our [website](#).

Responsible procurement

We are committed to managing our business in a responsible, sustainable and ethical manner. We believe in treating all our stakeholders fairly, and our suppliers are part of that process.

We recognise the benefits of building strong, mutually beneficial relationships with both new and existing suppliers and sharing our aspirations and objectives in order to encourage our suppliers to adopt similar desires to make a positive and lasting difference to those less fortunate than ourselves. We are delighted that many provide support for the St. James's Place Charitable Foundation through donations and participation in fundraising events, and our 50% electric car fleet is a great example of working strategically with suppliers to reduce environmental impact. Our due diligence and ongoing oversight seeks to secure evidence of good practice in respect of responsible business practices.

Our process

Our procurement process needs to ensure we meet regulatory and business obligations. Our Sourcing and Supplier Management policy requires due diligence to be conducted on all new suppliers including an assessment of their approach to compliant, responsible and sustainable procurement, including but not limited to diversity and inclusion, modern slavery and gender pay gap reporting, and we engage across SJP to promote strong supplier engagement.

We have been a member of the Living Wage Foundation since 2014 and encourage our suppliers to adopt the same approach or, where applicable, an overseas equivalent.

In some cases, we have ensured the commercial agreements reflect this requirement and provide the supplier with the correct support to do so.

We are also signatories of the Prompt Payment Code, which is encouraged by the Department for Business, Energy and Industrial Strategy (BEIS) and demonstrates our commitment to good payment practices between ourselves and our suppliers.

As we continue working towards our vision of becoming a leading responsible business, we work closely to align ourselves with UNSDG 9 and its Target 9.2 ([sdgs.un.org/goals](#)) of promoting inclusive and sustainable industrialisation through our work with suppliers.

Corporate governance

The Board is collectively responsible for establishing the purpose, values and strategy of the Group and satisfying itself that these and its culture are aligned. This includes how to embed responsible practice across the business, in which the Board is supported by the Executive Board and a number of sub-committees as highlighted below:

Responsibility	Managing Committee	Executive Board member	Remit
Culture, Company and responsible business mission and employee wellbeing	Executive Board	Andrew Croft	To ensure the strength and maintenance of the unique culture throughout our community, and to lead and manage our employees.
Responsible Business Group	Executive Board	Andrew Croft	To set the Group's responsible business strategy and approach, supported by various working groups covering specific areas such as environment, inclusion and diversity, corporate social responsibility and financial wellbeing.
Responsible investment	Investment Executive Committee	Robert Gardner	

The St. James's Place Charitable Foundation is an independent charity, managed by its Trustees who oversee grant-making and compliance with the charity's objectives.

Our Non-financial information statement follows, to conclude our report on 2021 responsible business practice.

Non-financial information statement

This section of the Annual Report constitutes the St. James's Place Non-Financial Information Statement, produced to comply with sections 414CA and 414CB of the Companies Act 2006. The following table sets out where, within our Annual Report, we provide further detail on the matters required to be disclosed under the sections above. In particular, it covers the impact we have on the environment, our employees, social matters, human rights, anti-corruption and anti-bribery matters, policies pursued and the outcome of those policies, and principal risks that may arise from the Company's operations and how we manage those risks, to the extent necessary for an understanding of the Company's development, performance and position and the impact of its activity.

Reporting requirement	Section(s) and page(s)
Anti-corruption and anti-bribery	Our Responsible Business (page 60)
Business model	Our Business Model (pages 22 and 23)
Employees	Developing Employees (page 12), Building Community (page 26), Our Responsible Business (pages 32 to 61), Risk and Risk Management (page 91), Section 172 Statement (pages 105, 107 and 108), Report of the Risk Committee (page 134) and Report of the Nomination and Governance Committee (pages 136, 137 and 139)
Environmental matters	Our Responsible Business (pages 32 to 61), Risk and Risk Management (page 89)
Non-financial key performance indicators	Our Business Model (page 23), Our Responsible Business (pages 46 to 52, 54 to 56 and 59)
Principal risks	Risk and Risk Management (pages 86 to 95)
Respect for human rights	Our Responsible Business (page 60)
Social matters	Our Responsible Business (pages 32 to 61), Corporate Governance Report (page 105 and 108) and Nomination and Governance Committee (page 139)

Our business performed *strongly*

After the challenges of 2020, the operating environment in 2021 proved to be far more favourable for our business as global economies returned to growth, investment markets responded by registering positive gains, and consumer confidence recovered.

Our business performed strongly against this backdrop, with our advisers attracting £18.2 billion (2020: £14.3 billion) of new client investments, up 27% year on year. With client retention rates at all-time highs for the Group, net inflows totalled £11.0 billion (2020: £8.2 billion), up 34% against 2020 and equivalent to 8.5% (2020: 7.0%) of opening funds under management (FUM).

This new business performance, together with the positive impact of investment markets, resulted in FUM closing at a record £154.0 billion (31 December 2020: £129.3 billion), up 19% year-on-year.

Last February we set out the planning assumptions that underpin our business plan through to 2025. The results for 2021 demonstrate a strong start towards these goals of long-term new business growth of 10% per annum, consistent retention above 95%, and our resulting aim of reaching £200 billion of FUM by 2025.

"Our financial performance has reflected the strength of new business during the year, growth in FUM during both 2020 and 2021, and the resulting growth in income."

Craig Gentle, Chief Financial Officer

£287.6m

IFRS profit after tax

2020: £262.0 million

Our financial performance across IFRS, the Cash result and European Embedded Value (EEV) has reflected the strength of new business during the year, growth in FUM during both 2020 and 2021, and the resulting growth in income. Meanwhile we have achieved strong cost control in line with the guidance we set out at the start of the year, which has contributed to positive operational gearing.

We have always taken a simple and prudent approach to managing the balance sheet and our capital requirements. This continues to be the case, with both the Group and our life companies in a strong financial position.

Our financial results are presented in more detail on pages 66 to 85 of the Financial Review, but there follows a summary of financial performance on a statutory IFRS basis, as well as our chosen alternative performance measures (APMs). We also summarise key developments from a balance sheet perspective and provide shareholders with an overview of capital, solvency and liquidity.

Financial results

IFRS

IFRS profit after tax was £287.6 million in 2021 (2020: £262.0 million). Whilst **IFRS profit after tax** does not immediately benefit from strong years of new business, the result nonetheless is up 10% year-on-year. This reflects growth in FUM and stronger investment markets in 2021, offset by a partial and anticipated reversal of the **policyholder tax asymmetry** that benefitted the 2020 IFRS result in the presence of weaker markets. Further detail on this asymmetry is included in the Financial Review on page 69.

To address the challenge of policyholder tax being included in the IFRS results as income coupled with a corporate tax expense, we focus on **IFRS profit before shareholder tax** as our pre-tax measure. On this basis the result was £353.8 million for the year (2020: £327.6 million), up 8% year-on-year.

The IFRS result also includes the impact of non-cash accounting adjustments such as equity-settled share-based payment expenses, deferred income and deferred expenses, so we continue to supplement our statutory reporting with the presentation of our financial performance using two APMs: the Cash result and the EEV result.

£401.2m

Underlying cash result

2020: £264.7 million

Cash result

The **Cash result**, and the **Underlying cash result** contained within it, are based on IFRS but adjusted to exclude certain non-cash items. They therefore represent useful guides to the level of cash profit generated by the business. All items in the Cash result, and in the commentary below, are presented net of tax.

The Cash result of £387.4 million for 2021 (2020: £254.7 million) and the **Underlying cash result** of £401.2 million (2020: £264.7 million) are both up 52% year-on-year. These record results have been driven by a strong year of new business, buoyant investment markets and delivery of controllable expenses in line with our guidance. Further detail is set out below and in the Financial Review on pages 71 to 79.

During the year, the **net income from funds under management** was £577.5 million (2020: £455.9 million), representing a margin within our range of 0.63% to 0.65% (2020: 0.63% to 0.65%) on average mature FUM, excluding Discretionary Fund Management (DFM) and Asia FUM, in line with prior guidance. It is this mature FUM that contributes to the net income figure and at any given time it comprises all unit trust and ISA business, as well as life and pensions business written more than six years ago.

The development of mature FUM year-on-year is therefore driven by four principal factors:

1. New unit trust and ISA flows;
2. The amount of life and pensions FUM that moves from gestation into mature FUM after a six-year period;
3. The retention of FUM; and
4. Investment returns.

Growth in gestation FUM has been more rapid than growth in mature FUM in recent years, mainly due to the strength of new pensions business following 'pensions freedom'. While this growth in new business is not reflected in net income from funds under management for the first six years of its existence, it bodes well for future income growth as larger cohorts of gestation FUM mature and begin making a positive contribution.

At 31 December 2021, the balance of gestation FUM stood at £49.3 billion (31 December 2020: £43.4 billion). Once this current stock of gestation FUM has all matured, it will (assuming no market movements or withdrawals, and allowing for the corporation tax rate change in 2023) contribute in excess of a further £390 million to annual net income from funds under management and hence to the Underlying cash result.

Chief Financial Officer's Report

St. James's Place also generates a **margin arising from new business** where initial product charges levied on gross inflows exceed new business-related expenses. The increase in margin arising from new business in 2021 largely reflects the increase in gross flows over the period, although the relationship between the two is generally directionally consistent rather than linear.

As part of the 2025 business plan, we set out our ambition to contain growth in **controllable expenses** to around 5% per annum. Controllable expenses, which are the categories shown in the table below (stated after tax), are a key metric for the business and we have delivered against the plan with these costs increasing by 5% to £264.6 million.

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Establishment expenses	200.3	200.0
Development expenses (Operational and Strategic)	54.0	42.1
Academy	10.3	9.5
Controllable expenses	264.6	251.6

The strong growth in income, coupled with this delivery of controllable expenses in line with our guidance, has been the primary driver of a record **Underlying cash result** for the year of £401.2 million (2020: £264.7 million).

As we explained in our half-year results, this year we are recognising the one-off cost of a **restructuring** exercise associated with an employee redundancy programme in the year. The total expense is £9.7 million, with the modest increase from the first-half balance reflecting final costs against the half-year estimate.

In the second half of the year we recognised a further one-off cost of £4.1 million. During the year the International Financial Reporting Standards Interpretations Committee provided additional guidance on the recognition of software configuration costs. In line with the wider industry we have reflected this guidance in a **change in capitalisation policy**.

The **Cash result** in 2021 was therefore £387.4 million (2020: £254.7 million).

EEV

The **EEV operating profit** is sensitive to new business written within the year and the 27% growth in gross flows year-on-year is the main factor behind an increase in EEV operating profit to £1,545.4 million (2020: £919.0 million).

The **EEV profit before tax** for the period has been significantly impacted by the positive **investment return variance** of £894.5 million compared to the prior year (2020: £304.4 million). The positive return reflects increased market values across our FUM as a result of stronger markets over the course of 2021.

The **EEV profit after tax** of £1,452.7 million (2020: £822.5 million) reflects profit emergence as above, mitigated by the capitalised impact on future cashflows of the change in UK corporation tax from 19% to 25% on 1 April 2023.

The **EEV net asset value per share** was £16.57 at 31 December 2021 (31 December 2020: £14.49).

Financial position

Our IFRS Statement of Financial Position, presented on page 180, contains policyholder interests in unit-linked liabilities and the underlying assets that are held to match them. To understand the true assets and liabilities that the shareholder can benefit from, these policyholder balances, along with non-cash 'accounting' balances such as deferred income (DIR) and deferred acquisition costs (DAC), are removed in the Solvency II Net Assets balance sheet.

This balance sheet is straightforward and demonstrates that the Group has liquid assets of £1,858.8 million (2020: £1,527.1 million), of which £1,605.3 million (2020: £1,264.8 million) is invested in AAA-rated money market funds. This deep liquidity represents 52% of total assets on the Solvency II Net Assets balance sheet (2020: 47%). Further information about liquidity is set out on page 78.

Analysis of the key movements in the Solvency II Net Assets balance sheet during the year is set out on pages 76 to 79.

Solvency and capital

We continue to manage the balance sheet prudently to ensure the Group's solvency is safely maintained.

Given the simplicity of our business model, our approach to managing solvency remains to hold assets to match client unit-linked liabilities plus a management solvency buffer (MSB). At 31 December 2021 we held surplus assets over the MSB of £727.3 million (2020: £717.3 million). We also ensure that our approach meets the requirements of the Solvency II regime where we have an approach, agreed with the Prudential Regulation Authority (PRA) since 2017, for our largest insurance company, the UK Life company, that targets capital equal to 110% of the standard formula requirement. This is a prudent and sustainable policy given the risk profile of our business, which is largely operational.

At 31 December 2021, the solvency ratio for our Life businesses after payment of the year-end intra-Group dividend was 115% (31 December 2020: 112%). For further details, refer to page 85.

Taking into account entities in the rest of the Group, the Group solvency ratio at 31 December 2021 was 134% (2020: 132%).

Dividends

In the 2025 business plan we announced last year, we committed to an approach of paying out around 70% of the Underlying cash result in dividends. The strong growth in our Underlying cash result for 2021 therefore drives a total dividend for 2021 of 51.96 pence per share, inclusive of a proposed final dividend of 40.41 pence per share.

The proposed final dividend will be paid, subject to approval by shareholders at our AGM, on 27 May 2022 to shareholders on the register as at the close of business on 29 April 2022. A Dividend Reinvestment Plan continues to be available.

Craig Gentle, Chief Financial Officer
23 February 2022

Summary financial information

	Page reference	Year ended 31 December 2021	Year ended 31 December 2020
FUM-based metrics			
Gross inflows (£'Billion)	67	18.2	14.3
Net inflows (£'Billion)	67	11.0	8.2
Total FUM (£'Billion)	67	154.0	129.3
Total FUM in gestation (£'Billion)	68	49.3	43.4
IFRS-based metrics			
IFRS profit after tax (£'Million)	70	287.6	262.0
IFRS profit before shareholder tax (£'Million)	70	353.8	327.6
Underlying profit before shareholder tax (£'Million)	70	384.4	359.9
IFRS basic earnings per share (EPS) (Pence)		53.3	49.1
IFRS diluted EPS (Pence)		52.5	48.6
IFRS net asset value per share (Pence)		207.1	207.0
Dividend per share (Pence)		51.96	38.49
Cash result-based metrics¹			
Controllable expenses (£'Million)	73	264.6	251.6
Underlying cash result (£'Million)	72	401.2	264.7
Cash result (£'Million)	72	387.4	254.7
Underlying cash result basic EPS (Pence)		74.6	49.6
Underlying cash result diluted EPS (Pence)		73.5	49.1
EEV-based metrics			
EEV operating profit before tax (£'Million)	80	1,545.4	919.0
EEV operating profit after tax basic EPS (Pence)		219.9	139.0
EEV operating profit after tax diluted EPS (Pence)		216.5	137.5
EEV net asset value per share (£)		16.57	14.49
Solvency-based metrics			
Solvency II net assets (£'Million)	85	1,245.3	1,218.6
Management solvency buffer (£'Million)	84	518.0	501.3
Solvency II free assets (£'Million)	85	1,323.4	1,110.8
Solvency ratio (Percentage)	85	134%	132%

¹ As we explained in the Half-Year Report and Accounts 2021, for the year ended 31 December 2021 we have re-shaped our presentation of the Cash result to aid shareholders. This adapts our reporting to our guidance on expense growth, which has a new focus on controllable expenses. As a result, controllable expenses are a new alternative performance measure (APM), and the Operating cash result, an APM in previous years, has been removed. The Operating cash result no longer provides relevant information as it includes some, but not all, controllable expenses.

The Cash result should not be confused with the IFRS Consolidated Statement of Cash Flows, which is prepared in accordance with IAS 7.

Financial Review

This Financial Review provides analysis of the Group's financial position and performance.

The Review is split into the following sections:

Section 1 Funds under management (FUM)

- 1.1 FUM analysis
1.2 Gestation

As set out on page 31 and on the right, FUM is a key driver of ongoing profitability on all measures, and so information on growth in FUM is provided in Section 1.

► Find out more on pages 67 and 68

Section 2 Performance measurement

- 2.1 International Financial Reporting Standards (IFRS)
2.2 Cash result
2.3 European Embedded Value (EEV)

Section 2 analyses the performance of the business using three different bases: IFRS, the Cash result, and EEV.

► Find out more on pages 69 to 83

Section 3 Solvency

Section 3 addresses solvency, which is an important area given the multiple regulated activities carried out within the Group.

► Find out more on pages 84 and 85

Our financial business model

Our financial business model is straightforward. We generate revenue by attracting clients through the value of our proposition, who trust us with their investments and then stay with us. This grows our funds under management (FUM), on which we receive:

- advice charges for the provision of valuable, face-to-face advice; and
- product charges for our manufactured investment, pension and ISA/unit trust products.

Further information on our charges can be found on our website: www.sjp.co.uk/charges. A breakdown of our fee and commission income, our primary source of revenue under IFRS, is set out in Note 4 on page 195.

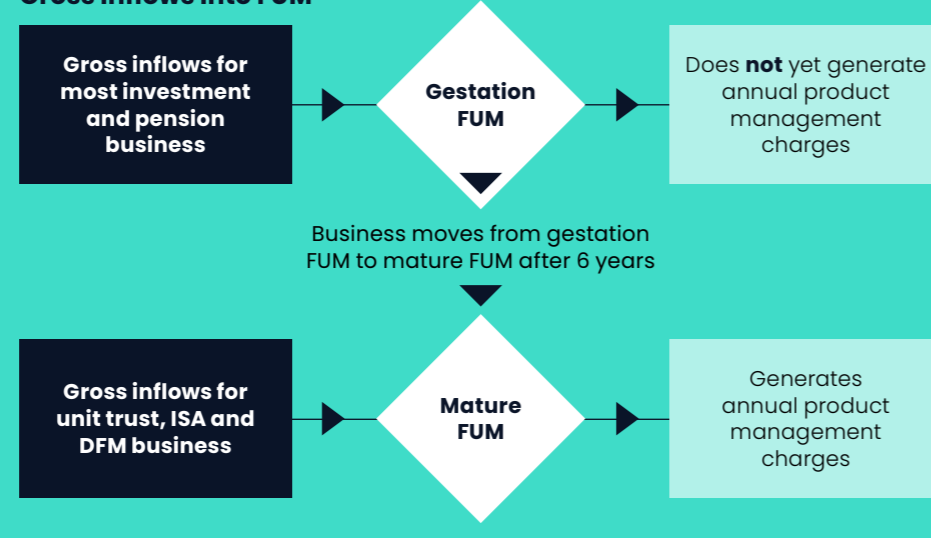
The primary source of the Group's profit is the income we receive from annual product management charges on FUM. As a result, growth in FUM is a strong positive indicator of future growth in profits. However, most of our investment and pension products are structured so that annual product management charges are not taken for the first six years after the business is written, so the ongoing benefit of these gross inflows into FUM for a given year will not be seen until six years later. This means that the Group always has six years' worth of FUM in the 'gestation' period. FUM subject to annual product management charges is known as 'mature' FUM. More information about our FUM and the fees we earn on it can be found in Sections 1 and 2 of the Financial Review on pages 68 and 73.

Initial and ongoing advice charges, and initial product charges levied when a client first invests into one of our products, are not major drivers of the Group's profitability, because:

- most advice charges received are offset by corresponding remuneration for Partners, so an increase in these revenue streams will correspond with an increase in the associated expense and vice versa; and
- under IFRS, initial product charges are spread over the expected life of the investment through deferred income (DIR – see page 71 for further detail). The contribution to the IFRS result from spreading these historic charges can be seen in Note 4 as amortisation of DIR. Initial product charges contribute immediately to our Cash result through margin arising on new business.

Our income is used to meet overheads, pay ongoing product expenses and invest in the business. Controllable expenses, being the costs of running the Group's infrastructure, the Academy and development expenses, are carefully managed in line with our 2025 business plan ambition to limit their growth to 5% per annum. Other ongoing expenses, including payments to Partners, increase with business levels and are generally aligned with product charges.

Gross inflows into FUM



Section 1 Funds under management

1.1 FUM analysis

Our financial business model is to attract and retain FUM, on which we receive an annual management fee. As a result, the level of income we receive is ultimately dependent on the value of our FUM, and so its growth is a clear driver of future growth in profits. The key drivers for FUM are:

- our ability to attract new funds in the form of gross inflows;
- our ability to retain FUM by keeping unplanned withdrawals at a low level; and
- net investment returns.

The following table shows how FUM evolved during 2021 and 2020. Investment return is presented net of charges.

	2021				2020
	Investment	Pension	UT/ISA and DFM	Total	Total
	£'Billion	£'Billion	£'Billion	£'Billion	£'Billion
Opening FUM	32.22	61.31	35.81	129.34	116.99
Gross inflows	2.62	9.86	5.72	18.20	14.33
Net investment return	2.89	6.89	3.83	13.61	4.10
Regular income withdrawals and maturities	(0.28)	(1.72)	–	(2.00)	(1.62)
Surrenders and part-surrenders	(1.50)	(1.51)	(2.15)	(5.16)	(4.46)
Closing FUM	35.95	74.83	43.21	153.99	129.34
Net inflows	0.84	6.63	3.57	11.04	8.25
Implied surrender rate as a percentage of average FUM	4.4%	2.2%	5.4%	3.6%	3.6%

Included in the table above is:

- Rowan Dartington Group FUM of £3.52 billion at 31 December 2021 (31 December 2020: £2.86 billion), gross inflows of £0.55 billion for the year (2020: £0.43 billion) and outflows of £0.14 billion (2020: £0.15 billion); and
- SJP Asia FUM of £1.57 billion at 31 December 2021 (31 December 2020: £1.17 billion), gross inflows of £0.36 billion for the year (2020: £0.32 billion) and outflows of £0.10 billion (2020: £0.06 billion).

The following table shows the significant net inflows over the past six years, which combined with strong retention have resulted in consistent growth in FUM. FUM has more than doubled over the last five years.

Year	FUM as at 1 January	Net inflows	Investment return	Other movements ¹	FUM as at 31 December
	£'Billion	£'Billion	£'Billion	£'Billion	£'Billion
2021	129.3	11.0	13.7	–	154.0
2020	117.0	8.2	4.1	–	129.3
2019	95.6	9.0	12.4	–	117.0
2018	90.7	10.3	(5.4)	–	95.6
2017	75.3	9.5	6.2	(0.3)	90.7
2016	58.6	6.8	8.7	1.2	75.3

¹ Other movements in 2017 related to the matching strategy disinvestment, and in 2016 related to the acquisition of the Rowan Dartington Group.

Financial Review

1.1 FUM analysis continued

The table below provides a geographical and investment-type analysis of FUM at 31 December.

	31 December 2021		31 December 2020	
	£'Billion	Percentage of total	£'Billion	Percentage of total
North American equities	47.3	31%	31.3	24%
Fixed income securities	25.4	16%	22.7	18%
UK equities	21.5	14%	18.7	14%
Asia and Pacific equities	18.6	12%	19.9	15%
European equities	17.8	11%	13.9	11%
Alternative investments	11.9	8%	10.3	8%
Cash	5.9	4%	7.0	5%
Property	2.6	2%	2.5	2%
Other	3.0	2%	3.0	3%
Total	154.0	100%	129.3	100%

1.2 Gestation

As explained in our financial business model on page 66, due to our product structure, at any given time there is a significant amount of FUM that has not yet started to contribute to the Cash result.

When we attract new FUM there is a margin arising on new business that emerges at the point of investment, which is a surplus of income over and above the initial costs incurred at the outset. Within our Cash result presentation this is recognised as it arises, but it is deferred under IFRS.

Once the margin arising on new business has been recognised the pattern of future emergence of cash from annual product management charges differs by product. Broadly, annual product management charges from unit trust and ISA business begin contributing positively to the Cash result from day one, whilst investment and pensions business enters a six-year gestation period during which no net income from FUM is included in the Cash result. Once this business has reached its six-year maturity point, it starts contributing positively to the Cash result, and will continue to do so in each year that it remains with the Group. Approximately 51% of gross inflows for 2021, after initial charges, moved into gestation FUM (2020: 55%).

The following table shows an analysis of FUM, after initial charges, split between mature FUM that is contributing net income to the Cash result and FUM in gestation which is not yet contributing, as at the year-end for the past five years. The value of both mature and gestation FUM is impacted by investment return as well as net inflows.

Position as at	Mature FUM contributing to the Cash result	Gestation FUM that will contribute to the Cash result in the future	Total FUM
	£'Billion	£'Billion	£'Billion
31 December 2021	104.7	49.3	154.0
31 December 2020	85.9	43.4	129.3
31 December 2019	76.8	40.2	117.0
31 December 2018	62.1	33.5	95.6
31 December 2017	60.1	30.6	90.7

The following table gives an indication, for illustrative purposes, of the way in which the reduction in fees in the gestation period element of the Cash result could unwind, and so how the gestation balance of £49.3 billion at 31 December 2021 may start to contribute to the Cash result over the next six years and beyond. For simplicity it assumes that FUM values remain unchanged, that there are no surrenders, and that business is written at the start of the year. Actual emergence in the Cash result will reflect the varying business mix of the relevant cohort and business experience.

Year	Gestation FUM future contribution to the Cash result
	£'Million
2022	45.7
2023	102.7
2024	176.0
2025	248.9
2026	318.6
2027 onwards	393.9

Section 2
Performance measurement

In line with statutory reporting requirements we report profits assessed on an IFRS basis. The presence of a significant life insurance company within the Group means that, although we are a wealth management Group in substance with a simple business model, we apply IFRS accounting requirements for insurance companies. These requirements lead to Financial Statements which are more complex than those of a typical wealth manager and so our IFRS results may not provide the clearest presentation for users who are trying to understand our wealth management business. Key examples of this include the following:

- our IFRS Statement of Comprehensive Income includes policyholder tax balances which we are required to recognise as part of our corporation tax arrangements. This means that our Group IFRS profit before tax includes amounts charged to clients to meet policyholder tax expenses, which are unrelated to the underlying performance of our business; and
- our policy is to fully match our liabilities to clients, and so client liabilities increase or decrease to match increases or decreases experienced on the assets held to cover them. This means that shareholders are not exposed to any gains or losses on the £151.6 billion of client assets and liabilities recognised in our IFRS Statement of Financial Position, which represented over 97% of our IFRS total assets and liabilities at 31 December 2021.

To address this, we developed APMs with the objective of stripping out the policyholder element to present solely shareholder-impacting balances, as well as removing items such as deferred acquisition costs and deferred income to reflect Solvency II recognition requirements and to better match the way in which cash emerges from the business. We therefore present our financial performance and position under three different bases, using a range of APMs to supplement our IFRS reporting. The three different bases, which are consistent with those presented last year, are:

- International Financial Reporting Standards (IFRS);
- Cash result; and
- European Embedded Value (EEV).

APMs are not defined by the relevant financial reporting framework (which for the Group is IFRS), but we use them to provide greater insight to the financial performance, financial position and cash flows of the Group and the way it is managed. A complete Glossary of Alternative Performance Measures is set out on pages 260 to 262, in which we define each APM used in our Financial Review, explain why it is used and, if applicable, explain how the measure can be reconciled to the IFRS Financial Statements.

2.1 International Financial Reporting Standards (IFRS)

IFRS profit after tax for the year was £287.6 million (2020: £262.0 million). Whilst the result is higher year-on-year, the increase is significantly below that implied by the strong underlying business performance, because the positive impact of growth in FUM through 2020 and 2021 is masked by the nuances of life insurance tax-related effects which developed in 2020 and substantially unwound in 2021.

Life insurance tax incorporates a policyholder tax element, and the financial statements of a life insurance group need to reflect the liability to HMRC and the corresponding deductions incorporated into policy charges. In particular, the tax liability to HMRC is assessed using IAS 12 Income Taxes, which does not allow discounting, whereas the policy charges are designed to ensure fair outcomes between clients and so reflect a wide range of possible outcomes. This gives rise to different assessments of the current value of future cash flows and hence an asymmetry in the Consolidated Statement of Financial Position between the deferred tax position and the offsetting client balance. The net balance reflects a temporary position, and in the absence of market volatility we expect it will unwind as future cash flows become less uncertain and are ultimately realised. Movement in the asymmetry is recognised in the Consolidated Statement of Comprehensive Income and analysed in Note 4 Fee and commission income. We refer to it throughout this Annual Report and Accounts as the impact of policyholder tax asymmetry.

Under normal conditions this asymmetry is small, but market falls in early 2020 resulted in a positive movement of £61.7 million in the year to 31 December 2020. Strong market growth in 2021 has resulted in a substantial unwind of the asymmetry, which gives rise to a negative impact of £52.9 million on IFRS profit after tax and IFRS profit before shareholder tax for the current year. Ultimately the effect will be eliminated from the Consolidated Statement of Financial Position, and so it is temporary and we expect it to continue to reverse as markets increase.

Financial Review

2.1 International Financial Reporting Standards (IFRS) continued

To address the challenge of policyholder tax being included in the IFRS results we focus on the following two APMs, based on IFRS, as our pre-tax metrics:

- profit before shareholder tax; and
- underlying profit.

Further information on these IFRS-based measures is set out below.

Profit before shareholder tax

This is a profit measure based on IFRS which aims to remove the impact of policyholder tax. The policyholder tax expense or credit is generally matched by an equivalent deduction or credit from the relevant funds, which is recorded within fee and commission income in the Consolidated Statement of Comprehensive Income. Policyholder tax does not therefore normally impact the Group's overall profit after tax. As a result, profit before shareholder tax, but after policyholder tax, is typically a useful metric, although it has been distorted by policyholder tax asymmetry in 2020 and 2021. The following table demonstrates the way in which profit before shareholder tax is presented in the Consolidated Statement of Comprehensive Income on page 178.

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
IFRS profit before tax	842.4	426.4
Policyholder tax	(488.6)	(98.8)
IFRS profit before shareholder tax	353.8	327.6
Shareholder tax	(66.2)	(65.6)
IFRS profit after tax	287.6	262.0

Profit before shareholder tax has increased year-on-year. As with the increase in profit after tax, this reflects the strong underlying business performance, substantially offset by the negative impact of policyholder tax asymmetry.

Shareholder tax reflects the tax charge attributable to shareholders and is closely related to the performance of the business. However, it can vary year-on-year due to several factors: further detail is set out in Note 7 Income and deferred taxes.

Underlying profit

This is profit before shareholder tax (as calculated above) adjusted to remove the impact of accounting for deferred acquisition costs (DAC), deferred income (DIR) and the purchased value of in-force business (PVIF).

IFRS requires certain up-front expenses incurred and income received to be deferred. The deferred amounts are initially recognised on the Statement of Financial Position as a DAC asset and DIR liability, which are subsequently amortised to the Statement of Comprehensive Income over a future period. Substantially all of the Group's deferred expenses are amortised over a 14-year period, and substantially all deferred income is amortised over a six-year period.

The impact of accounting for DAC, DIR and PVIF in the IFRS result is that there is a significant accounting timing difference between the emergence of accounting profits and actual cash flows. For this reason, Underlying profit is considered to be a helpful metric. The following table demonstrates the way in which IFRS profit reconciles to Underlying profit.

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
IFRS profit before shareholder tax	353.8	327.6
Remove the impact of movements in DAC/DIR/PVIF	30.6	32.3
Underlying profit before shareholder tax	384.4	359.9

The impact of movements in DAC, DIR and PVIF on IFRS profit before shareholder tax is further analysed as follows. Due to policyholder tax on DIR, the amortisation of DIR during the year and DIR on new business for the year set out below cannot be agreed to the figures provided in Note 8, which are presented before both policyholder and shareholder tax.

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Amortisation of DAC	(86.1)	(92.6)
DAC on new business for the year	41.2	27.1
Net impact of DAC	(44.9)	(65.5)
Amortisation of DIR	164.8	160.5
DIR on new business for the year	(147.3)	(124.1)
Net impact of DIR	17.5	36.4
Amortisation of PVIF	(3.2)	(3.2)
Movement in year	(30.6)	(32.3)

Net impact of DAC

The scale of the £44.9 million negative overall impact of DAC on the IFRS result (2020: negative £65.5 million) is largely due to changes arising from the 2013 Retail Distribution Review (RDR). After these changes, the level of expenses that qualified for deferral reduced significantly, but the large balance accrued previously is still being amortised. As deferred expenses are amortised over a 14-year period there is a significant transition period, which could last for another three to four years, over which the amortisation of pre-RDR expenses previously deferred will significantly outweigh new post-RDR expenses deferred despite significant business growth, resulting in a net negative impact on IFRS profits. The negative impact is lower in 2021 than it was in 2020 due to the significant business growth in the year, meaning that more expenses were deferred in the current year.

Net impact of DIR

The increase in new business in the year means income deferred in 2021 is higher than it was in 2020. Income released from the deferred income liability has remained broadly static. Together, these effects mean that DIR has had a positive £17.5 million impact on the IFRS result in 2021 (2020: £36.4 million positive).

2.2 Cash result

The Cash result is used by the Board to assess and monitor the level of cash profit (net of tax) generated by the business. It is based on IFRS with adjustments made to exclude policyholder balances and certain non-cash items, such as DAC, DIR, deferred tax and non-cash-settled share option costs. Further details, including the full definition of the Cash result, can be found in the Glossary of Alternative Performance Measures on pages 260 to 262. Although the Cash result should not be confused with the IAS 7 Consolidated Statement of Cash Flows, it provides a helpful supplementary view of the way in which cash is generated and emerges within the Group.

The Cash result reconciles to Underlying profit, as presented in Section 2.1, as follows.

	Year ended 31 December 2021		Year ended 31 December 2020	
	Before shareholder tax	After tax	Before shareholder tax	After tax
	£'Million	£'Million	£'Million	£'Million
Underlying profit	384.4	315.6	359.9	291.6
Non-cash-settled share-based payments	20.4	20.4	10.6	10.6
Impact of deferred tax	–	(0.5)	–	8.2
Impact of policyholder tax asymmetry	52.9	52.9	(61.7)	(61.7)
Other	2.9	(1.0)	10.0	6.0
Cash result	460.6	387.4	318.8	254.7

The increase in **non-cash-settled share-based payments** reflects the impact of the Group's performance during the year.

The most significant **impact of deferred tax** is recognition in the Cash result of the benefit from realising tax relief. This has already been recognised under IFRS, and hence Underlying profit, through the establishment of deferred tax assets. More information can be found in Note 7.

Financial Review

2.2 Cash result continued

The **impact of policyholder tax asymmetry** is a temporary effect caused by asymmetries between fund tax deductions and the policyholder tax due to HMRC. Movement in the asymmetry can be significant in volatile markets such as were experienced in 2020, which have substantially reversed in 2021. For further explanation, refer to page 69.

Other represents a number of other small items, including the difference between the lease expense recognised under IFRS 16 Leases and lease payments made.

The following table shows an analysis of the Cash result using two different measures:

- **Underlying cash result**

This measure represents the regular emergence of cash from day-to-day business operations and the cost of a number of strategic investments which are being incurred and expensed in the year, but which are expected to create long-term value; and

- **Cash result**

This measure includes items of a one-off nature, and historically has included the short-term costs associated with the back-office infrastructure.

Consolidated cash result (presented post-tax)

	Note	Year ended 31 December 2021			Year ended
		In-force	New business	Total	31 December
		£'Million	£'Million	£'Million	2020 ¹
Net annual management fee	1	927.0	74.6	1,001.6	822.8
Reduction in fees in gestation period	1	(424.1)	–	(424.1)	(366.9)
Net income from FUM	1	502.9	74.6	577.5	455.9
Margin arising from new business	2	–	146.4	146.4	116.8
Controllable expenses	3	(20.0)	(244.6)	(264.6)	(251.6)
Asia – net investment	4	–	(13.6)	(13.6)	(17.4)
DFM – net investment	4	–	(9.6)	(9.6)	(9.2)
Regulatory fees and FSCS levy	5	(3.8)	(34.0)	(37.8)	(38.9)
Shareholder interest	6	6.2	–	6.2	8.7
Tax relief from capital losses	7	9.2	–	9.2	13.7
Miscellaneous	8	(12.5)	–	(12.5)	(13.3)
Underlying cash result		482.0	(80.8)	401.2	264.7
Restructuring	9			(9.7)	–
Change in capitalisation policy	10			(4.1)	–
Back-office infrastructure development costs				–	(10.0)
Cash result				387.4	254.7

¹ As we explained in the Half-Year Report and Accounts 2021, for the year ended 31 December 2021 we have re-shaped our presentation of the Cash result to aid shareholders. This adapts our reporting to our guidance on expense growth, which has a new focus on controllable expenses. As a result, we have removed the 'Operating cash result' sub-total, and combined Establishment expenses, Operational development costs, Strategic development costs and the Academy into one 'Controllable expenses' line. These presentational changes have been applied to the Cash result for the year ended 31 December 2020 for comparative purposes.

Notes to the Cash result

1. Net income from FUM

The **net annual management fee** is the net manufacturing margin that the Group retains from FUM after payment of the associated costs: for example, investment advisory fees and Partner remuneration. Each product has standard fees, but they vary between products. Overall post-tax margin on FUM reflects business mix but also the different tax treatment, particularly Life tax on onshore investment business.

As noted on page 68 however, our investment and pension business product structure means that these products do not generate net Cash result, after the margin arising from new business, during the first six years. This is known as the 'gestation period' and is reflected in the **reduction in fees in gestation period** line. Further information is provided on page 68.

Net income from FUM reflects Cash result income from FUM that has reached maturity, including FUM which has emerged from the gestation period during the year, and this line is the focus of our explanatory analysis. As with net annual management fees, the average rate can vary between time periods with business mix and tax. For 2021, our net income from FUM is within our range of 0.63% – 0.65%. We expect this to continue to be the case for 2022, with the tax rate change impacting in 2023 and beyond.

Net income from Asia and DFM FUM is not included in this line. Instead, this is included in the net Cash result presented separately for Asia and DFM.

2. Margin arising from new business

This is the net positive Cash result impact of new business in the year, reflecting initial charges levied on gross inflows and new-business-related expenses. The majority of these expenses vary with new business levels, such as the incremental third-party administration costs of setting up a new policy on our back-office systems, and payments to Partners for the initial advice provided to secure the clients' investment. As a result, gross inflows are a key driver behind this line.

However, the margin arising from new business also contains some fixed expenses, and elements which do not vary exactly in line with gross inflows. For example, our third-party administration tariff structure includes a fixed fee, and to provide some stability for Partner businesses, elements of our support for them are linked to prior-year new business levels.

Therefore, whilst the margin arising from new business tends to move directionally with the scale of gross inflows generated during the year, the relationship between the two is not linear.

3. Controllable expenses

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Establishment expenses	200.3	200.0
Development expenses (Operational and Strategic)	54.0	42.1
Academy	10.3	9.5
Controllable expenses	264.6	251.6

As stated in the Chief Financial Officer's Report, as part of the 2025 business planning assumptions we set our ambition to contain growth in controllable expenses to around 5% per annum. Controllable expenses, which are the categories shown in the table above (stated after tax), are a key metric for the business and we are pleased to have delivered against our guidance with these costs increasing by 5% to £264.6 million.

Establishment expenses in 2021 were £200.3 million (2020: £200.0 million), broadly flat over the year and in line with prior guidance. This outcome reflects a combination of operating efficiencies achieved throughout the year together with the resumption of greater business activity through the period as COVID-19-related restrictions eased.

Development expenses were £54.0 million (2020: £42.1 million) reflecting a period of considerable investment in the business, laying the foundations for long-term growth and a drive to secure future operating efficiencies. This included further development in our collaboration with Salesforce, our next-generation client experience, projects focused on intelligent automation, and progress on decommissioning ancillary legacy systems. These projects will all contribute to improved efficiency, enhancing the experience for Partners and clients and making SJP easier to do business with.

Reflecting its critical role in providing a source of future organic growth in our adviser population, we continue to invest in building our **Academy** programmes to accommodate additional capacity with greater geographic reach. The transition to a hybrid format, where we combine in-class learning with greater digital content, has meant we have been able to scale up our Academy programmes efficiently.

4. Asia and DFM

These lines represent the net income from Asia and DFM FUM, including the Asia and DFM expenses set out in the reconciliation between expenses presented separately on the face of the Cash result before tax to IFRS expenses on page 75.

We have continued to invest in developing our presence in **Asia**, as well as in **discretionary fund management** via Rowan Dartington both in the UK and overseas. Both have achieved greater scale in line with business plans, and both have achieved outcomes in line with prior guidance, positioning them well for the years ahead.

Financial Review

2.2 Cash result continued

5. Regulatory fees and FSCS levy

The costs of operating in a regulated sector include **regulatory fees** and the **Financial Services Compensation Scheme (FSCS) levy**. On a post-tax basis, these are as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
FSCS levy	28.1	29.7
Regulatory fees	9.7	9.2
Regulatory fees and FSCS levy	37.8	38.9

Our position as a market-leading provider of advice means we make a very substantial contribution to supporting the FSCS, thereby providing protection for clients of other businesses in the sector that fail. Our contribution to the FSCS levy decreased marginally during the year, to £28.1 million, down from £29.7 million in 2020. The levy has run at significantly elevated levels for a number of years now, but we are actively engaged with the FCA on its recent Discussion Paper on the compensation framework and we are encouraged that they are considering ways to ensure costs are distributed across industry levy payers in a fair and sustainable way.

6. Shareholder interest

This is the income accruing on the investments and cash held for regulatory purposes together with the interest received on the surplus capital held by the Group. It is presented net of funding-related expenses, including interest paid on borrowings and securitisation costs.

7. Tax relief from capital losses

In recent years, a deferred tax asset has been established in IFRS for historic capital losses which are regarded as being capable of utilisation over the medium term. The tax asset is ignored for Cash result purposes as it is not fungible, but instead the cash benefit realised when losses are utilised is shown in the **tax relief from capital losses** line.

Utilisation during the year of £9.2 million tax value (2020: £13.7 million) was in line with guidance. While dependent on market performance, we expect future utilisation of £5 million - £7 million per year from the remaining stock of £26.8 million (31 December 2020: £35.5 million).

8. Miscellaneous

This category represents the net cash flow of the business not covered in any of the other categories. It includes ongoing administration expenses and associated policy charges, utilisation of the deferred tax asset in respect of prior years' unrelieved expenses (due to structural timing differences in the life company tax computation) and movements in the fair value of renewal income assets.

9. Restructuring

In 2021 we recognised the one-off cost of a **restructuring** exercise associated with an employee redundancy programme in the year. The total expense is £9.7 million, with the modest increase from the first-half balance reflecting final costs against the half-year estimate.

10. Change in capitalisation policy

In the second half of the year we recognised a further one-off cost of £4.1 million. During the year the International Financial Reporting Standards Interpretations Committee provided additional guidance on the recognition of software configuration costs. In line with the wider industry we have reflected this guidance in a **change in capitalisation policy**.

Reconciliation of Cash result expenses to IFRS expenses

Whilst certain expenses are recognised in separate line items on the face of the Cash result, expenses which vary with business volumes, such as payments to Partners and third-party administration expenses, and expenses which relate to investment in specific areas of the business such as DFM, are netted from the relevant income lines rather than presented separately. In order to reconcile to the IFRS expenses presented on the face of the Consolidated Statement of Comprehensive Income on page 178, the expenses netted from income lines in the Cash result need to be added in, as do certain IFRS expenses which by definition are not included in the Cash result. In addition, all expenses need to be converted from post-tax, as they are presented in the Cash result, to pre-tax, as they are presented under IFRS.

Expenses presented on the face of the Cash result before and after tax are set out below.

	Year ended 31 December 2021			Year ended 31 December 2020		
	Before tax	Tax rate	After tax	Before tax	Tax rate	After tax
	£'Million	Percentage	£'Million	£'Million	Percentage	£'Million
Controllable expenses						
Establishment expenses	247.3	19.0%	200.3	247.0	19.0%	200.0
Development expenses (Operational and Strategic)	66.7	19.0%	54.0	51.7	19.0%	42.1
Academy	12.7	19.0%	10.3	11.8	19.0%	9.5
Total controllable expenses	326.7		264.6	310.5		251.6
Other costs presented separately on the face of the Cash result						
Regulatory fees and FSCS levy	46.6	19.0%	37.8	47.9	19.0%	38.9
Restructuring	12.0	19.0%	9.7	-	-	-
Change in capitalisation policy	5.1	19.0%	4.1	-	-	-
Back-office infrastructure development costs	-	-	-	12.4	19.0%	10.0
Total expenses presented separately on the face of the Cash result	390.4		316.2	370.8		300.5

The total expenses presented separately on the face of the Cash result before tax then reconciles to IFRS expenses as set out below.

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Total expenses presented separately on the face of the Cash result before tax	390.4	370.8
<i>Expenses which vary with business volumes</i>		
Other performance-related costs	145.0	107.5
Payments to Partners	988.0	827.0
Investment expenses	88.0	90.1
Third-party administration	128.0	119.7
Other	64.3	37.4
<i>Expenses relating to investment in specific areas of the business</i>		
Asia expenses	23.3	22.1
DFM expenses	31.0	26.7
Total expenses included in the Cash result	1,858.0	1,601.3
<i>Expenses which are not included in the Cash result</i>		
Amortisation of DAC and PVIF, net of additions	48.1	68.8
Non-cash-settled share-based payments expenses	20.4	10.6
Other	4.8	7.3
Total IFRS Group expenses before tax	1,931.3	1,688.0

Expenses which vary with business volumes

Other performance-related costs, for both Partners and employees, vary with the level of new business and the operating profit performance of the business. **Payments to Partners, investment expenses** and **third-party administration costs** are met through charges to clients, and so any variation in them from changes in the volumes of new business or the level of the stock markets does not impact Group profitability significantly.

Each of these items is recognised within the net annual management fee or margin arising from new business lines of the Cash result, depending on the nature of the expense.

Other expenses include interest expense and bank charges, operating costs of acquired independent financial advisers (IFAs) and donations to the St. James's Place Charitable Foundation. They are recognised across various lines in the Cash result, including shareholder interest and miscellaneous.

Expenses relating to investment in specific areas of the business

Asia expenses and **DFM expenses** both reflect disciplined expense control during the year, whilst continuing to invest to support growth. Such investment will continue going forward.

In the Cash result, Asia and DFM expenses are presented net of the income they generate.

Financial Review

2.2 Cash result continued**Expenses which are not included in the Cash result**

DAC amortisation, net of additions, PVIF amortisation and non-cash-settled share-based payment expenses are the primary expenses which are recognised under IFRS but are excluded from the Cash result.

Derivation of the Cash result

The Cash result is derived from the IFRS Consolidated Statement of Financial Position in a two-stage process:

Stage 1: Solvency II Net Assets Balance Sheet

Firstly, the IFRS Consolidated Statement of Financial Position is adjusted for a number of material balances that reflect policyholder interests in unit-linked liabilities together with the underlying assets that are held to match them. Secondly, it is adjusted for a number of non-cash 'accounting' balances such as DIR, DAC and associated deferred tax. The result of these adjustments is the Solvency II Net Assets Balance Sheet and the following table shows the way in which it has been calculated at 31 December 2021.

31 December 2021	Note	IFRS Balance Sheet £'Million	Adjustment 1 £'Million	Adjustment 2 £'Million	Solvency II Net Assets Balance Sheet £'Million	Solvency II Net Assets Balance Sheet: 2020 £'Million
Assets						
Goodwill		29.6	–	(29.6)	–	–
Deferred acquisition costs		379.6	–	(379.6)	–	–
Purchased value of in-force business		14.4	–	(14.4)	–	–
Computer software		27.0	–	(27.0)	–	–
Property and equipment	1	154.5	–	–	154.5	174.4
Deferred tax assets	2	20.6	–	(15.6)	5.0	0.7
Investment in associates		1.4	–	–	1.4	–
Reinsurance assets		82.4	–	(82.4)	–	–
Other receivables	3	2,923.0	(1,332.4)	(3.0)	1,587.6	1,546.2
Investment property		1,568.5	(1,568.5)	–	–	–
Equities		106,782.3	(106,782.3)	–	–	–
Fixed income securities	4	29,305.9	(29,298.1)	–	7.8	7.4
Investment in Collective Investment Schemes	4	5,513.2	(3,907.9)	–	1,605.3	1,264.8
Derivative financial instruments		1,094.6	(1,094.6)	–	–	–
Cash and cash equivalents	4	7,832.9	(7,587.2)	–	245.7	254.9
Total assets		155,729.9	(151,571.0)	(551.6)	3,607.3	3,248.4
Liabilities						
Borrowings	5	433.0	–	–	433.0	341.8
Deferred tax liabilities	2	649.8	–	(25.4)	624.4	378.0
Insurance contract liabilities		572.3	(487.8)	(84.5)	–	–
Deferred income		562.6	–	(562.6)	–	–
Other provisions	6	44.1	–	–	44.1	34.3
Other payables	1, 3	2,604.5	(1,344.9)	(5.2)	1,254.4	1,242.9
Investment contract benefits		110,349.8	(110,349.8)	–	–	–
Derivative financial instruments		1,019.5	(1,019.5)	–	–	–
Net asset value attributable to unit holders		38,369.0	(38,369.0)	–	–	–
Income tax liabilities	7	6.1	–	–	6.1	32.7
Preference shares		–	–	–	–	0.1
Total liabilities		154,610.7	(151,571.0)	(677.7)	2,362.0	2,029.8
Net assets		1,119.2	–	126.1	1,245.3	1,218.6

Adjustment 1 strips out the policyholder interest in unit-linked assets and liabilities, to present solely shareholder-impacting balances. For further information refer to Note 11 Investments, investment property and cash and cash equivalents within the IFRS Financial Statements.

Adjustment 2 removes items such as DAC, DIR, PVIF and their associated deferred tax balances from the IFRS Statement of Financial Position to bring it in line with Solvency II recognition requirements.

Notes to the Solvency II Net Assets Balance Sheet**1. Property and equipment, and other payables**

£120.3 million (2020: £133.7 million) of the property and equipment balance represents the right to use leased assets. It has decreased year-on-year as the leased assets are depreciated. Lease liabilities of £124.1 million are recognised within the other payables line (2020: £132.7 million). These have decreased as lease payments are made.

Notes 9, 10 and 13 to the IFRS Financial Statements provide further detail on property and equipment, leases and other payables respectively.

2. Deferred tax assets and liabilities

Analysis of deferred tax assets and liabilities, including how they have moved year-on-year, is set out in Note 7 Income and deferred taxes within the IFRS Financial Statements.

3. Other receivables and other payables

Detailed breakdowns of other receivables and other payables can be found in Note 12 Other receivables and Note 13 Other payables within the IFRS Financial Statements.

Other receivables on the Solvency II Net Assets Balance Sheet have increased from £1,546.2 million at 31 December 2020 to £1,587.6 million at 31 December 2021, principally reflecting an increase in securitised business loans to Partners. Further information on business loans to Partners is provided overleaf.

Within other receivables there are two items which merit further analysis:

Operational readiness prepayment asset

One of the items within other receivables is the operational readiness prepayment asset. This has arisen from the investment we have made into our back-office infrastructure project, which has been a complex, multi-year programme. In addition to expensing our internal project costs through the IFRS Statement of Comprehensive Income and Cash result as incurred, we have been capitalising Bluedoor development costs as a prepayment asset on the IFRS Statement of Financial Position. The asset, which stood at £296.3 million at 31 December 2021 (31 December 2020: £313.9 million) has been amortising through the IFRS Statement of Comprehensive Income and the Cash result since 2017 and will continue to do so over the remaining life of the contract, which at 31 December 2021 is 12 years.

The movement schedule below demonstrates how the operational readiness prepayment has built up over the past two years.

	2021 £'Million	2020 £'Million
Cost		
At 1 January	406.6	360.1
Additions during the year	6.9	46.5
At 31 December	413.5	406.6
Accumulated amortisation		
At 1 January	(92.7)	(60.9)
Amortisation during the year	(24.5)	(31.8)
At 31 December	(117.2)	(92.7)
Net book value	296.3	313.9

The amortisation expense is recognised within third-party administration expenses in the IFRS result, and within the net annual management fee and margin arising from new business lines of the Cash result. It is more than offset by the lower tariff charges on Bluedoor compared to the previous system, which grow as the business grows, benefiting both the IFRS and Cash results.

Financial Review

2.2 Cash result continued

Business loans to Partners

Facilitating business loans to Partners is a key way in which we are able to support growing Partner businesses. Such loans are principally used to enable Partners to take over the businesses of retiring or downsizing Partners, and this process creates broad stakeholder benefits. First, clients benefit from enhanced continuity of St. James's Place advice and service over time; second, Partners are able to build and ultimately realise value in the high-quality and sustainable businesses they have created; and finally, the Group and, in turn, shareholders, benefit from high levels of adviser and client retention.

In addition to recognising a strong business case for facilitating such lending, we recognise too the fundamental strength and credit quality of business loans to Partners. Over more than ten years, cumulative write-offs have totalled less than 5bps of gross loans advanced, with such low impairment experience attributable to a number of factors that help to mitigate the inherent credit risk in lending. These include taking a cautious approach to Group credit decisions, with lending secured against prudent business valuations. Demonstrating this, key loan-to-value (LTV) information is set out in the table below.

	31 December 2021	31 December 2020
Aggregate LTV across the total Partner lending book	29%	31%
Proportion of the book where LTV is over 75%	7%	12%
Net exposure to loans where LTV is over 100% (£'Million)	4.6	9.2

If FUM were to decrease by 10%, the net exposure to loans where LTV is over 100% at 31 December 2021 would increase to £6.6 million (31 December 2020: increase to £11.3 million).

Our credit experience also benefits from the structure of business loan to Partner repayments. The Group collects advice charges from clients. Prior to making the associated payment to Partners, we deduct loan capital and interest payments from the amount due. This means the Group is able to control repayments.

During the year we have continued to facilitate business loans to Partners, primarily focused on securitised loans and so this balance has increased. Business loans to Partners directly funded by the Group has remained broadly stable year-on-year as new loans advanced have approximately matched repayments received.

	31 December 2021	31 December 2020
	£'Million	£'Million
Total business loans to Partners	521.6	476.7
<i>Split by funding type:</i>		
Business loans to Partners directly funded by the Group	307.6	319.6
Securitised business loans to Partners	214.0	157.1

4. Liquidity

Cash generated by the business is held in highly rated government securities, AAA-rated money market funds, and bank accounts. Although these are all highly liquid, only the latter is classified as cash and cash equivalents on the Solvency II Net Assets Balance Sheet. The total liquid assets held are as follows.

	31 December 2021	31 December 2020
	£'Million	£'Million
Fixed interest securities	7.8	7.4
Investment in Collective Investment Schemes (AAA-rated money market funds)	1,605.3	1,264.8
Cash and cash equivalents	245.7	254.9
Total liquid assets	1,858.8	1,527.1

The Group's primary source of net cash generation is product charges. In line with profit generation, as most of our investment and pension business enters a gestation period, there is no cash generated (apart from initial charges) for the first six years of an investment. This means that the amount of cash generated will increase year on year as FUM in the gestation period becomes mature and is subject to annual product management charges. Unit trust and ISA business does not enter the gestation period, and so generates cash immediately from the point of investment.

Cash is used to invest in the business and to pay the Group dividend. Our dividend guidance is set such that appropriate cash is retained in the business to support the investment needed to meet our future growth aspirations.

Our most significant investment in the business in recent years has been the development of Bluedoor, which has had a substantial impact on our liquid assets, and borrowings positions. Since the inception of the project in 2014 we have capitalised £413.5 million of development spend on Bluedoor in our operational readiness prepayment asset. This is in addition to £196.3 million of internal project costs that we have expensed as incurred. The total cash outflow on the project is £609.8 million. This project has now been completed and so no further cash outflows will be incurred.

5. Borrowings

The Group continues to pursue a strategy of diversifying and broadening its access to debt finance. We have done this successfully over time, including the creation and execution of the securitisation vehicle referred to in the previous years. For accounting purposes we are obliged to disclose on our Statement of Financial Position the value of loan notes relating to the securitisation, which has the effect of inflating the reported level of borrowings. However, these are secured only on the securitised portfolio of business loans to Partners, and hence are non-recourse to the Group's other assets.

This means that the senior tranche of non-recourse securitisation loan notes, whilst included within borrowing, are very different from the Group's senior unsecured corporate borrowings, which are used to manage working capital and to fund investment in the business.

	31 December 2021	31 December 2020
	£'Million	£'Million
Corporate borrowings: bank loans	106.8	112.7
Corporate borrowings: loan notes	163.8	113.8
Senior unsecured corporate borrowings	270.6	226.5
Senior tranche of non-recourse securitisation loan notes	162.4	115.3
Total borrowings	433.0	341.8

The 2020 year-end senior unsecured corporate borrowing position benefitted from the decision to temporarily withhold payment of a portion of the 2019 final dividend and not pay a 2020 interim dividend. With dividend payments having resumed in full in 2021, these borrowings returned to more normal levels during the year.

The senior tranche of non-recourse securitisation loan notes has increased in the year due to the increase in securitised business loans to Partners.

Further information is provided in Note 16 Borrowings and financial commitments within the IFRS Financial Statements.

6. Other provisions

Further information on other provisions, including how the balance has moved year-on-year, is set out in Note 15 Other provisions and contingent liabilities within the IFRS Financial Statements.

7. Income tax liabilities

The Group has an income tax liability of £6.1 million at 31 December 2021 compared to £32.7 million at 31 December 2020. This is due to a current tax charge of £293.6 million, tax paid of £319.1 million and the impact of acquisitions and disposals of Group entities of £1.1 million during the year. Further detail is provided in Note 7 Income and deferred taxes.

Stage 2: Movement in Solvency II Net Assets Balance Sheet

After the Solvency II Net Assets Balance Sheet has been determined, the second stage in the derivation of the Cash result identifies a number of movements in that balance sheet which do not represent cash flows for inclusion within the Cash result. The following table explains how the overall Cash result reconciles to the total movement.

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Opening Solvency II net assets	1,218.6	1,056.8
Dividend paid	(329.9)	(107.1)
Issue of share capital and exercise of options	29.0	3.3
Consideration paid for own shares	–	(3.9)
Change in deferred tax	0.5	(8.2)
Impact of policyholder tax asymmetry	(52.9)	61.7
Change in goodwill, intangibles and other non-cash movements	(7.4)	(38.7)
Cash result	387.4	254.7
Closing Solvency II net assets	1,245.3	1,218.6

Financial Review

2.3 European Embedded Value (EEV)

Wealth management differs from most other businesses, in that the expected shareholder income from client investment activity emerges over a long period in the future. We therefore supplement the IFRS and Cash results by providing additional disclosure on an EEV basis, which brings into account the net present value of the expected future cash flows. We believe that a measure of the total economic value of the Group's operating performance is useful to investors.

As in previous reporting, our EEV continues to be calculated on a basis determined in accordance with the EEV principles originally issued in May 2004 by the Chief Financial Officers Forum (CFO Forum) and supplemented both in October 2005 and, following the introduction of Solvency II, in April 2016.

Many of the principles and practices underlying EEV are similar to the requirements of Solvency II, and we have sought to align them as closely as possible. The table below and accompanying notes summarise the profit before tax of the combined business.

	Note	Year ended 31 December 2021	Year ended 31 December 2020
		£'Million	£'Million
Funds management business	1	1,662.9	1,077.8
Distribution business	2	(24.4)	(75.7)
Back-office infrastructure development		–	(12.4)
Other		(93.1)	(70.7)
EEV operating profit		1,545.4	919.0
Investment return variance	3	894.5	304.4
Economic assumption changes	4	4.2	(47.4)
EEV profit before tax		2,444.1	1,176.0
Tax		(578.7)	(226.6)
Corporation tax rate change	5	(412.7)	(126.9)
EEV profit after tax		1,452.7	822.5

A reconciliation between EEV operating profit before tax and IFRS profit before tax is provided in Note 3 Segment Reporting within the IFRS Financial Statements.

Notes to the EEV result

1. Funds management business EEV operating profit

The funds management business operating profit has increased to £1,662.9 million (2020: £1,077.8 million) and a full analysis of the result is shown below.

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
New business contribution	1,002.2	766.3
Profit from existing business		
– unwind of the discount rate	275.8	279.6
– experience variance	89.5	16.9
– operating assumption change	293.0	10.5
Investment income	2.4	4.5
Funds management EEV operating profit	1,662.9	1,077.8

The **new business contribution** for the year at £1,002.2 million (2020: £766.3 million) was 31% higher than the prior year, primarily reflecting the increase in new business volumes.

The **unwind of the discount rate** for the year was broadly flat at £275.8 million (2020: £279.6 million). This reflects the higher opening value of in-force business but a lower opening discount rate for the year: 3.4% in 2021 compared to 4.0% in 2020.

The **experience variance** during the year was £89.5 million (2020: £16.9 million). This reflects positive retention experience over the year partially offset by increased development expenses.

The **impact of operating assumption changes** in the year was a positive £293.0 million (2020: positive £10.5 million). The increase arises from a small improvement to the persistency assumptions for onshore bond and pension business, reflecting positive retention experience over recent years, and revisions to the expense basis, reflecting economies of scale achieved during the year.

2. Distribution business

The distribution loss includes the positive gross margin arising from advice income less payments to advisers, offset by the costs of investment in growing the Partnership and building the distribution capabilities in Asia. The gross margin has increased year-on-year reflecting the high volume of new business in the year. However, the FSCS levy expense remained high at £23.6 million (2020: £25.2 million), impacting the reported loss.

3. Investment return variance

The investment return variance reflects the capitalised impact on the future annual management fees resulting from the difference between the actual and assumed investment returns. Given the size of our FUM, a small difference can result in a large positive or negative variance.

The typical investment return on our funds during the year was positive 11.4% after charges, compared to the assumed investment return of positive 2.2%. This resulted in a positive investment return variance of £894.5 million (2020: positive £304.4 million).

4. Economic assumption changes

The positive variance of £4.2 million arising in the year (2020: negative £47.4 million) reflects the positive effect from the increase in gilt yields, offset by an increase in the expected rate of inflation.

5. Corporation tax rate change

In the UK budget of 3 March 2021 it was announced that the main rate of corporation tax will increase from 19% to 25% with effect from 1 April 2023. This change was substantively enacted on 24 May 2021 within the Finance Bill 2021 and as a result the relevant deferred tax balances have been remeasured.

New business margin

The largest single element of the EEV operating profit (analysed in the previous section) is the new business contribution. The level of new business contribution generally moves in line with new business levels. To demonstrate this link, and aid understanding of the results, we provide additional analysis of the new business margin (the margin). This is calculated as the new business contribution divided by the gross inflows, and is expressed as a percentage.

The table below presents the margin before tax from our manufactured business.

	Year ended 31 December 2021	Year ended 31 December 2020
Investment		
New business contribution (£'Million)	153.0	104.1
Gross inflows (£'Billion)	2.62	1.77
Margin (%)	5.8	5.9
Pension		
New business contribution (£'Million)	512.0	439.6
Gross inflows (£'Billion)	9.86	8.44
Margin (%)	5.2	5.2
Unit Trust and DFM		
New business contribution (£'Million)	337.2	222.6
Gross inflows (£'Billion)	5.72	4.12
Margin (%)	5.9	5.4
Total business		
New business contribution (£'Million)	1,002.2	766.3
Gross inflows (£'Billion)	18.20	14.33
Margin (%)	5.5	5.3
Post-tax margin (%)	4.2	4.3

The overall margin for the year was 5.5% (2020: 5.3%). The improvement year-on-year is due to a combination of the positive impact of the change in persistency and controlled expenses, offset in the post-tax result by the future change in the tax rate.

Financial Review

2.3 European Embedded Value (EEV) continued

Economic assumptions

The principal economic assumptions used within the cash flows at 31 December are set out below.

	Year ended 31 December 2021	Year ended 31 December 2020
Risk-free rate	1.1%	0.3%
Inflation rate	4.0%	3.3%
Risk discount rate	4.2%	3.4%
Future investment returns:		
– Gilts	1.1%	0.3%
– Equities	4.1%	3.3%
– Unit-linked funds	3.4%	2.6%
Expense inflation	4.4%	3.7%

The risk-free rate is set by reference to the yield on ten-year gilts. Other investment returns are set by reference to the risk-free rate.

The inflation rate is derived from the implicit inflation in the valuation of ten-year index-linked gilts. This rate is increased to reflect higher increases in earnings-related expenses.

EEV sensitivities

The table below shows the estimated impact on the reported value of new business and EEV to changes in various EEV-calculated assumptions. The sensitivities are specified by the EEV principles and reflect reasonably possible levels of change. In each case, only the indicated item is varied relative to the restated values.

	Note	Change in new business contribution		Change in European Embedded Value
		Pre-tax	Post-tax	Post-tax
		£'Million	£'Million	£'Million
Value at 31 December 2021		1,002.2	762.2	8,957.4
100bp reduction in risk-free rates, with corresponding change in fixed interest asset values	1	(35.7)	(27.6)	(154.4)
10% increase in withdrawal rates	2	(72.7)	(55.1)	(478.8)
10% reduction in market value of equity assets	3	–	–	(890.7)
10% increase in expenses	4	(26.3)	(20.3)	(103.9)
100bps increase in assumed inflation	5	(35.7)	(27.5)	(154.2)

Notes to the EEV sensitivities

1. This is the key economic basis change sensitivity. The business model is relatively insensitive to change in economic basis. Note that the sensitivity assumes a corresponding change in all investment returns but no change in inflation.
2. The 10% increase is applied to the withdrawal rate. For instance, if the withdrawal rate is 8% then a 10% increase would reflect a change to 8.8%.
3. For the purposes of this sensitivity all unit-linked funds are assumed to be invested in equities. The actual mix of assets varies and in recent years the proportion invested directly in UK and overseas equities has exceeded 70%.
4. For the purposes of this sensitivity only non-fixed elements of the expenses are increased by 10%.
5. This reflects a 100bps increase in the assumed RPI underlying the expense inflation calculation.

	Change in new business contribution		Change in European Embedded Value
	Pre-tax	Post-tax	Post-tax
	£'Million	£'Million	£'Million
100bps reduction in risk discount rate	119.2	90.3	680.7

Although not directly relevant under a market-consistent valuation, this sensitivity shows the level of adjustment which would be required to reflect differing investor views of risk.

Analysis of the EEV result

The table below provides a summarised breakdown of the embedded value position at the reporting dates.

	31 December 2021	31 December 2020
	£'Million	£'Million
Value of in-force business	7,712.1	6,566.6
Solvency II net assets	1,245.3	1,218.6
Total embedded value	8,957.4	7,785.2
	£	£
Net asset value per share	16.57	14.49

The EEV result above reflects the specific terms and conditions of our products. Our pension business is split between two portfolios. Our current product, the Retirement Account, was launched in 2016 and incorporates both pre-retirement and post-retirement phases of investment in the same product. Earlier business was written in our separate Retirement Plan and Drawdown Plan products, targeted at the each of the two phases separately, and therefore has a slightly shorter term and lower new business margin.

Our experience is that much of our Retirement Plan business converts into Drawdown business at retirement, but, in line with the EEV guidelines, we are required to defer recognition of the additional value from the Drawdown Plan until it is crystallised. If instead we were to assess the future value of Retirement Plan business (beyond the immediate contract boundary) in a more holistic fashion, in line with Retirement Account business, this would result in an increase of approximately £395 million to our embedded value at 31 December 2021 (31 December 2020: £385 million).

Section 3

Solvency

St. James's Place has a business model and risk appetite that result in underlying assets being held that fully match our obligations to clients. Our clients can access their investments 'on demand' and because the encashment value is matched, movements in equity markets, currency markets, interest rates, mortality, morbidity and longevity have very little impact on our ability to meet liabilities. We also have a prudent approach to investing shareholder funds and surplus assets in cash, AAA-rated money market funds and highly rated government securities. The overall effect of the business model and risk appetite is a resilient solvency position capable of enabling liabilities to be met even through adverse market conditions.

Our Life businesses are subject to the Solvency II capital regime which applied for the first time in 2016. Given the relative simplicity of our business compared to many, if not most, other organisations that fall within the scope of Solvency II, we have continued to manage the solvency of the business on the basis of holding assets to match client unit-linked liabilities plus a management solvency buffer (MSB). This has ensured that not only can we meet client liabilities at all times (beyond the Solvency II requirement of a '1-in-200 years' event), but we also have a prudent level of protection against other risks to the business. At the same time, we have ensured that the resulting capital held meets with the requirements of the Solvency II regime, to which we are ultimately accountable.

For the year ended 31 December 2021 we reviewed the level of our MSB and increased the MSB for the Life businesses to £355 million (31 December 2020: £345 million), reflecting business growth and market conditions.

The Group's overall Solvency II net assets position, MSB, and management solvency ratios are as follows.

31 December 2021	Life ¹	Other regulated	Other ^{1,2}	Total	31 December 2020 Total
	£'Million	£'Million	£'Million	£'Million	£'Million
Solvency II net assets	392.5	344.6	508.2	1,245.3	1,218.6
MSB	355.0	163.0	–	518.0	501.3
Management solvency ratio	111%	211%	–	–	–

1 After payment of year-end intra-Group dividend.

2 Before payment of the Group final dividend.

Solvency II Balance Sheet

Whilst we focus on Solvency II net assets and the MSB to manage solvency, we provide additional information about the Solvency II free asset position for information. The presentation starts from the same Solvency II net assets, but includes recognition of an asset in respect of the expected value of in-force (VIF) cash flows and a risk margin (RM) reflecting the potential cost to secure the transfer of the business to a third party. The Solvency II net assets, VIF and RM comprise the 'own funds', which are assessed against our regulatory solvency capital requirement (SCR), reflecting the capital required to protect against a range of '1-in-200' stresses. The SCR is calculated on the standard formula approach. No allowance has been made for transitional provisions in the calculation of technical provisions or the SCR.

An analysis of the Solvency II position for our Group, split by regulated and non-regulated entities at the year-end, is presented in the table below.

31 December 2021	Life ¹	Other regulated	Other ^{1,2}	Total	31 December 2020 Total
	£'Million	£'Million	£'Million	£'Million	£'Million
Solvency II net assets	392.5	344.6	508.2	1,245.3	1,218.6
Value of in-force (VIF)	5,640.1	–	–	5,640.1	4,756.3
Risk margin	(1,622.9)	–	–	(1,622.9)	(1,357.5)
Own funds (A)	4,409.7	344.6	508.2	5,262.5	4,617.4
Solvency capital requirement (B)	(3,831.6)	(107.5)	–	(3,939.1)	(3,506.6)
Solvency II free assets	578.1	237.1	508.2	1,323.4	1,110.8
Solvency ratio (A/B)	115%	321%	–	134%	132%

1 After payment of year-end intra-Group dividend.

2 Before payment of the Group final dividend.

The solvency ratio after payment of the proposed Group final dividend is 128% at the year-end (31 December 2020: 124%).

We continue to target a solvency ratio of 110% for SJPUK, our largest insurance subsidiary, as agreed with our regulator the PRA. The combined solvency ratio for our Life companies, after payment of the year-end intra-Group dividend, is 115% at 31 December 2021 (31 December 2020: 112%).

Solvency II sensitivities

The table below shows the estimated impact on the Solvency II free assets, the SCR and the solvency ratio from changes in various assumptions underlying the Solvency II calculations. In each case, only the indicated item is varied relative to the restated values.

The solvency ratio is not very sensitive to changes in experience or assumptions, and, due to the approach to matching unit-linked liabilities with appropriate assets, can move counter-intuitively depending on circumstances, as demonstrated by the sensitivity analysis presented below.

Note	Solvency II free assets	Solvency II capital requirement	Solvency ratio
	£'Million	£'Million	%
Value at 31 December 2021	1,323.4	3,939.1	134%
100bps reduction in risk-free rates, with corresponding change in fixed interest asset values	1,174.3	3,946.7	130%
10% increase in withdrawal rates	1,388.6	3,679.5	138%
10% reduction in market value of equity assets	1,479.1	3,284.8	145%
10% increase in expenses	1,248.8	3,934.3	132%
100bps increase in assumed inflation	1,208.6	3,939.5	131%

Notes to the Solvency II sensitivities

- This is the key economic basis change sensitivity. The business model is relatively insensitive to change in economic basis. Note that the sensitivity assumes a corresponding change in all investment returns but no change in inflation.
- The 10% increase is applied to the lapse rate. For instance, if the lapse rate is 8% then a 10% increase would reflect a change to 8.8%.
- For the purposes of this sensitivity all unit-linked funds are assumed to be invested in equities. The actual mix of assets varies and in recent years the proportion invested directly in UK and overseas equities has exceeded 70%. The sensitivity reflects the impact of changes in the equity dampener on market risk capital.
- For the purposes of this sensitivity all expenses are increased by 10%.
- This reflects a 100bps increase in the assumed RPI underlying the expense inflation calculation.

Risk and Risk Management

Effective risk management

Overview and culture

The business activities and the industry within which the Group operates expose us to a wide variety of inherent risks. Therefore effective risk management, underpinned by a good risk culture, is critical to our success. We comprehensively identify and assess risks in order to carefully select our appetite for those risks and then manage them accordingly. When assessing risks and deciding on the appropriate response we consider the potential impacts on our key stakeholders: clients, advisers, shareholders, regulators, employees and society. Our most material risks are managed through the design and operation of our client and Partner proposition, including the way in which it is delivered and administered.

The inherent risk environment faced by the Group develops over time with current and emerging factors and trends (including the impacts from COVID-19, political risks such

as changes in taxation, macro-economic factors, cyber crime and climate change), some of which may impact our short- and/or longer-term profitability. Under the leadership, direction and oversight of our Board, these risks are carefully understood and managed to achieve our business priorities (as set out on pages 24 to 31).

We do not, and cannot, seek to eliminate risk entirely; rather we seek to understand our risks fully and manage them appropriately. The emphasis is on applying effective risk management strategies, so that all material risks are identified and managed within the agreed risk appetite. Risk management is embedded within our culture and therefore is a core aspect of decision-making.

Risk management forms a key part of the business planning process, including decisions on strategic developments to our client and Partner propositions, investments and dividend payments.

Our risk appetite

The Board carefully sets its appetite for taking risk against the Group's business priorities. These choices are set out in detail in our Group Risk Appetite Statement, which is reviewed at least annually by the Risk Committee, senior risk owners and the Executive Board before being approved by the Board. The Group Risk Appetite Statement also provides clarity over ownership, enabling us to identify the key individuals within the Group who have responsibility for managing these risks. The Group Risk Appetite Statement informs the entity Risk Appetite Statements prepared and approved by the regulated subsidiary boards within the Group.

The Group Risk Appetite Statement includes a risk appetite scale. This scale has several risk acceptance levels, ranging from no appetite for taking risks at all, through to acceptance of risk. The level of risk we are willing to accommodate will vary dependent on individual risk scenarios.

Risk appetite can and will change over time, sometimes rapidly as economic and business environment conditions change, and therefore the statement is an evolving document. A comprehensive suite of key risk indicators (KRIs) is reported regularly to enable the Risk Committee, on behalf of the Board, to monitor that the Group remains within its accepted appetite.

Our Risk Management Framework

The internal control environment is built upon a strong control culture and organisational assignment of responsibility. The 'first line' business is responsible and accountable for risk management. This is then combined with oversight from the 'second line' risk, controls and compliance functions and assurance from the 'third line' internal audit to form a 'three lines of defence' model.

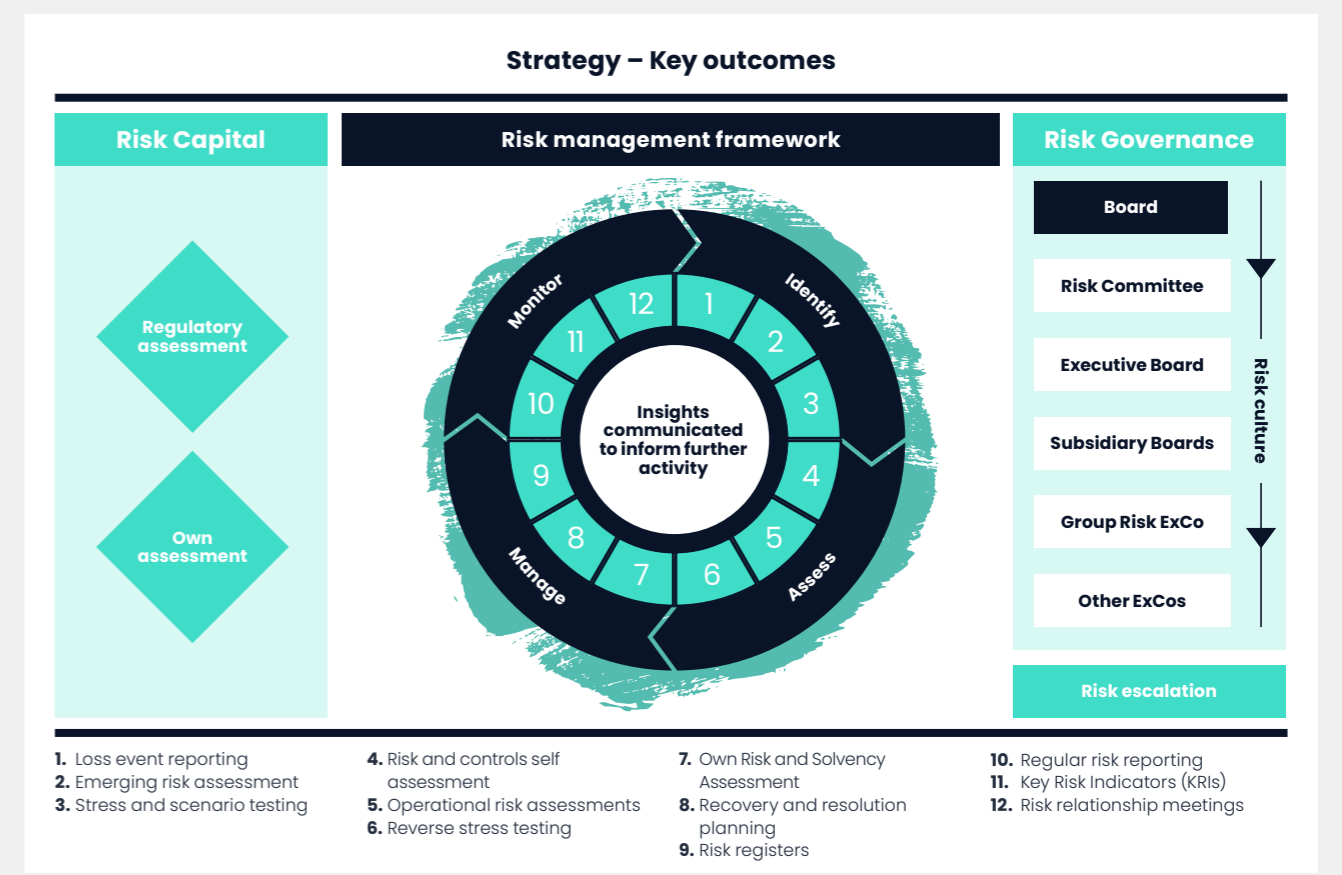
The Risk Management Framework is a combination of processes by which the Group identifies, assesses, measures, manages and monitors the risks that may impact on the successful delivery of its business priorities. Based upon our risk appetite, the risks identified are either accepted or appropriate actions are taken to mitigate them.

The Board, through the Risk Committee, takes an active role in overseeing the Risk Management Framework, for which it is responsible. As part of this the Board robustly assesses its principal and emerging risks, which are considered in regular reporting and summarised annually in the Own Risk and Solvency Assessment: further information on this is provided overleaf.

On behalf of the Board, the Audit Committee takes responsibility for assessing the effectiveness of the Group's risk management and internal control systems, covering all material controls, including financial, operational and compliance controls. It does this via an annual review of risk and control self-assessments and monitoring of the effectiveness of the internal control model throughout the year. The systems have been in place for the year under review and up to the date of approval of the Annual Report and Accounts.

The Board receives regular reports from the Risk Committee and Audit Committee and approves key aspects of the Group's Risk Management Framework including the Group Risk Appetite Statement and Group ORSA.

The diagram opposite depicts our Risk Management Framework.



Risk and Risk Management

Own Risk and Solvency Assessment (ORSA)

We are classified as an insurance group and are subject to Solvency II insurance regulation. A key part of this regulation requires a consistent approach to risk management across the Group, supported by the production of an annual ORSA.

The ORSA process follows an annual cycle, which links the business's activity and business priorities with comprehensive risk assessments, and ensures the Group is resilient to stresses both in the short term and over a five-year period. The ORSA cycle is depicted in the diagram below.

The Solvency Capital Requirement for insurers allows for at least a '1 in 200-year' risk event over a one-year time horizon. In addition, severe stresses and scenarios are used to help provide insight into the ability to maintain the required regulatory capital in these conditions. Our results show that it would be possible to maintain regulatory capital across the Group under all stresses for the business planning horizon. The outcomes of these activities assist us when considering the calculations and allocation of risk capital to all major risks in the Group, and the adequacy of capital positions. This process ensures our continued confidence that the regulated entities remain strongly capitalised.

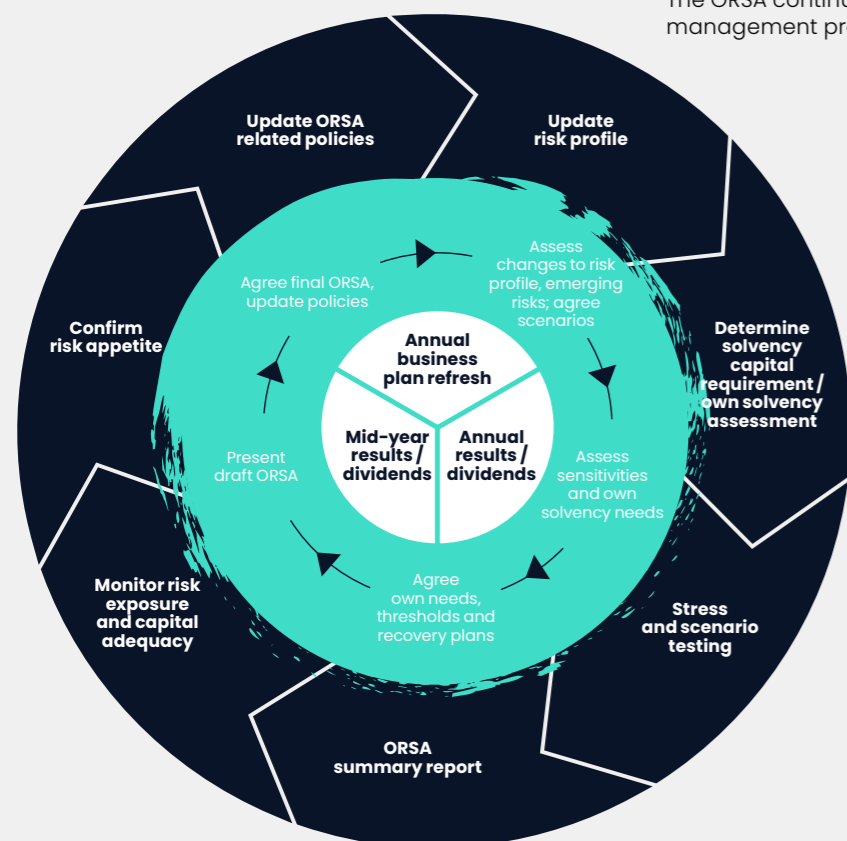
The ORSA uses a five-year projection period for the medium term. Due to the gestation period across some of our pension and investment product ranges, we do not earn annual management fees in the first six years.

As a result, considering a five-year projection period, which is less than the gestation period, is a prudent view of the Group's viability as we consider ongoing revenues generated on existing business only. The ORSA is particularly useful in assessing viability as it involves a comprehensive assessment of risks and capital requirements for the business. Consideration is given to factors or events that impact on our income from funds under management such as market movements, retention of clients and ability to attract new clients. We also consider factors which impact our costs such as inflation, non-inflationary expense increases and operational event-related losses. Combinations of these factors are used to form scenarios which are tested, providing for more extreme combinations of events. Therefore, assumptions are robustly analysed to predict both the immediate impact of an event along with the impact over the longer term (in the wake of the event). In addition to these more extreme 'combination' scenarios, assessments are also completed based on more current/topical or emerging risk exposures affecting the Group or financial services more generally.

The ORSA aids decision-making by bringing together the following processes:

- strategic planning;
- risk appetite consideration;
- risk identification and management; and
- capital planning and management.

The ORSA continues to evolve and further strengthen risk management processes throughout the Group.



Current risk environment

We continue to identify potential challenges ahead and recognise that significant risks remain in relation to COVID-19 variants and the economic consequences from the response to it. We expect to see inflationary challenges in the short to medium term and are mindful of potential risks relating to tightening of monetary policy and changes in tax policy which could change the amount our clients have available to save and how much tax they pay on investments. We also however recognise an opportunity for our advisers, through ongoing financial advice, to support clients in managing their financial affairs so that, as the tax landscape changes, they can adapt and re-plan to meet their goals. We are also mindful of the potential for geopolitical tensions to escalate, which could have relevance to the Group through the impacts on financial markets and through heightened Cyber risk.

Overall we remain confident in our ability to withstand further challenges that may or may not emerge from the risk environment described in more detail below. Timely and targeted risk-based information has been provided to the Board to continue to support decision-making and help the understanding of key issues.

Macro-economic

The uncertainty in relation to COVID-19 has improved significantly as a result of the successful vaccine rollout in the UK which has greatly weakened the link between infections, hospitalisations and deaths. While the future outlook is more positive than this time last year, we remain mindful of the risk posed by emerging mutations of the virus.

Reflecting the stability, resilience and consistency of the Group's business model, COVID-19 has impacted the business in ways which are familiar to our Risk Management Framework. Examples of this are through: market volatility; a reduction in new business in 2020 which has subsequently reversed in 2021; and the continuation of partial remote working for many employees which presents talent management risks.

The UK and international economic recovery have benefitted from programmes of quantitative easing and government support packages, which led to a strong market recovery in 2021 but has also contributed to higher than expected inflation. Inflationary pressures are also arising out of supply-side strain (on both labour and imported goods including fuel) in the UK.

There are good reasons to be optimistic about continued investment and growth of inflows to the Group, however, there are risks that investor sentiment could deteriorate for many reasons including if:

- inflation continues to increase and interest rates rise quickly to counter it;
- geopolitical tensions escalate, for example between Russia or China and the West;
- plans to manage the substantial increase in national debt include a significantly higher tax burden; and
- the relationship between the UK and EU deteriorates and leads to a more challenging trade environment.

Depending on how these risks unfold over time, this could impact SJP through market volatility, possible reductions in new business and lapses.

We expect and have shown in the stress and scenario testing carried out as part our ORSA and Group dividend assessment that the Group continues to remain resilient to macro-economic shocks (including inflation and interest rate shifts) as well as more extreme events.

Climate change

Tackling climate change is an issue of high importance to SJP, our advisers, clients, and regulators. The related risks affect all companies in different ways and we have carefully considered how climate change could impact the Group to identify both risks and opportunities. Climate change is a driver of market-related risk, be that through physical climate events or impacts from transitioning away from fossil fuels. Whilst recognising the unique ways in which climate change can affect individual investments, our approach to managing this risk (and seizing the opportunity in the investment space) is very similar to how we manage other drivers of market-related risk, namely through our Investment Management Approach (IMA) and within that our approach to responsible investing. Further, to ensure our resilience as a Group to market movements, our liabilities to clients are fully matched by our invested assets.

Given that we are comfortable with our approach to managing market related risk and that we do not have material exposure to insurance products beyond unit-linked investments, the key risk to the Group is around reputational damage and failure to meet current and potential clients' expectations. Ultimately, we aim to grow in a sustainable way, taking a long-term view, which ensures we are a force for good for our people, clients, stakeholders and the wider world. As an example of how we are putting this into practice in relation to climate change is that we have pledged that our operations will become climate positive by 2025 and our investments will be net zero by 2050. More information on the actions we are taking can be found on pages 40 to 47. We are confident the steps we are taking on climate-related issues will ensure that Group has a positive impact in the fight against climate change, whilst also managing the risk of failing to meet the expectations of clients.

Risk and Risk Management

Principal risks and uncertainties

The principal risks that the business faces have not changed from the previous year, but the risk landscape has developed over the course of the year. An example of this is that security & resilience remains a principal risk area and cyber risk continues to be a key risk. However, we recognise that the cyber threat continues to develop, particularly with the proliferation of 'ransomware as a service', which increases the inherent cyber risk to the business.






The business priority areas which our principal risks impact, and the high-level controls and processes through which we aim to mitigate them, are set out in the tables on the following pages. Reputational damage and impacts to shareholders and other stakeholders are a likely consequence of any of our principal risks materialising.

The following symbols are used to indicate which primary business priorities our principal risks could impact, recognising that they could also have a secondary impact on other business priorities:


Our business priorities

- Building community** 
- Being easier to do business with** 
- Delivering value to advisers and clients through our investment proposition** 
- Building and protecting our brand and reputation** 
- Our culture and being a leading responsible business** 
- Continued financial strength** 

Risk description	Business priority	Key risks	Example controls/mitigation
Administration service We fail to deliver good-quality administration services to advisers and clients.		<ul style="list-style-type: none"> • Clients and advisers receive poor policy administration • Failure of key administration system change projects • Administrative complexity 	<ul style="list-style-type: none"> • Oversight of service levels by our third-party administration provider • Management of administration centres to ensure key service standards are met • Continuous development of technology • Effective planning of large-scale change projects • Ongoing activity to reduce administrative complexity and ensure operational resilience
Client proposition Our product proposition fails to meet the needs, objectives and expectations of our clients. This includes poor relative investment performance and poor product design.	 	<ul style="list-style-type: none"> • Investments provide poor returns relative to their benchmarks and/or do not deliver expected client outcomes • Range of solutions does not align with the product and service requirements of our current and potential future clients • Failure to meet client expectations of a sustainable business, not least in respect of climate change and responsible investing 	<ul style="list-style-type: none"> • Monitoring of asset allocations across portfolios to ensure they are performing as expected in working towards long-term objectives • Monitoring funds against their objectives and to ensure an appropriate level of investment risk • Ongoing assessment of value delivered by funds and portfolios versus their objectives • Where necessary, managers are changed in the most effective way possible • Continuous development of the range of services offered to clients • Engagement with fund managers around principles of responsible investment
Conduct We fail to provide quality, suitable advice or service to clients.		<ul style="list-style-type: none"> • Advisers deliver poor-quality or unsuitable advice • Failure to evidence the provision of quality service and advice 	<ul style="list-style-type: none"> • Licensing programme ensuring appropriate standard of advice and service from advisers • Technical support helplines for advisers • Timely and clear responses to client complaints • Robust oversight process of the advice provided to clients delivered by Business Assurance, Compliance Assurance, Field Risk and Advice Guidance teams

Risk description	Business priority	Key risks	Example controls/mitigation
Financial We fail to effectively manage the business's finances.		<ul style="list-style-type: none"> • Failure to meet client liabilities • Investment/market risk • Credit risk • Liquidity risk • Insurance risk • Expense risk 	<ul style="list-style-type: none"> • Policyholder liabilities are fully matched • Excess assets generally invested in high-quality, high-liquidity cash and cash equivalents • Lending to the Partnership is secured • Reinsurance of insurance risks • Ongoing monitoring of all risk exposures and experiences • Acceptance of market and persistency risk impact on profit • Setting and monitoring budgets • Implementing new systems to allow for future cost reductions • Monitoring and management of individual entities solvency to minimise Group interdependency
Outsourcing The third-party outsourcers' activities impacts our performance and risk management.	 	<ul style="list-style-type: none"> • Operational failures by material outsourcers • Failure of critical service; significant areas include: <ul style="list-style-type: none"> – investment administration – fund management – custody – policy administration – cloud services 	<ul style="list-style-type: none"> • Oversight regime in place to identify prudent steps to reduce risk of operational failures by material third-party providers • Ongoing monitoring, including assessment of operational resilience • Due diligence performed on key suppliers
Partner proposition Our proposition solution fails to meet the needs, objectives and expectations of our current and potential future Partners.	 	<ul style="list-style-type: none"> • Failure to attract new members of the Partnership • Failure to retain advisers/Partners • Failure to increase adviser productivity • Available technology falls short of client and adviser expectations and fails to support growth objectives • The Academy does not adequately support adviser growth 	<ul style="list-style-type: none"> • Focus on providing a market-leading adviser proposition • Adequately skilled and resourced population of supporting field managers • Reliable systems and administration support • Expanding the Academy capacity and supporting recruits through the Academy and beyond • Market leading support to Partners businesses
People We are unable to attract, retain and organise the right people to run the business.	 	<ul style="list-style-type: none"> • Failure to attract and retain people with key skills • Poor employee engagement • Failure to create an inclusive and diverse business • Poor employee wellbeing • Our culture of supporting social value is eroded 	<ul style="list-style-type: none"> • Measures to maintain a stable population of employees, including competitive total reward packages • Monitoring of employee engagement and satisfaction • Employee wellbeing is supported through various initiatives, benefits and services • Corporate incentives to encourage social value engagement, including matching of employee charitable giving to the Charitable Foundation • Whistleblowing hotline
Regulatory We fail to meet current, changing or new regulatory and legislative expectations.	 	<ul style="list-style-type: none"> • Failure to comply with changing regulation or respond to changes in regulatory expectations • Inadequate internal controls • Failure to respond to regulatory driven changes to the industry in which we operate • Solvency risk 	<ul style="list-style-type: none"> • Compliance function provides expert guidance and carries out extensive assurance work • Strict controls are maintained in highly regulated areas • Maintenance of appropriate solvency capital buffers, and continuous monitoring of solvency experience • Clear accountabilities and understanding of responsibilities across the business • Fostering of positive regulatory relationships

Risk and Risk Management

Risk description	Business priority	Key risks	Example controls/mitigation
Security and resilience We fail to adequately secure our physical assets, systems and/or sensitive information, or to deliver critical business services to our clients.		<ul style="list-style-type: none"> Internal or external fraud Core system failure Corporate, Partnership or third-party information security and cyber risks Disruption in key business services to our clients 	<ul style="list-style-type: none"> Business continuity planning for SJP and its key suppliers Focus on building operational resilience Clear cyber strategy and data protection roadmap for continuous development Data leakage detection technology and incident reporting systems Identification, communication, and response planning for the event of cyber crime Executive-Board level cyber scenario session to test strategic response Internal awareness programmes Identification and assessment of critical business services
Strategy, competition and brand Challenge from competitors and impact of reputational damage.		<ul style="list-style-type: none"> Increased competitive pressure from traditional and disruptive (non-traditional) competitors Cost and charges pressure Negative media coverage Failure to meet our commitments to net 	<ul style="list-style-type: none"> Clear demonstration of value delivered to clients through advice, service and products Investment in improving positive brand recognition Ongoing development of client and Partner propositions Proactive engagement with external agencies including media, industry groups and regulators Clear interim targets to be tracked towards meeting our long-term net zero targets

Emerging risks

Emerging risks are identified through conversations and workshops with stakeholders throughout the business, reviewing academic papers, attending industry events (webinars and in person), and other horizon scanning by the Group risk team.

The purpose of monitoring and reporting emerging risks is to give assurance that we are prioritising our response to emerging risks appropriately in our strategy, which is the primary risk management tool for longer term strategic risks. The Risk Committee has reviewed emerging risks on a quarterly basis and more detail is provided on this in the Chair of the Risk Committee report on pages 129 to 135.

Examples of emerging risks which have been considered during the year include:

- remote talent management;
- climate change, including regulatory changes and 'greenwashing';
- unintended consequences from the adoption of artificial intelligence;
- erosion of industry boundaries; and
- cryptocurrency and blockchain technology.

Viability Statement

How we assess our viability

The business considers five-year financial forecasts when developing its strategy. These incorporate our budget for the next financial year and four further years of forecasts based on reasonable central assumptions around development of business drivers.

At the core of assessing our viability we seek to understand how different principal risks could materialise. We consider risks which might present either in isolation or in combination and which could result in acute shocks to the business or long-term underperformance against forecasted business drivers. We consider the five-year time horizon sufficiently long to assess potential impacts and ensure that the business could remain viable, noting that identified management actions could also be enacted to restore the business's prospects.

When considering how the principal risks previously described might impact the business, we consider our ability to deal with particular events, which may impact one or more of the following key financial drivers:

- reduction in client retention;
- reduction in new business relative to forecasts;
- market stresses;
- increases in expenses; and
- direct losses through operational risk events.

We carry out stress and scenario testing on these key financial drivers, alongside operational risk assessments. To provide comfort over viability over the next five years, the scenarios and assessments look at events which would be extreme, whilst still remaining plausible. This work demonstrates that, although there would be impacts on profitability, the Group is resilient and could continue to meet regulatory capital requirements over five years should even the more extreme risks materialise.

As well as robust scenario testing the Directors have given consideration to assessments of the current risk environment, including how risks are managed through controls relative to the risk appetite, and emerging risks.



Example scenario

A diverse selection of stresses and scenarios are applied to test all material drivers in a variety of ways to provide understanding of dynamic impacts. Most recently we have considered the 2021 Bank of England scenario for stress testing of banks. Whilst this scenario contains many elements which are not directly relevant to the Group, we have considered how the scenario might nevertheless impact the business. Our conclusion is that we believe this would have a less onerous financial impact than the scenarios which we regularly consider.

As an example of a scenario which the business developed and which was considered in March 2021, we assessed the direct financial implications of the ongoing COVID-19 pandemic under a range of economic recovery scenarios. In our more pessimistic scenario, we looked at the immediate impacts and the impact over five years, where we further assumed there were extreme immediate impacts and an 'L' shaped recovery for both new business and market performance over the projection period. That is to say, in this pessimistic scenario, we assumed both the market performance and the impact on new business did not fully recover. In all scenarios, the Group was expected to remain adequately capitalised with sufficient liquid resources and therefore we remain confident of the Group's viability. While we remain viable under these more extreme scenarios, the Group's profits and therefore future dividends would diminish.

It is also worth noting that when extreme events materialise, or the level of uncertainty in the external environment increases, management react accordingly by taking appropriate and measured actions. For example, following the initial uncertainty around COVID-19, the Board decided to withhold around one-third of the proposed 2019 final dividend until March 2021 when the impacts of COVID-19 had become clearer and the dividend was released. This prudent judgement ensured we were comfortable in our resilience and ability to protect clients while continuing investment in the business to increase shareholder value. As a result of our approach we have been well placed to benefit from the return of investor confidence and continue to follow our strategy for growth.

We remain confident that the Group is able to respond to any unforeseen events to ensure the Group remains viable.



Risk and Risk Management

Resilience over different time horizons

The table below provides an indication of which risks are relevant over different timeframes and why the Group is considered to be resilient over these timeframes.

Over the next year

Risks	Resilience
<p>Over the short term, key risks are most likely to be operational, such as cyber crime or failure of operational processes. The emergence of new variants of COVID-19, which incorporate vaccine resistance, is also a key risk to business performance if they lead to downturns in markets and/or new investments, or to continued people-related risks which impact on our operations.</p> <p>Strategic risks which could have a shorter-term impact relate to: maintaining high engagement with the Partnership whilst being limited to fewer in-person events; the pace of delivery of our technological and data strategy; and talent management.</p> <p>It is not expected that solvency will be an issue in the short-term due to our matching approach on liabilities. Liquidity risks would be relevant for this time window since liquidity risks tend to be short term in nature. However, we do not anticipate there being any liquidity risks given the approach to Group and subsidiary entity dividends and liquidity management in general. These risks are also relevant for the longer time periods.</p>	<p>The Group generates relatively steady cash profits on new business and existing funds under management which increase each year as funds in gestation 'mature'.</p> <p>In stress and scenario testing the Group demonstrates a high degree of resilience in its solvency level to falls in markets and new business. If severe risks materialised over the year, the Group's profitability would reduce and whilst other options would be explored first, curtailing investment or reducing dividends would be obvious ways to further protect the financial strength of the business.</p> <p>Operational resilience and business continuity are also important and risks which might cause severe business disruption are carefully managed. There are not considered to be any material uncertainties over the ability of the Group to survive over the one-year time horizon.</p>

Over the next five years

Risks	Resilience
<p>Over the medium term, key risks are: investor sentiment; market impacts; changes to regulation or regulatory expectations particularly relating to advice; and further tax changes to tackle the UK's increased national debt.</p> <p>The importance of technology in the client proposition is only likely to become more important and risks may materialise from non-traditional competitors seeking to disrupt the UK financial advice market.</p> <p>Examples of strategic risks relate to ensuring we continue to provide the best proposition for Partners at each stage of their journey with SJP to support productivity and retention and ensuring we live up to our leading responsible business goals.</p>	<p>Counteracting the medium-term risks, there is more time to respond and take actions to manage the Group's prospects. As already referenced, stress and scenario testing takes place which provides comfort over the Group's ability to weather storms over a five-year time horizon and adapt. The Group's strategy is designed to navigate the threats and keep our proposition attractive for existing and potential clients. As the largest wealth manager in the UK the Group is well resourced to effectively respond to regulatory change and deal with increased regulatory complexity.</p> <p>Whilst the importance of technology in the advice space will grow, we believe that overall our target market will continue to value human interaction in discussing sensitive financial matters. Delivery of our technology strategy will support clients and advisers in making the most of their interactions and drive efficiency of the back office.</p> <p>Ensuring that we have an excellent proposition for Partners is a core focus for the Group and careful consideration is given to how we should evolve our proposition over time to ensure we develop and retain excellent advisers in the Partnership.</p>

Beyond 2026

Risks	Resilience
<p>Most of the shorter-term risks will remain relevant, however, over the longer term the impact of artificial intelligence and machine learning in both investment management and advice will become more prevalent.</p> <p>Risks from climate change relating to investor sentiment and political change are relevant now but the consequences of failure to act will be felt more and more over time. We are committed to be climate positive in our operations by 2025, net zero in our supply chain by 2035 and net zero in our investments by 2050. If we fail to deliver on these commitments, then this could have a significant reputational impact within this time horizon.</p>	<p>When we look five or six years ahead all current funds in 'gestation' will be expected to be contributing to profits and therefore increasing our expected financial resilience.</p> <p>We are exploring opportunities in relation to machine learning and other technology solutions as part of our technology strategy. This is being done cautiously to manage potential risks, but failure to build capabilities in this space may present the larger risk from a competitive perspective.</p> <p>We have been developing our responsible investing proposition for some years and welcome the focus in this area as the right thing to do and as an opportunity to maximise client benefit through our active investment management approach.</p> <p>We are increasing the governance and measurement of delivery against our responsible business commitments to ensure confidence of delivery.</p>

Conclusion

In accordance with UK Corporate Governance Code (provision 31), the Directors have assessed the Group's current financial position and prospects over the next five-year period and have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due. The Directors believe that the risk planning, management processes and culture, allow for a robust and effective risk management environment.

Section 172(1) Statement

The Directors have a duty to promote the success of the Company for the benefit of its members as a whole, having regard to a number of factors and stakeholders. In accordance with the requirements of section 172(1) of the Companies Act 2006, a statement providing further information on how the Directors fulfil this duty is set out on pages 102 to 109 of the Corporate Governance Report.



Approval of the Strategic Report

As part of the Annual Report by the Directors it is a statutory requirement to produce a Strategic Report.

The purpose of the report is:

- to inform members of the Company and help them assess how the Directors have performed their duty under section 172(1) of the Companies Act 2006 (duty to promote the success of the Company).

The objective of the report is to provide shareholders with an analysis of the Company's past performance, to impart insight into its business model, strategies, objectives and principal risks and to provide context for the Financial Statements in the Annual Report.

The Directors consider that the report, comprising pages 4 to 97 of this document, meets the statutory purpose and objectives of the Strategic Report.

On behalf of the Board:

Andrew Croft, Chief Executive

Craig Gentle, Chief Financial Officer
23 February 2022

Governance

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Corporate governance

If we are to live up to our commitment to be a leading responsible business, we must be able to demonstrate that we operate the highest standards of corporate governance, with the interests of our stakeholders at the heart of our decision-making.

Robust and proportionate governance will not only provide the Board and its stakeholders with reassurance but is also critical to the successful delivery of a strategy that takes account of our wider societal purpose and the interests of all of our stakeholders.

Our aim within this report has been to consolidate our reporting on governance, providing context that explains how the Company's governance arrangements, and the Board's activities, have contributed to the delivery of our strategy. As a result, you will find reporting that may be found elsewhere in other companies' reports, including the section 172(1) Statement.

We have structured our Corporate Governance Report (see the navigation bars at the top of the pages) so that it aligns with the sections of the UK Corporate Governance Code, as these provide a useful basis for readers' navigation. Links between elements of this report and more detailed examples in the Strategic Report that seek to outline our approaches to themes within the Code are highlighted throughout.

Paul Manduca, Chair

◆ **1 Board leadership and Company purpose (section 172(1) Statement)**
▶ See pages 102 to 109

◆ **2 Role of the Board and its responsibilities**
▶ See pages 110 and 111

◆ **3 Board composition, succession and evaluation**
▶ See pages 112 to 119 and also the Nomination and Governance Committee Report on pages 136 to 139

◆ The UK Corporate Governance Code

The Corporate Governance Report on pages 102 to 119 explains how the Board leads the Company's approach to corporate governance, including an explanation of how the principles of the Financial Reporting Council's UK Corporate Governance Code (the Code) have been applied in practice.

Provision 19 of the Code requires that the chair should not remain in post beyond nine years from their date of appointment to the Board. Iain Cornish's tenure reached nine years in October 2020 but, following consultation with major shareholders the Board concluded that Iain should remain in post to oversee the handover to his successor. Paul Manduca was appointed as a Non-executive Director in January 2021 and, following regulatory approval, was appointed Chair on 14 May 2021. As stated in last year's Report of the Remuneration Committee, pension contribution rates for Executive Directors will align with the wider workforce by 1 January 2023 and until such time the Company will not meet the requirements of Provision 38 of the Code. The Board considers that the Company has complied with all of the other principles and provisions of the Code (available at: www.frc.co.uk) during 2021. Detailed reporting on remuneration, as required by the Code, can be found in the Directors' Remuneration Report.

◆

◆ **4 Audit, risk and internal control**
▶ See the Audit Committee Report and Risk Committee Report on pages 120 to 135

◆ **5 Remuneration**
▶ See the Report of the Remuneration Committee on pages 140 to 163

Board of Directors



Paul Manduca NC
Chair of the Board

Date of appointment
Non-executive Director January 2021 and Chair May 2021.

Experience
Paul was chair of Prudential plc until 31 December 2020, a position he had held since July 2012, having joined the Board as senior independent director in October 2010.

Paul has also held a number of senior leadership roles in business and financial services, including founding CEO of Threadneedle Asset Management Limited, CEO of Deutsche Asset Management Europe, and director of Eagle Star and Allied Dunbar. Paul was chair of the Association of Investment Companies between 1991 and 1993, chair of CityUK's Leadership Council between 2015 and 2019 and has held executive and non-executive roles on a number of boards across a range of sectors, including Chair of Aon UK Limited and Senior Independent Director of WM Morrison Supermarkets Plc.

External appointments
Chairships of Templeton Emerging Markets Investment Trust plc, Majid Al Futtaim Trust and W.A.G Payment Solutions Plc.



Andrew Croft
Chief Executive

Date of appointment
Chief Executive January 2018.
Joined St. James's Place 1993 and appointed to the Board September 2004.

Experience
Andrew joined the Company in 1993 and was Chief Financial Officer from 2004 to 2017. Having trained as an accountant with Deloitte Haskins and Sells (now part of PricewaterhouseCoopers LLP) he then worked in the financial services sector. Since joining St. James's Place he has held a number of roles within the Finance department, assuming the role of Finance Director in 2002 and being appointed Chief Executive in January 2018. He is a Trustee of the St. James's Place Charitable Foundation.

External appointments
Lay member of the Audit and Risk Committee and Finance and Investment Committee of the Royal College of Surgeons of England.



Craig Gentle
Chief Financial Officer

Date of appointment
Chief Financial Officer January 2018.
Joined St. James's Place 2016 and appointed to the Board January 2018.

Experience
Craig joined the Company in 2016 as the Chief Risk Officer. Prior to this, Craig spent 22 years at PricewaterhouseCoopers LLP, 12 of which were as a Partner. During his time at PricewaterhouseCoopers LLP, Craig held a number of roles, including as a senior audit partner. Craig qualified as a Chartered Accountant in 1993.

External appointments
Member of the Board, Trustee and Honorary Treasurer for the Bristol Music Trust.



Ian Gascoigne
Managing Director

Date of appointment
Executive Director January 2003.
Joined St. James's Place 1991.

Experience
Ian is one of the founding members of the original management team and is now the Managing Director. He has worked in financial services since 1986 and has considerable experience in the advice space. He is also a Trustee of the St. James's Place Charitable Foundation and Chair of the Distribution Executive Committee.

External appointments
Member of the Strategic Advisory Board of Loughborough University School of Business and Economics.



Emma Griffin RK RM
Independent Non-executive Director

Date of appointment
Non-executive Director February 2020.
Chair of St. James's Place Unit Trust Group Limited.

Experience
Emma has previously been a non-executive director of AIMIA Inc and Enterra Holdings. From 2002 to 2013, Emma was a founding partner of the stockbroking firm Oriel Securities, which was sold to Stifel Corporation. In her early career Emma worked at HSBC James Capel and Schroders.

External appointments
Emma is currently a non-executive director of ED&F Man Holdings Ltd and SDCL Energy Efficiency Income Trust plc. She is also a non-executive director and chair of the Investment Committee and member of the Ethics, Governance and Nominations Committee of Industrial Alliance Financial Group, one of Canada's largest insurance and wealth management companies, listed on the TSX, and a non-executive director of the private investment companies Claridge Inc. and Solotech Inc.



Rosemary Hilary AC RK NM
Independent Non-executive Director

Date of appointment
Non-executive Director October 2019.
Chair of St. James's Place UK plc.

Experience
Rosemary was Chief Internal Auditor at TSB Bank from 2013 to 2016 and prior to that, from 1989 to 2013, she held a number of senior positions at the Financial Conduct Authority (formerly the Financial Services Authority) and the Bank of England. Rosemary is a Chartered Certified Accountant, FCCA. Rosemary was formerly a non-executive director and chair of the audit and risk committee of Record plc; non-executive director, chair of the risk and audit committee and member of the investment committee of the Pension Protection Fund; and trustee and member of the audit, risk and finance committee of Shelter, the homelessness charity.

External appointments
Since 2016, Rosemary has been a non-executive director and chair of the audit committee of Willis Ltd; and a non-executive director and chair of the risk committee of Vitality Life and Vitality Health. In 2021 she became a trustee of the Prince's Foundation and chair of its audit and risk committee.



John Hitchins AC RK
Independent Non-executive Director

Date of appointment
Non-executive Director November 2021.

Experience
John has extensive experience of the financial services industry gained through his career as a senior audit partner and his non-executive directorships. John spent 38 years with PricewaterhouseCoopers, specialising in financial services auditing and advisory services, before retiring in 2014. Since retiring from PricewaterhouseCoopers he has undertaken a number of non-executive director roles with financial services companies alongside a role as a senior adviser to the Financial Reporting Council.

External appointments
Non-executive director and chair of the audit committee of Aldermore Group PLC, Senior Independent non-executive director and chair of the audit committee of Societe Generale International Limited and Senior Adviser to the Financial Reporting Council.



Simon Jeffreys AC RK NC RM
Independent Non-executive Director

Date of appointment
Non-executive Director January 2014.
Chair of St. James's Place International plc.

Experience
Simon brings experience of the auditing world and financial services. He was a senior audit partner with PricewaterhouseCoopers LLP from 1986 to 2006 where he also led their Global Investment Management practice. Between 2006 and 2014, Simon was CFO and Chief Administrative Officer at Fidelity International and then CFO and Chief Operating Officer at the Wellcome Trust.

External appointments
Chair of AON UK Limited and Henderson International Income Trust plc and a non-executive director and chair of the Audit Committees of Templeton Emerging Markets Investment Trust plc and SimCorp A/S, a listed Danish financial services software company. Simon is also a non-executive director and chair of the Audit and Risk Committee of the Crown Prosecution Service.



Lesley-Ann Nash RK RM
Independent Non-executive Director

Date of appointment
Non-executive Director June 2020.
Non-executive Director responsible for Workforce Engagement.

Experience
Lesley-Ann has stepped down from her position as a director in the Cabinet Office of HM Government, where she spent six years leading a range of large-scale commercial and consumer programmes.

Lesley-Ann was a managing director at Morgan Stanley from 1998-2009, having previously worked at UBS and Midland Bank. She is a Fellow of the Chartered Institute of Management Accountants (CIMA). She was a trustee of the North London Hospice for nine years.

External appointments
Lesley-Ann is a non-executive director of Workspace Group PLC and London First.



Roger Yates AC RK NC RM
Senior Independent Non-executive Director (SID)

Date of appointment
Senior Independent Non-executive Director October 2018.
Non-executive Director January 2014.

Experience
Roger brings over 30 years of investment management experience. He started his career with GT Management Limited in 1981 and has subsequently held positions at Morgan Grenfell, Invesco and Henderson Group plc, where he was Chief Executive Officer. Most recently, he was chair of Electra Private Equity plc and a non-executive director of IG Holdings plc and JPMorgan Elect plc.

External appointments
Senior independent non-executive director of Mitie Group plc and non-executive director and chair of the remuneration committee of Jupiter Fund Management PLC and independent non-executive director of The Biotech Growth Trust plc.

Committee key

- AC Member of Audit Committee
- RK Member of Risk Committee
- NC Member of Nomination and Governance Committee
- RM Member of Remuneration Committee
- Denotes Chair of Committee

Full biographical details of each Director can be found on our corporate website at www.sjp.co.uk

Section 172(1) Statement

Section 172 of the Companies Act 2006 requires a director to act in the way he or she considers, in good faith, would most likely promote the success of their company for the benefit of its members as a whole. In doing this section 172 requires a director to have regard, amongst other matters, to the following factors:

- A** Likely consequences of any decisions in the long term;
- B** Interests of the company's employees;
- C** Need to foster the company's business relationships with suppliers, customers and others;
- D** Impact of the company's operations on the community and environment;
- E** Desirability of the company maintaining a reputation for high standards of business conduct; and
- F** Need to act fairly as between members of the company.

In discharging our section 172 duty we have regard to the factors set out above and also other factors which we consider relevant to the decisions being made. We are also clear that decisions may impact stakeholders in different ways and so the Directors aim to weigh up the impacts and make balanced decisions. We have set out below practical examples, including the effect on decisions taken during 2021. Whilst each of the factors presents important considerations, they may not always align and we acknowledge that not every decision we make will necessarily result in a positive outcome for all of our stakeholders.

Purpose and leadership

A focus on long-term success

Section 172 factor: **A**

Our purpose and values (see page 8) emphasise the long-term focus of the business. The Board's focus is on ensuring that the Company generates and preserves value over the long term for all of its stakeholders and the core of our strategy is the long-term relationship St. James's Place and the Partnership have with our clients, and this is what ultimately drives long-term value for shareholders and other stakeholders. The Company's purpose and values influence decision-making, with the processes followed supporting the Board's aim to make sure that decisions are consistent with strategic objectives and the long-term success of the Company. Our culture has been, and will continue to be, vital to the continued success of the Group and the Board recognises it has an essential role in setting an appropriate tone from the top, monitoring the business and seeking to protect it.

Our governance framework explained in more detail on pages 110 to 113 is designed to ensure that the Board, led by the Chair, is able to monitor the sustainability of the business model, performance against strategy and opportunities and threats as they arise. When reviewing performance against strategy, the Board looks to ensure it continues to align with the Group's culture and its commitment to being a leading responsible business, and delivers long-term success to St. James's Place and its stakeholders, by focusing on:

- providing entrepreneurial leadership and direction to the Group in setting out its strategic aims, visions and values and overseeing delivery against these, including approving major transactions and initiatives;

- monitoring financial performance and reporting and approving/recommending payments of dividends;
- setting the Company's risk appetite, assessing the principal risks facing the Company and ensuring that adequate controls are in place to manage risk effectively;
- ensuring that appropriate and effective succession planning arrangements and remuneration policies are in place;
- implementing and ensuring the effective operation of corporate governance procedures; and
- ensuring that good client outcomes are delivered through the combination of the Group's distinctive investment management approach and the provision of high-quality ongoing advice.

The strategy and performance against the strategy are discussed throughout the Chair's Report, Chief Executive's Report and Strategic Report, and a summary of significant topics considered by the Board during 2021 is set out on pages 106 to 109 below, together with details of how the Directors had regard for factors A. to F. in their considerations.

Reputation and standards of business conduct

Section 172 factor: **E**

Our business exists to support clients to plan, grow and protect their financial futures. Our ability to achieve this would be materially impacted if we were unable to demonstrate standards of business conduct that meet clients', society's (and regulators') expectations. Failure to maintain appropriate standards of conduct could inevitably lead to poor client outcomes, regulatory sanctions and/or adverse media coverage that could damage St. James's Place's reputation and the value placed on it by all of our stakeholders. Conduct

and reputation are prominent in our list of principal risks (see pages 90 to 92) and the Board looks to its Risk Committee to monitor these risks and provide an appropriate level of assurance to support the Board's decision-making. Our reputation is not only a product of our conduct and performance, but also the image we aim to project. With this in mind, the Board continues to monitor the brand and public relations activities to ensure they align with our purpose and long-term aims, and accurately depict our culture (see further information on page 8).

Our stakeholders

Section 172 factors: **B C D F**

The Group's principal stakeholders are covered in more detail on pages 9 to 14 in the Strategic Report. Whilst each stakeholder has different drivers and expectations, success for each is not mutually exclusive, as illustrated by the alignment between the interests of the Partnership, clients and employees when it comes to delivering successful client outcomes. We explain on pages 24 to 31 how successfully implementing our strategy will ensure the Company will continue to act in accordance with its purpose and values and achieve its vision. Successful implementation will also deliver against the expectations of all our stakeholders and we provide more detail on how we engage with each overleaf, together with an indication of where more detail can be found throughout this Annual Report.

Not all engagement is directly between stakeholders and the Board. Where engagement is not with the Board, the output informs business-level decisions made by management, an overview of which is fed back to the Board through regular reporting and focus on strategic topics.



Workforce engagement case study

How the Board's approach to workforce engagement has evolved

Baroness Wheatcroft was appointed our first Non-executive Director responsible for workforce engagement in 2019 and, working with management, established a workforce engagement committee to provide the primary engagement mechanism between employees and the Board. This committee's focus was structured around eight themes and utilised surveys, focus groups and directors' lunches as mechanisms via which to engage. The change in responsible Non-executive Director, following Baroness Wheatcroft's retirement, provided an ideal opportunity to review the effectiveness of our approach, particularly in light of the significant impact of the pandemic on the workforce and taking account of the experience gained in our first ever redundancy programme. The review concluded that whilst the existing committee had provided valuable insight there was an opportunity to enhance the approach to workforce engagement and establish a new employee-nominated panel to assist the new responsible Non-executive Director, Lesley-Ann Nash. The new Workforce Engagement Panel (the Panel) was set up with clear terms of reference and role specifications and its membership is composed of a diverse group of elected representatives from across the business. The role of the Panel is to:

- report meaningfully on employee engagement and outputs to the Board, Executive Board and in the Annual Report and Accounts; and
- assist the Board in understanding the views of the workforce and assessing how the desired cultural vision is permeating through the business, with the aim of helping to facilitate the Board's decision-making.

The diverse backgrounds and experience on the Panel meant that it was imperative that time was invested at the outset to ensure all members had a common understanding of how the Panel fitted into the Group's governance structure and particular emphasis was placed on its role in facilitating two-way engagement between the Board and the workforce to support the Board's decision-making. Many of the mechanisms already in place to support wider engagement continue to add benefit and highlight areas to concentrate upon but, whereas the previous committee had worked around pre-determined themes, the Panel's forward agenda is driven by topics identified by Panel members from their engagement with the business, together with those areas where the Board is keen to seek explicit insight. This includes areas of focus that arise from employee surveys. Consistent themes that emerged from the Panel's engagement in 2021 included flexible/hybrid working, remuneration and communications.

The Panel's activity is reported to the Board regularly and discussed in detail. The Board was particularly pleased to note that the themes identified in 2021 were also high on the priority list for the Executive Board, which would be considering each of them in the coming months. Part of Lesley-Ann's role as the responsible Non-executive Director is to also report back to the Panel on the Board's discussions, which she does at each meeting. Panel members are then charged with relaying and discussing the key areas of activity and focus with the workforce in their own areas. The engagement overseen by the Panel also provides management with valuable insight to support key decisions it makes.

It is via the Panel that the Remuneration Committee is able to engage with the workforce to explain how executive remuneration aligns with wider Company pay policy, and more details can be found on page 143.



Section 172(1) Statement continued

#1

Shareholders

We continue to maintain close relationships with institutional shareholders through direct dialogue and frequent meetings, and we also meet regularly with the Group's brokers who facilitate meetings with investors and their representatives. Regular dialogue is an important way of staying abreast of the views of investors, and periodic meetings with them provide an insight into the considerations that drive their views of us an organisation. Examples of how we engage are set out below.

How we engage with shareholders	Opportunity for engagement
Institutional shareholder roadshows	COVID-19 continued to have an impact on investor engagement during 2021. Where possible we arranged physical meetings with investors, but we maintained a virtual engagement programme around the full-year and half-year results. We also had a number of planned and ad-hoc engagement events with shareholders. Where appropriate we arrange investor conferences and capital markets days (addressing a wide range of strategic and operational topics). In 2021 we held a virtual capital markets day in May which focused on the sustainable growth of the Partnership, our investment in technology, our investment proposition and St. James's Place Asia. Together, these engagements provided the Directors with opportunities to gain insight into institutional shareholder views and expectations, and to address specific queries.
Investor studies	Whilst we did not commission any further studies in 2021, the findings of the investor study commissioned in 2018 and the insight from the studies carried out in relation to our brand review have provided valuable insight from existing and potential investors. We will continue to use investor studies to deliver data that provides the Board with an opportunity to assess in more detail its investor base, investor behaviour, drivers of share price performance and investors' perception of a number of key aspects of our business model.
Individual shareholder meetings	The Group's largest institutional investors continue to meet regularly with the Executive Directors and the Chair, providing an opportunity for them to raise specific queries. The Chair, Senior Independent Director and other Non-executive Directors are available for consultation with shareholders on request, and contact major shareholders at least annually to offer opportunities to meet. During 2021, the Chair and the Chair of the Remuneration Committee have met with a number of shareholders as part of regular engagement activity and in response to requests from investors to discuss specific matters of interest to them. The Chair also wrote to major shareholders following his appointment to introduce himself and he met with a number of shareholders, principally to listen to their views on SJP.
Direct correspondence with major shareholders	As suggested in the Code, the Chair, Senior Independent Director and Committee chairs seek engagement with major shareholders on significant matters as they arise. The Chair of the Remuneration Committee wrote to shareholders during the year to explain planned changes to the financial metrics for Executive Directors' annual bonuses from the 2022 performance year and subsequently met and/or corresponded with a number of shareholders who provided feedback (further information can be found in the Directors' Remuneration Report on page 142).
Annual General Meeting	Subject to the circumstances prevailing at the date of the meeting, all Directors will be available to meet with shareholders after the Company's Annual General Meeting which will be held on 19 May 2022, and of which further details are set out in the Notice of Annual General Meeting.

► Further information on shareholders in this Annual Report can be found on pages 13, 106 to 109 and 142

#2

The Partnership

Our communication and engagement with the Partnership has two dimensions: information that is delivered directly to advisers via our electronic weekly bulletin, special bulletins on key topics, and our intranet site; and face-to-face engagement activity led by St. James's Place management. The latter can range from individual meetings to regional and national conferences and our Annual Company Meeting. We also gain general and specific insight from the Partnership via surveys and regular consultation meetings where we seek the views of the Partnership on key topics. During 2021 we were delighted to be able to host our first physical Partner conferences since the Annual Company Meeting in January 2020.

► Further information on the Partnership in this Annual Report can be found on pages 6, 10, 17, 18, 24 to 31 and throughout the Responsible Business section on pages 105 to 109

#3

Employees

Although effective and timely engagement with employees has always been an integral part of St. James's Place's culture, we established our first formal workforce engagement committee in 2019 to support the Board's engagement with our employees. This committee and the key engagement forums it oversaw continued to provide valuable insight to the Board during 2021, but Lesley-Ann Nash's appointment as our designated Non-executive Director responsible for workforce engagement provided an appropriate juncture to review the effectiveness of the Board's chosen mechanism for workforce engagement. Our review concluded that there were opportunities to enhance the two-way engagement between the Board and our employees, and so in 2021 we made some changes and, in place of the previous workforce engagement committee, we established a panel of employee-nominated representatives to assist Lesley-Ann. The role of this panel and the tools available to support meaningful engagement were also revised and you can find details of how we engage with our workforce and the changes we have made in 2021 in the case study on page 103.

► Further information on employees in this Annual Report can be found on pages 1, 12, 17, 23, 25, 26 and throughout the Responsible Business section on pages 91, 103, 106 to 109, 129, 134, 139, 141 and 142

#4

Clients

Engagement with clients is largely driven through their ongoing relationship with their adviser, and this provides the primary means of sharing information with St. James's Place's clients. Regular client meetings provide an opportunity for clients to share their views and to ask any questions they may have. Our understanding of clients' interests is further enhanced via regular client surveys and targeted market research. Whilst no organisation likes to receive complaints, the Board and the Risk Committee regularly consider complaints reporting, which provides a further client lens.

► Further information on Clients in this Annual Report can be found on pages 6, 10, 11, 18, 22, 24, 25, 27, 28, 38, 40, 59, 89, 90 to 92, 103 to 109, 119, 126 to 129, 132 and 133

#5

Society

'Society' is represented by a number of groups, including government, regulators, suppliers and the wider community. Cultivating very strong and mutually beneficial relationships with these groups has ensured our values and aims are aligned and we seek to build and maintain long-term relationships with all groups, based on mutual trust. Proactive and constructive relationships with governments, regulators, suppliers and our local communities are achieved through a broad range of activities, from regular face-to-face meetings and calls, to involvement in targeted assessments and contribution to surveys and reviews.

► Further information on Society in this Annual Report can be found on pages 5 to 14, 17, 25, 30 and throughout the Responsible Business section on pages 105 to 109 and 119

Section 172(1) Statement continued

What the Board did in the year

Each year we provide an overview of the key areas of the Board's focus. This is incorporated within our section 172(1) statement which enables us to explain better how each topic aligns with our strategy and how stakeholder interests were taken into account in the Board's decision-making. The Board's activities are not limited to the formal Board meetings at which decisions are made. The Board's decision-making is supported by a much wider range of engagements with the business which include training, development and focus sessions, further details of which can be found under the planning and preparing and Directors' development sections later in the Corporate Governance Report. Although not an exhaustive list of the Board's activity in 2021, we have included below examples of significant topics that were considered.

Board topic	Stakeholder interests	How engaged	Outcomes/influence
<p>Operational excellence – 2021 represented the first year of our five-year plan to invest in operational excellence. Operational excellence is about leveraging technology to make it easier to do business, whether that be for clients, advisers, employees or third parties. During the year, the Board monitored the continuing rollout of the Salesforce CRM platform which is already being actively used by circa 90% of the Partnership as their primary CRM tool. Salesforce will not only make it easier for advisers to do business but will reduce costs and increase productivity by generating efficiencies throughout the client lifecycle. Another key element of our operational excellence strategy is the development of our digital client servicing platform which will assist Partners and clients, ensuring they have increased access to information and functionality in relation to their portfolios. In addition to supporting advisers and clients the business is also looking to support our employees through our automation and business improvement programmes which at the outset have focused on the identification of opportunities for process improvement.</p>	Shareholders, the Partnership, employees and clients	The focus of investment (both in terms of finance and resource) has been informed by engagement with and feedback received from the Partnership, clients and employees – both through informal interactions and via surveys and research. Pilots have been important exercises across all elements of the operational excellence programme and have helped guide the development of new functionality and systems and the design of user interfaces.	The insight gained from our engagement with advisers, employees and clients has helped us to prioritise both the areas chosen and the pace of investment. Feedback received throughout the year has helped us to learn how we can improve our communication during this and other significant programmes of work in the future. A key learning has been that we need to be mindful of the capacity for the business and the Partnership to digest change and this has helped us plan how the business plan for 2022 will address investment.
<p>Administration – The migration of our back-office administration systems to Bluedoor was a critical part of setting SJP up for the future. Having successfully completed the migration of our core UK business we are now positioned to leverage off the functionality that the system can provide. This involves refining existing processes, removing inefficiencies and manual intervention and introducing new functionality to support advisers. Whilst the Bluedoor migration enabled us to close down the legacy systems supporting our core UK business, several legacy systems remained in operation in our subsidiary businesses. In 2021 our Irish subsidiary St. James's Place International plc and Rowan Dartington both began investigating options to replace their existing core platforms. Both companies carried out independent tender processes which resulted in recommendations to the Board to approve migrations to SS&C's platforms.</p>	Shareholders, the Partnership, employees and clients	Our back-office administration has a direct impact on our Partners and clients and the Board receives both direct and indirect feedback on challenges that can arise. In 2021, the growth in volumes, coupled with smaller average case sizes inevitably had an impact but administration remained robust throughout the year. As much of the administration is carried out by our strategic partner SS&C it is important to work closely with them and during the year the Board met with representatives of SS&C, gaining greater insight not only into SS&C as an organisation but also the practicalities of working with SJP.	Feedback from Partners in particular emphasised to the Board the significant impact the administration has on the day-to-day work of Partners and the Board is clear that it should remain a key area of focus. Our engagement with SS&C provided the Board with assurance that both management and SS&C were committed to delivering the best outcomes for Partners and clients both now and into the future, focusing in particular on reducing the number of cases that are not processed correctly first time. It also helped provide the Board comfort that the teams of employees working with SS&C were culturally aligned to our own culture.

Board topic	Stakeholder interests	How engaged	Outcomes/influence
<p>Investment proposition and performance – Having considered the long-term strategy for investment management in 2020, this year the Board was able to closely monitor the progress being made in the delivery of this strategy. Our first Value Assessment Statement (VAS) in 2020 provided a good basis from which to monitor performance and the Board has subsequently kept a close eye on progress. For our Investment Management Approach (IMA) to deliver the right outcomes for clients we believe it is important to be clear on the value it creates for them. To support Partners and clients, we believe it is essential for us to simplify our investment offering and provide a compelling single SJP investment proposition that delivers the flexibility to support clients' needs as their plans or circumstances change.</p>	Shareholders, the Partnership, employees and clients	Our clients, the Partnership and fund managers provide us with regular feedback in a range of ways that help guide our focus on meeting client needs. The VAS also provides an important reference point for our stakeholders, including our regulators and helps to clarify client and adviser expectations. It also helps shape our reporting to enable clients and the Partnership to monitor and evaluate the performance of our funds.	Whilst the expectations of our clients and advisers helped to shape the planned future evolution of the IMA, the feedback we receive from stakeholders also delivers insight into shifts in client expectations and requirements, and provides a key indication that the changes we are making are having the desired impact. Progress during 2021 was positive and the feedback we have received has aligned with the indications that our 2021 VAS has given.
<p>Dividend – At the outset of the pandemic the Board made the difficult decision to withhold 11.22 pence of the 2019 final dividend, until such time as the financial and economic impact of COVID-19 became clearer. Whilst the pandemic was still ongoing, the Board continued to monitor the experience of the business and the Partnership to help it determine if the withheld dividend should continue to be retained.</p>	Shareholders, the Partnership and clients	Whilst we were able to ultimately pay shareholders the withheld dividend, the Board and management ensured that it maintained open and regular dialogue with stakeholders, in particular shareholders, throughout the year.	Engagement with regulators, shareholders and institutional investor bodies reinforced our aim to treat our stakeholders equitably and informed our decision to not pay bonuses or pay rises. As time elapsed and the impact of the pandemic on the Partnership and the business became clearer, the Board gained the confidence to pay the withheld amount as a further interim dividend during the first quarter of 2021.
<p>Responsible business (inc. net zero) – What it means to be a responsible business will differ between organisations but for SJP it means being committed to helping our clients and communities to create the futures they want. Being a responsible business is in our DNA and this has been evident since our founding days. But to be a leading responsible business, this commitment needs to be clear to the outside world and if we are to influence meaningful change, we need to be able to demonstrate our own credentials. In recent years we have openly recognised that the most significant influence we can have is via the management of the funds we oversee for our clients. This has led to our commitment to the UN Principles for Responsible Investment and our membership of the Net-Zero Asset Owner Alliance. However, we also acknowledge that what is perceived as being responsible is constantly evolving, and for SJP to be a leading responsible business into the future we need to have clear and credible plans in place.</p>	Shareholders, the Partnership, employees, clients and society	Year on year we have seen increased interest from all stakeholders in what many term environmental, social and governance (ESG) issues. During 2021 in addition to the direct feedback we have received, we have carried out engagement activities (including workshops and interviews) with advisers and employees. These enabled us to capture not only the views of our internal stakeholders but also those of our clients. We have also conducted external stakeholder interviews to identify leading practices and emerging trends. Our regulators and shareholders continue to provide valuable guidance on their expectations via direct engagement and the publication of their own statements.	There has been a clear shift in recent years in the expectations for businesses and society to demonstrate that they are committed to addressing today's biggest systemic issues, including climate change and social inequality. We have demonstrated our commitment in the past, but the engagement carried out in 2021 has provided the insight the Board required to commit to a strategy and a plan that met the expectations of our stakeholders. During 2021 the Board not only agreed this strategy but also approved further actions including our own net zero commitment. Further details on our commitment can be found on page 45 of the Responsible Business Report.

Section 172(1) Statement continued

What the Board did in the year continued

Board topic	Stakeholder interests	How engaged	Outcomes/influence
<p>The Partnership – The face-to-face financial advice that is provided to SJP’s clients is delivered exclusively by the Partnership, with whom we enjoy a symbiotic relationship. Supporting the Partnership is the key function of our business but as it has grown in size and matured over time, its needs have also developed. Partner businesses vary significantly in terms of scale, experience, focus and motivations and it is critical that SJP continues to evolve its approach to ensure that every Partner business receives the support necessary for it to continue to deliver best-in-class service to clients.</p>	Shareholders, the Partnership, employees and clients	The challenges we, like many businesses, have faced in the last couple of years have spotlighted areas that require the focus of the Board and management. Although not entirely driven by the impact of the pandemic, the impact that it had on our ‘high-touch’ relationship with our advisers helped to highlight the need to develop an agile and flexible approach to supporting them that takes account of their varied needs and requirements. Via surveys and direct engagement the Partnership has delivered insight that has informed our present and future support model.	The feedback and insight provided by Partners and employees assisted management in refining and, where necessary revising the support model with a view to delivering the business growth and quality of service provision required to achieve our strategic objectives. Directors’ own engagement with Partners and the results of formal engagement activities helped to provide the Board with assurance that the support model would meet the needs of the Partnership whilst also underpinning our medium- and long-term strategic objectives.
<p>Culture – As we acknowledged in last year’s report, culture is not something that stands still. Having articulated clearly our vision, purpose and values, SJP has focused on bringing our culture to life through visual representation and stories that demonstrate the values and behaviours that underpin our purpose and vision. Doing so enables us to ensure that these are role-modelled throughout the workforce, led by the Board and management and also means we are able to embed them within the ‘people journey’ at SJP. This has included widespread engagement with employees and the inclusion of the values within our ongoing employee review process. Whilst all constituents of the SJP community (Partners, employees and suppliers in particular) share many common values, each will have their own unique elements, particularly in the case of our 2,500+ Partner businesses.</p>	Shareholders, the Partnership, employees, clients and society	The Board receives regular updates on the ongoing culture programme established to support the embedding of the culture vision within the business and to determine the means for monitoring the evidence of our culture in action. Our workforce engagement activity has also provided important employee and cultural indicators, with Lesley-Ann Nash’s role as the nominated Non-executive Director for Workforce Engagement providing a window through which the Board can monitor first-hand culture in action. An update on workforce engagement activity in 2021 can be found on page 103.	2020 and 2021 have presented unprecedented challenges for businesses that have tested the strengths of cultures. Ongoing insight from management, coupled with ‘deep dive’ reviews have helped the Board to home in on what matters to our key stakeholders from a culture perspective. The Board also recognised the need to refresh our approach to workforce engagement, in part to help it to see and experience the culture first-hand. Although we appreciate the need to be sensitive to the cultures of individual Partner businesses, engaging with the Partnership in relation to SJP’s own culture helps not only to establish what should be expected from us, but also to understand whether their experiences align with our culture.

Board topic	Stakeholder interests	How engaged	Outcomes/influence
<p>Partner business financing – Supporting the Partnership to develop their businesses and facilitating the sale and purchase of businesses within the Partnership through the provision of finance has always been a core part of the Group’s business model. This ensures continuity of advice provision, which is directly in the interests of clients and the long-term sustainability of the Group. The Partnership is made up of over 2,500 businesses that vary in terms of scale and focus. As we have grown, so have many of these businesses and inevitably those Partners who have been with us the longest will contemplate their own retirement at some point. During 2021, the Board saw not only excellent identification and management of capacity to support Partner lending, but also improvements in the processes and disciplines in place to manage transactions. This has benefitted both Partners and SJP.</p>	Shareholders, the Partnership and clients	The importance of Partner lending is appreciated by our long-standing shareholders, but we continue to engage with shareholders to help them understand how fundamental it is to our business model. Continuous engagement with the Partnership also allows us to assess demand and trends in Partner businesses that may impact the future demand for lending. The development of our approach to Partner lending means that we are not only able to support regular lending but are able to establish longer-term plans for Partners in larger or more complex businesses where greater care is required to ensure continuity for clients and Partnership employees when ownership of those businesses is transferred.	Providing Partners with clearer messaging on the importance of succession planning and direct engagement with them on their own needs has assisted in the development of an approach to Partner lending and financing that is longer-term in nature and therefore provides assurance to the Board that the Partner lending plan is robust and aligned to our strategic objectives. It has also provided opportunities to develop our thinking on how we finance the needs of Partners, enabling them to engage with management at an early stage on the options available and to assess the risk and opportunities each pose.

The role of the Board and its responsibilities

Powers of Directors

The powers of the Directors are set out in the Company's Articles of Association (the Articles), prescribed by Special Resolutions of the Company and codified in UK company law. The Articles contain, for example, specific provisions and restrictions concerning the Company's power to borrow money. They also provide Directors with authority to allot unissued shares, up to pre-determined levels set and approved by shareholders in general meetings. The Articles can be amended by a special resolution of the members of the Company, and a copy can be found on the Company's website. Our shareholders have granted the Directors authority to make charitable donations, and further details on the donations made can be found on page 166.

At the 2021 Annual General Meeting (AGM), shareholders granted authority to the Directors for the purchase by the Company of its own shares, with such authority expiring at the end of the 2022 AGM, or 30 June 2022, whichever is the earlier. The Company did not purchase any of its own shares during 2021 but the Directors will propose the renewal of this authority at the 2022 AGM.

Further to the powers granted above, the Board maintains a full schedule of matters reserved to it together with a Group Management Responsibilities Map which sets out the senior manager functions, prescribed responsibilities and control functions within each subsidiary of the Group (as applicable). The Group Management Responsibilities Map includes, inter alia, terms of reference for the various Board Committees, a schedule of the Company's policies and detailed job descriptions for each of the Directors.

Division of responsibility

The job descriptions of each Director, including the Chair and Chief Executive, and the division of responsibilities between them are clearly defined and agreed by the Board. The responsibilities of each of the Directors and the role of Secretary are summarised below.

The Board	
<p>Leadership Chair</p> <p>Responsible for the leadership of the Board and its continuing effectiveness; and for ensuring that the Board is satisfied that the Group's purpose, values and strategy align with its culture and that communication between the Executive and Non-executive Directors, as well as with shareholders generally, is effective.</p>	<p>Independent oversight Senior Independent Non-executive Director</p> <p>Responsible for providing a sounding board for the Chair; for serving as an intermediary for the other Directors, when necessary; for leading the appraisal of the performance of the Chair; and for being available to shareholders as a point of contact if they have concerns which contact through normal channels has failed to resolve or for which such contact is inappropriate.</p>
<p>Chief Executive</p> <p>Responsible for the development and communication of the Group's strategy; for developing and achieving the business objectives; for leading and motivating an effective senior management team; and for ensuring an appropriate culture is adopted in the day-to-day management of the Group.</p>	<p>Independent Non-executive Directors</p> <p>Responsible for contributing to the entrepreneurial leadership of the Group, within a framework of prudent and effective controls. Non-executive Directors provide independence, impartiality, experience, specialist knowledge and other diverse personal skills and capabilities.</p>
<p>Chief Financial Officer</p> <p>Responsible for providing leadership and direction for, and oversight of, the financial, accounting, tax, capital, liquidity and unit pricing activities of the Group; and for maintaining effective investor relations.</p>	<p>Company Secretary</p> <p>Responsible for guiding the Board in meeting the requirements of relevant legislation and regulation and for ensuring that Board procedures are both followed and regularly reviewed.</p>
<p>The Chief Executive has appointed an executive committee (the Executive Board) to support him in fulfilling his responsibilities for developing strategy for the Board's approval, communicating and implementing the Group's business plan objectives, ensuring that the necessary resources are in place in order to achieve the strategy and those objectives, and managing the day-to-day operational activities of the Group. The Executive Board comprises the Executive Directors of the Board and other members of senior management.</p>	
<p>Directors have access to the advice of the Company Secretary at all times, as well as independent professional advice where needed, in order to assist them in carrying out their duties.</p>	

Planning and preparing

The Chair is responsible for setting the Board agenda together with the Chief Executive and the Company Secretary. The Group's strategy and business plan provide the basis for the forward Board agenda for the year and this is refined as key topics and strategic priorities emerge. The Board's forward agenda is co-ordinated with those of

its Committees to ensure that topics are given sufficient coverage in the most appropriate forums.

The Chairs of the various Committees and material subsidiaries report on their activity at Board meetings and liaise with the Chair to ensure items escalated from the Committees get sufficient time and focus on Board

meeting agendas. The Board and other key Director forums are explained in more detail below.

The work undertaken by the Board Committees is covered in more detail in the individual Committee reports.

▶ See pages 120 to 163

Scheduled Board meetings	Scheduled Board meetings follow an agreed format with the final agenda being set by the Chair, Chief Executive and Company Secretary by reference to the forward agenda and having considered key developments since the previous meeting. This approach ensures that coverage of the Board's key responsibilities is balanced against the need to focus on strategic priorities and address topical matters.
Ad-hoc Board meetings	From time to time, the Board is required to hold meetings outside of its planned schedule, to consider topics that require immediate attention or to approve Board appointments or transactions.
Non-executive Director performance updates	During the early weeks of the COVID-19 pandemic the Non-executive Directors scheduled weekly virtual meetings with members of the Executive Board to enable them to stay abreast of the business's response to the pandemic and to provide management with support and guidance where required. The frequency of these meetings reduced as operations returned to a more normal state, but meetings are held when topics arise that warrant an informal discussion or where the Chief Executive wants to provide an update on performance where the gaps between formal Board meetings are longer.
Board working dinners	In normal circumstances, the Board would regularly have working dinners on the nights before Board meetings to allow the Directors greater time to consider topics that warrant a more discursive approach. Additional internal and external participants are invited to the dinners to present on these topics.
Strategy meetings	Focused strategy meetings are held each year to enable the Board and management to reflect on, debate, refine and agree the Group's strategy.
Non-executive Director meetings	The independent Non-executive Directors meet privately with the Chair during the year, to consider matters arising from Board meetings. They also meet without the Chair to consider his performance.
Development sessions	Directors are provided with development sessions on specific topics during the year. Further details can be found on page 115.
Other meetings	The Board also appoints ad-hoc committees from time to time to manage procedural matters relating to decisions it has made.

Board composition, succession and evaluation

The Board and its committees have a combination of skills, experience and knowledge. Our succession plans aim to promote gender, social, ethnic and cognitive diversity.

Composition

As explained on page 139, embracing diversity is one of our core cultural values and in 2020 the Board established a Board Diversity Policy which aims to ensure that the Board composition features a range of perspectives, insights and the cognitive diversity needed for good decision-making. As well as embracing diversity being the 'right thing to do', businesses that do so reap benefits that include greater creativity and innovation, and a better understanding of stakeholder perspective, making the case compelling and one that cannot be ignored. The Board has made progress on issues such as gender and minority group representation. During the majority of 2021 the Board was meeting the targets set by the Hampton-Alexander and Parker Reviews, although the appointment of John Hitchens in November 2021 meant that the proportion of women on our Board fell below the 33% target set by the Hampton Alexander Review. As explained in more detail in the Nomination and Governance Committee Report, the Board will meet this target again from March 2022.

The benefit of diversity of thought is not achieved simply by meeting targets however, and the Board and Nomination and Governance Committee are clear that they have key roles in overseeing and supporting the drive for diversity at all levels of the organisation. Diversity based on demographic factors can be easier to demonstrate than the diversity of backgrounds and cognitive diversity which help to shape the multi-dimensional conversations and the debates we experience in Board meetings. The broad range of backgrounds and experiences, gained both within and outside the financial services sector, on our Board, supports wide-ranging conversations that reflect and recognise the interests of all of our stakeholders. Further information on inclusion and diversity can be found in the Nomination and Governance Committee Report on page 139.

Independence

The Board determined that the Chair was independent on appointment and believes that all of the Non-executive Directors continue to demonstrate their independence. When determining independence, the Board considers each individual against the criteria set out in the Code and also considers how they conduct themselves in Board meetings, including how they exercise judgement and independent thinking.

As mentioned earlier in the Report, Iain Cornish's tenure on the Board reached nine years in October 2020. Having consulted with major shareholders, the Board agreed that in order for Iain to oversee the initial phase of the Board's succession plans and to facilitate the recruitment of his successor it was appropriate to extend his appointment. Iain retired from the Board following the 2021 AGM and Paul Manduca was appointed Chair on 14 May 2021. The Board notes that Paul Manduca and Simon Jeffreys are both currently directors of Templeton Emerging Markets Investment Trust plc but it is satisfied that the common directorship does not impair either Directors' independence.

Further information can be found in the Nomination and Governance Committee Report on page 138 and 139

Gender



Tenure



Board and Committee structure and attendance

Our Non-executive Board Committees

There are four wholly Non-executive Committees of the Board. The Chair of the Board is a member of, and chairs, the Nomination and Governance Committee. All of the other members of these Committees are independent Non-executive Directors. Further information on these Committees can be found in their separate reports on pages 120 to 163.

Audit Committee
Chair: Simon Jeffreys
Report on page 120

Risk Committee
Chair: Rosemary Hilary
Report on page 129

Nomination and Governance Committee
Chair: Paul Manduca
Report on page 136

Remuneration Committee
Chair: Roger Yates
Report on page 140

Attendance in 2021

Director	Board (total 8)	Audit (total 6)	Risk (total 5)	Nomination and Governance (total 5)	Remuneration (total 6)
Iain Cornish (retired 14 May 2021)	◆◆◆	-	-	◆◆	-
Andrew Croft (CEO)	◆◆◆◆◆◆◆◆	-	-	-	-
Ian Gascoigne	◆◆◆◆◆◆◆◆	-	-	-	-
Craig Gentle	◆◆◆◆◆◆◆◆	-	-	-	-
Emma Griffin	◆◆◆◆◆◆◆◆	-	◆◆◆◆◆	-	◆◆◆◆◆◆◆◆
Rosemary Hilary	◆◆◆◆◆◆◆◆	◆◆◆◆◆◆◆	◆◆◆◆◆◆◆ (Chair)	◆◆◆◆◆	-
John Hitchens (appointed 1 November 2021)	◆	-	-	-	-
Paul Manduca (Chair)	◆◆◆◆◆◆◆◆	-	-	◆◆◆◆◆◆◆ (Chair)	-
Baroness Morrissey DBE (stepped down 14 May 2021)	◆◆◆	-	◆◆	◆◆	◆◆◆◆
Simon Jeffreys	◆◆◆◆◆◆◆◆	◆◆◆◆◆◆◆ (Chair)	◆◆◆◆◆◆◆	-	◆◆◆◆◆◆◆◆
Lesley-Ann Nash	◆◆◆◆◆◆◆◆	◆◆◆◆◆◆◆	◆◆◆◆◆◆◆	-	-
Baroness Wheatcroft (retired 14 May 2021)	◆◆◆	-	◆◆	◆◆	◆◆◆◆
Roger Yates (SID)	◆◆◆◆◆◆◆◆	◆◆◆◆◆◆◆	◆◆◆◆◆◆◆	◆◆◆◆◆◆◆	◆◆◆◆◆◆◆◆ (Chair)

This table provides details of scheduled meetings held in the 2021 financial year and the attendance at each meeting of the members of each Board/Committee.

John Hitchens joined, and Lesley-Ann Nash stepped down from, the Audit Committee on 1 January 2022. John Hitchens joined the Board Risk Committee on 1 January 2022. Paul Manduca was appointed Chair of the Nomination and Governance Committee on 14 May 2021 and Simon Jeffreys rejoined the Nomination and Governance Committee on 1 January 2022. Lesley-Ann Nash joined the Remuneration Committee on 1 November 2022.

Other forums reporting to the Board

In addition to the wholly Non-executive Committees, the Board has also delegated specific responsibilities to three further Committees. The Board has also established a group to help advise and educate it in terms of technology. The terms of reference of the forums are regularly reviewed and are included in the Group Management Responsibilities Map.

Forum	Purpose
Defence Committee	Comprises the Chair, Senior Independent Director, Chief Executive and Chief Financial Officer and its purpose is to monitor dealing in the Company's shares with a view to being prepared in the event of a formal bid for ownership of the Company and to oversee engagement with activist investors.
Disclosure Committee	Comprises the Chief Executive and Chief Financial Officer and is responsible for identifying and determining matters to be disclosed to the market.
Share Scheme Committee	Comprises the Executive Directors and its purpose is to assist the Board in fulfilling its responsibilities for operating and administering executive, employee, adviser and restricted share plans.
Technology Advisory Group (TAG)	Chaired by the Chief Operations and Technology Officer, the TAG comprises a Non-executive Director, three members of the senior management team and independent advisers with technology and cyber expertise. The purpose of the TAG is to advise and educate the Board on technology and keep it abreast of latest developments that are relevant to the Group's strategy.

Directors' appointments

The Board has a responsibility to ensure that appropriate succession plans are in place for the Board, the Executive Board and senior management. Details of progress made in the year can be found in the Report of the Nomination and Governance Committee. A summary of key aspects of Directors' appointments are set out below:

Appointment, replacement and re-election of Directors	<p>The Articles permit Directors to appoint additional Directors and to fill casual vacancies. Any Directors appointed must stand for election at the first AGM following their appointment. All other Directors will stand for re-election at each AGM. Directors can be removed from office by an ordinary resolution of shareholders or in certain other circumstances as set out in the Articles.</p> <p>Before a Director is proposed for re-election by shareholders, the Chair considers whether his or her performance continues to be effective and whether he or she demonstrates commitment to the role. After careful consideration, the Chair is pleased to support the re-election of all Directors at the forthcoming AGM. Each Director brings significant skills to the Board as a result of their varied careers and we believe that this diversity is essential to the mix of skills and experience needed by the Board and its Committees in order to protect the interests of the Company's shareholders. As in previous years, the Board is recommending to shareholders that all the Directors retiring at the forthcoming AGM be re-elected, and further information can be found in the Notice of Meeting for the forthcoming AGM.</p>
Duration of appointments	<p>Non-executive Directors, other than the Chair, are appointed for a specified term and the Executive Directors have service contracts. Copies of the terms and conditions of appointment of all Directors are available for inspection at the registered office address and will be available for inspection at the Company's AGM.</p>
Terms of appointment	<p>The Executive Directors all have service contracts with the Company that provide for termination on 12 months' notice from either the Company or the Director (except in certain exceptional recruitment situations where a longer notice period from the Company may be set, provided it reduces to a maximum of 12 months within a specified time limit). Service contracts do not contain a fixed end date. The Company does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover, except that provisions in the Company's share schemes may, in certain circumstances, cause share awards granted to employees under such schemes to vest on a takeover.</p>
Time commitments	<p>Non-executive Directors are expected to commit sufficient time to enable them to undertake their responsibilities and, as explained in the Report of the Nomination and Governance Committee, their capacity to fulfil their responsibilities is reviewed on an ongoing basis so that the Board can be satisfied that each Non-executive Director commits sufficient time to the business of the Company.</p> <p>Paul Manduca was appointed as Chair in May 2021 and devotes a significant proportion of his time to the role. In conjunction with the Senior Independent Director, he regularly assesses his commitments and continues to manage his portfolio of other activities to ensure that he has sufficient time to meet the requirements of the position. He currently also chairs Templeton Emerging Markets Investment Trust plc, Majid Al Futtaim Trust and W.A.G Payment Solutions Plc. He had a full attendance record at the Company's Board meetings in 2021 and also attended all Board Committee meetings in addition to spending a substantial amount of time engaging with the business outside formal Board and Committee meetings. Whilst Paul is the chair of three quoted company boards, the time that he is required to commitment to his role on the investment company Templeton Emerging Markets Investment Trust plc is significantly lower than would be the case for a trading company. The Board is satisfied that he commits sufficient time to the business of the Company and will be able to do so throughout the remainder of his tenure.</p>
Conflicts of interest	<p>The Board has in place procedures for the management of conflicts of interest. In the event a Director becomes aware of an actual or potential conflict of interest, they must disclose this to the Board immediately. The Board then considers the potential conflict of interest based on its particular facts, and decides whether to authorise the existence of the potential conflict and/or impose conditions on such authorisation if it believes this to be in the best interests of the Company. Internal controls also exist to conduct regular checks to ensure that the Directors have disclosed material interests appropriately.</p> <p>Except as stated in the Directors' Remuneration Report, no Director has, or has had during the year under review, any material interest in any contract or arrangement with the Company or any of its subsidiaries.</p>
Directors' and officers' indemnity and insurance	<p>The Company has taken out insurance covering Directors and officers against liabilities they may incur in their capacity as Directors or officers of the Company and its subsidiaries. The Company has granted indemnities to all of its Directors in their capacities as Directors of the Company and, where applicable, subsidiary companies on terms consistent with the applicable statutory provisions. Qualifying third-party indemnity provisions for the purposes of section 234 of the Companies Act 2006 were accordingly in force during the course of the financial year ended 31 December 2021, and remain in force at the date of this Report.</p>

Directors' development

Inductions for new Directors

An appropriate induction programme is designed to enable all new Directors to meet senior management, understand the business and future strategy, visit various office locations and speak directly to advisers and staff around the country, as well as being introduced to other key stakeholders. Induction plans are tailored to meet the specific requirements of incoming Directors. The case study on page 116 provides a high-level overview of John Hitchins' induction and explains how our experience during the COVID-19 pandemic has resulted in additional challenges but also benefits.

Continuing professional development

The Chair and Company Secretary ensure continuing professional development for all Directors, based on their individual requirements and this is achieved through a wide range of approaches:

Approach	Examples in 2021
Specific development sessions and training	<p>Specific development sessions and events have been provided for the Directors during the year and these have included further training on defining and measuring culture, responsible investing, the development of brand and new IT systems (including Salesforce). In December the Directors received an overview of the current cyber landscape and, supported by advisers, undertook a detailed review of cyber simulations carried out by management and the key learnings and actions arising therefrom. These sessions provide Directors with opportunities to engage with employees from departments across the business to augment their knowledge of the business, the marketplace and the regulatory environment. The Audit Committee also holds development sessions to support the Committee's understanding of topics relevant to it, including developments in corporate reporting and how these would impact St. James's Place.</p>
Visits to head office, other locations and service providers to meet with employees and members of the Partnership	<p>In 2021 the pandemic continued to restrict the opportunities for the Directors to visit offices and engage with the Partnership. Despite the challenges faced, the Directors were able to attend the first physical Partner conferences held since 2019 and other events that were hosted in regional offices. Virtual meetings continue to provide additional engagement opportunities for Directors with employees and Partners either on a one-to-one basis or as part of larger organised events.</p>
Attendance at subsidiary board meetings, executive committees and management forums	<p>During the year, the Non-executive Directors attended a number of meetings of the boards of subsidiary companies to gain further insight. They were also invited to attend Directors' lunches hosted by senior management as part of the workforce engagement programme.</p>
Attendance at seminars or other events which assist Directors in carrying out their duties	<p>Directors receive invitations from time to time to attend seminars and conferences that provide opportunities to network and enhance their knowledge and experience. In 2021, most of these events have continued to be held virtually and the number of events has increased, providing Directors with greater opportunity to further their knowledge.</p>

Directors' induction case study

Induction programmes typically run for around three to six months for new Directors and are tailored to meet their individual needs based on their existing knowledge/experience and specific aspects relevant to the roles they will be taking up. The programmes are centred on three key elements which are summarised below, together with an outline of key adaptations for John Hitchens' induction:

Element	What the element provides	Examples for John Hitchens
Information and materials	Directors are provided with a comprehensive library of key documents covering the Group's history, constitution, governance framework, corporate reporting, policies, key business areas and much more. This helps Directors to build their knowledge of St. James's Place, highlights areas of further interest and provides a reference library to consult as and when appropriate.	Board/Committee papers and minutes for the previous 18 months were provided. Specific papers covering strategically important topics that have been considered by the Board were drawn out to support focus on material considerations by the Board. Information on key stakeholders, including engagement activity and survey results from employee and Partnership surveys, and also from shareholders and regulators was provided.
Individual meetings	Meetings are arranged with specific employees to explore in more detail significant aspects of the business and to provide the opportunity to build up relationships that will support the Directors going forward. Where a Director will be carrying out a role on a specific committee or subsidiary board, additional meetings and development sessions will be set up to support the Director's understanding of significant matters relevant to that role.	Meetings were set up with all Board Directors, members of the Executive Board and other key members of the management team. Meetings were set up with the chairs of material subsidiaries, such as St. James's Place International plc and St. James's Place UK plc. Given the significance of the life companies within the Group and noting John's role on the Audit Committee in particular, additional time was set aside with the Chief Actuary, key individuals involved with supporting the Audit Committee and the External Auditors.
Meeting attendance	Directors are invited to attend meetings of committees of the Board that they do not sit on, the boards of material subsidiaries and, where appropriate other corporate events and forums that will support their understanding of the Group. Attendance at these meetings provides an opportunity for Directors to observe the Group's governance in action and familiarise themselves with some of the key and emerging themes across the Group.	In addition to attending committees of the Board, new Directors are invited to attend those of material subsidiaries such as St. James's Place UK plc and St. James's Place Unit Trust Group Limited. Partner conferences and regional meetings enable first-hand experience of interaction with the Partnership and where possible opportunities to attend have been scheduled.

The COVID-19 pandemic has impacted induction programmes over the last couple of years meaning that many of the office visits and face-to-face meetings that would normally be planned have been replaced with virtual meetings. Whilst not ideal, it has made scheduling easier in some instances as travel to or between offices has not been required. The transition away from hard copy papers to a secure Board portal in recent years has also enabled us to build a comprehensive reference library for new Directors which not only supports their induction but can prove useful throughout their tenure.

2021 Board effectiveness review

Reflecting on the 2020 review

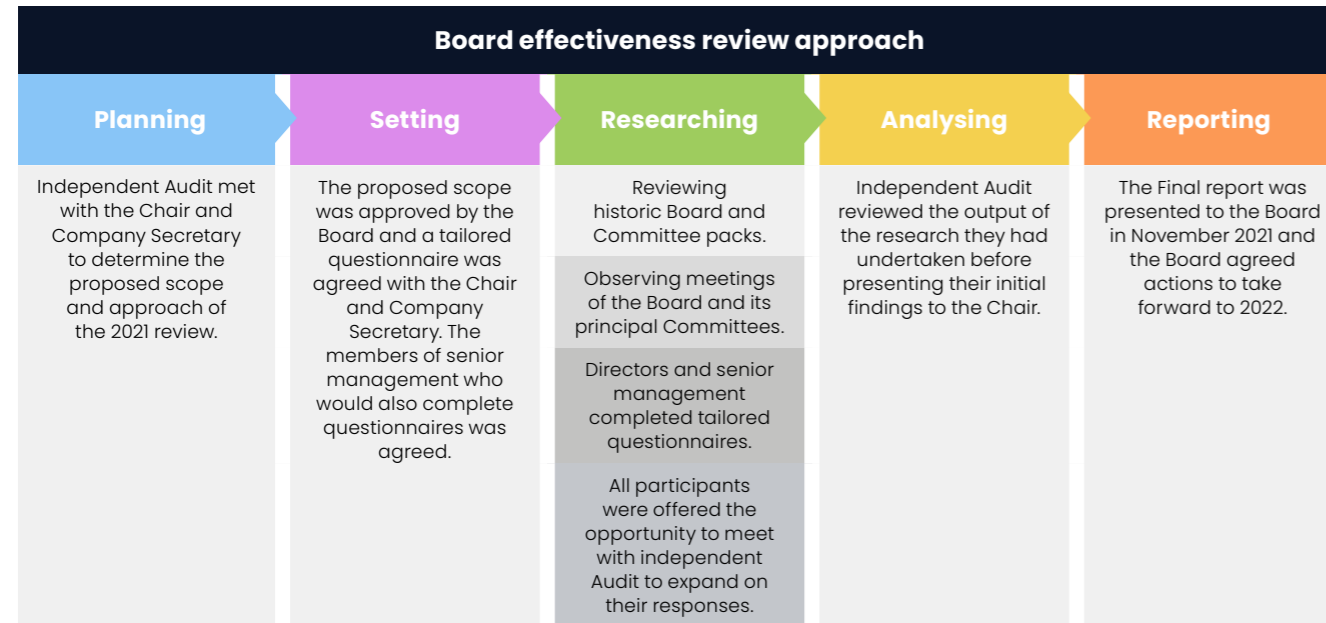
Although the Board was not required to carry out an externally facilitated review in 2020, the Board chose to appoint Russell Reynolds Associates to support it in carrying out its review. The review identified several actions which are summarised below, together with updates on the progress made in 2021.

Actions agreed	Update on progress
A number of topics were identified for greater consideration by the Board in 2021 and were added to the Board's agenda as appropriate.	The topics identified were built into the Board's forward agenda, either as part of substantial focused 'deep dive' discussions at the Board, or as part of the regular reporting received from the Executive Directors. The forward agenda remains under constant review and the Board will continue to closely monitor progress against the Group's 2025 Strategy and will commit time to prominent aspects, or those impacted by changes to the business' circumstances or the external environment.
The format and frequency of Board meetings would be kept under review and opportunities for further informal communication and team building would be sought.	The Board was delighted to be able to return to face-to-face meetings in 2021, which provided valuable opportunities to build upon relationships which, in many cases, had been forged virtually. The Board has undergone a lot of change during the previous couple of years, coinciding with the COVID-19 pandemic, and this had restricted opportunities to build up social capital. The Board calendar in 2021 was largely set when Paul Manduca took the Chair, but looking to 2022 and beyond, the focus and frequency of formal meetings and other engagement events (such as Non-executive Director meetings) has been reviewed and refocused. Virtual meetings remain an option available when appropriate and the experience during the pandemic has provided assurance that late changes in circumstances for individuals can be managed without undue disruption. Opportunities for shorter engagement touchpoints where there are longer gaps between meetings also remains a feature of the Board's calendar.
On the back of the appointment of three new Non-executive Directors in 2020 and the appointment of the Chair-designate, the Board recognised that its dynamics and culture would continue to evolve and would require focus and further reflection as 2021 progressed.	In addition to the anticipated changes in Board membership arising from the succession planning exercise carried out in 2019 and 2020, the Board also saw the unanticipated departure of Baroness Morrissey DBE. Further succession planning resulted in the appointment of John Hitchens towards the end of 2021. Paul Manduca was appointed Chair in May 2021 and has led the Board in considering how it best operates and the roles and membership of the Committees supporting the Board. Whilst a significant number of Non-executive Directors are relatively new to the Board and initially had limited time to meet face to face, there has been committed focus on ensuring the Board works well together and provides appropriate levels of challenge and support to management. The 2021 Board effectiveness review provided further insight on Board dynamics and culture.

1 2 3 4 5 Board composition, succession and evaluation

The 2021 review

In 2021 the Board was required to carry out an externally facilitated review and, following a formal selection process, appointed Independent Audit to carry out the review. Independent Audit has not provided services to the Board previously. When determining the scope of the review the Board was particularly mindful of the number of changes in Board membership in the last couple of years, the limited time the Board had been able to spend together because of COVID-19 restrictions and the short period in which the new Chair had been in situ. The scope of the 2021 Board effectiveness review took all of these factors into account and the Board agreed that, if it believed it was appropriate, it would consider carrying out a further externally facilitated review ahead of the third anniversary of this review. The process followed for the 2021 review and the key outcomes are summarised below:



Themes emerging

The 2021 review identified several themes that highlighted areas of strength (see below) and also areas for the Board to focus on going forward. Overall, the Board concluded that there were no significant areas for concern and the Board and its Committees were operating effectively, albeit there will always be opportunities for further improvement.

Board dynamics and relationships	The Directors agreed that the Board is well chaired and meetings provide for inclusive and open discussion and debate. Despite the relative newness of the Board there were already encouraging signs of cohesiveness, with Directors working together on a basis of trust and openness. The lifting of lockdown restrictions will increase the opportunities to meet face to face and allow for the building of relationships by engaging more in informal settings.
Strategy	Overall, the view was that the Board is good at setting strategic goals, contributing to strategic development and subsequently monitoring performance. The change in Chair had brought about an opportunity to clarify the Board's aims and objectives and Directors recognised that this had improved the degree to which the Board was able to contribute to strategy.
Directors duties and risks	The Board understands its collective and individual duties and Non-executive Directors are diligent at keeping on top of events. The Board is confident that it has the right leadership team in place and is satisfied with the level of oversight of risk and the amount and quality of information received to facilitate its work.

Areas for focus

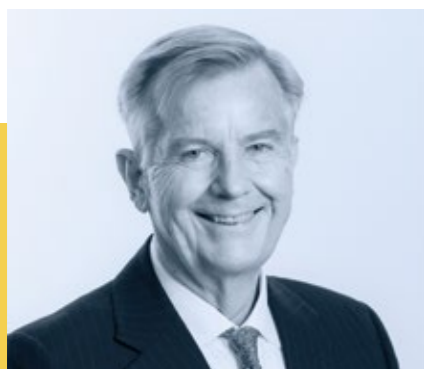
The areas identified for the Board to focus on in 2022 and beyond are summarised below, together with an overview of the action already taken:

Area of focus	Summary	Action taken
Focus on people	Both the organisation and wider society have experienced considerable change in recent years and it is important for the Board to ensure the business has the skills and the reward and recognition structure required to underpin the strategy.	Employees and recruitment will be the subject of a 'deep dive' for the Board in 2022 and the Board and its Risk and Remuneration Committees will continue to keep people and remuneration risks under close monitoring.
Macro trends	The Board should set aside time to focus on macro trends in wealth management and wider society to take account of the changing needs and expectations of clients. Examples include how technological developments might impact strategy and how ESG is factored into the Board's decision-making going forward.	The Board's recognition of the changing needs and expectations of clients, Partners and employees is reflected in a number of its key strategic initiatives and regular updates on the technology/digital journey have been built into the 2022 forward agenda. Led by the Technology Advisory Group, the Board has also scheduled a specific session in 2022 to consider emerging and disruptive technology. Subsequent to the completion of the 2021 review, the Board considered our Responsible Business strategy and plans which set out how ESG will be embedded in our strategy. The Board Risk Committee will also continue to consider emerging risks, including those emerging from broader societal shifts.
IT security/ cyber risk	The risks posed by IT security and cyber are constantly evolving at pace and it is important for the Board to ensure the topics remain areas for focus and vigilance.	In addition to the work of the Board Risk Committee, the Technology Advisory Group was established to support the Board in overseeing IT security and cyber. The Board will consider during 2022 if the support and insight it receives requires further enhancement.
Focus and impact	The visibility of the Board and its impact have been constrained during COVID and as its membership has changed. Whilst a good level of engagement has been maintained, the absence of direct contact has had an effect. However, as Non-executives and Executives begin to have more direct contact again there will be opportunities to consider how to work together for the benefit of the business focusing specifically on the key matters that contribute to the success of SJP.	The Board's forward agenda and development plans for 2022 will provide opportunities to increase visibility.
Culture	Culture has been a key focus for the Board in recent years and oversight of culture is an area which will be aided by spending more time in the business again.	Following the conclusion of the 2021 review, the Board received a full update on the progress made on embedding our culture vision during 2021, including the culture KPIs and dashboard, and the 2022 culture objectives. Regular reporting will provide the basis for ongoing oversight by the Board and will be built into the forward agenda

By order of the Board:

Paul Manduca, Chair
23 February 2022

Report of the Audit Committee



Simon Jeffreys

Audit Committee membership

Member and date joined Committee

SJ	Simon Jeffreys (Chair) 1 January 2014
RH	Rosemary Hilary 17 October 2019
JH	John Hitchins 1 January 2022
RY	Roger Yates 1 July 2014

Note: Lesley-Ann Nash was a member of the Audit Committee from 22 July 2020 to 1 January 2022.

The Audit Committee's terms of reference set out the Audit Committee's role and authority as Audit Committee for the Company and certain subsidiaries. They can be found on the corporate website at www.sjp.co.uk/about-us/corporate-governance.

Key objective of the Audit Committee

The Audit Committee's primary purpose is to oversee financial reporting, the internal and external audits and the Group's systems of internal control, and to provide guidance and advice on these areas to the Board and, where applicable, other boards and committees in the Group.

Regular attendees at meetings

Chair of the Board; Chief Financial Officer; Internal Audit Director; Executive Director – Finance (Chief Actuary); Chief Risk Officer; and Senior Statutory Auditor.

Dear Shareholder,

I am pleased to present the Audit Committee's report for the year ended 31 December 2021. The report provides insight into our work over the year, and details how we have discharged the responsibilities delegated to us by the Board. In addition, we also act as the Audit Committee for St. James's Place UK plc (SJPUK).

The Audit Committee fulfils a vital role in the Group's governance framework, providing valuable independent challenge and oversight across the Group's financial reporting, audit and internal control procedures.

In carrying out its remit, the Audit Committee paid particular attention to the BEIS consultation on Corporate and Audit Reform, actuarial assumption changes, the adequacy of engagement with third-party suppliers, and the Audit Quality Review carried out this year.

The 2020 year-end was the first annual audit conducted substantially remotely. The audit was a success and, as a result, the effective aspects of the 2020 year-end remote audit have been retained. It is however recognised that there is still very much a place for face-to-face working and the 2021 year-end audit was conducted, in a hybrid environment, with a blend of virtual and on-site working which was dependent on the continuing impact of COVID-19.

It is noted that the year ended 31 December 2021 is the first year of mandatory Task Force on Climate-related Financial Disclosures (TCFD) reporting, which the Group voluntarily reported on early in 2020.

Looking ahead to next year, the Audit Committee will be focusing on the results of the BEIS consultation, the implementation of the IFRS 17 Insurance Contracts standard, and Environmental, Social and Governance (ESG) developments.

Finally, following changes to the composition of the Audit Committee, I would like to thank Lesley-Ann Nash for her invaluable contribution during her time on the Audit Committee, and to welcome John Hitchins.

Simon Jeffreys

On behalf of the Audit Committee
23 February 2022

Operation and performance of the Audit Committee

The Chair of the Audit Committee discusses agendas and significant matters separately with the external auditor and the Internal Audit Director in advance of each meeting, with each of the six scheduled meetings focusing on the key topics set out in its forward work programme. In addition, the Audit Committee receives regular updates on developments in corporate reporting, external auditor independence, progress against the Internal Audit Plan, internal control, reports from the Money Laundering Reporting Officer, capital management, financial control breaches, fraud and whistleblowing activity, and key policies. Attendance by Audit Committee members at these meetings is shown on page 113. The Audit Committee also welcomed attendance from the Non-executive Directors appointed to the Board during the year, who attended Audit Committee meetings as part of their induction process; this included the new Chair of the Board. Private sessions were also held regularly with the Internal Audit Director and the external auditor, providing an opportunity for matters to be discussed in the absence of management.

Development sessions are held regularly to enhance further the Audit Committee's understanding of key and emerging topics, and to provide a platform for the Audit Committee to discuss and consider any impact on the Group. In 2021 these topics included the BEIS Consultation on Audit and Corporate Governance, anti-money laundering, cyber threat, assumption setting with a particular focus on persistency, IFRS 17 Insurance Contracts standard, Solvency II Quantitative Impact Study (QIS), and mass-lapse insurance. Audit Committee members also attended external briefings and technical updates, for example those given by the major accounting firms.

The Audit Committee evaluated its own performance and effectiveness over the course of the year and carried out an annual review of its terms of reference. The Audit Committee's effectiveness was also reviewed by the Board as part of its overall assessment of its own effectiveness (see pages 117 to 119). The Board and the Audit Committee remain satisfied that the Audit Committee operated effectively and has the experience and qualifications necessary to perform its role successfully, noting in particular that the Chair of the Audit Committee is a qualified accountant and former Senior Audit Partner, and that other members also have recent and relevant experience and expertise in the financial services sector.

The Audit Committee was responsible for carrying out the function required under the FCA's Disclosure and Transparency Rule DTR7.1.3R (Audit Committees) and complied with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 throughout the year ended 31 December 2021.

Matters considered during the year

The Audit Committee focused on a number of matters which can be grouped under four broad headings: corporate reporting, external audit, internal audit, and internal controls. The following sections illustrate the Audit Committee's activities during the year.

Corporate reporting

Corporate reporting activities form a large part of the Audit Committee's activities. The calendar starts at the May meeting with a review of the previous year-end, alongside the annual review of performance of the Audit Committee. This also provides an opportunity for review of the significant topics which are likely to emerge during the year, which leads closely into the half-year interim reporting process. As the Audit Committee approaches the end of the year the meetings provide opportunities to discuss outstanding technical points with management and the external auditor, and to start reviewing early drafts of sections of the Annual Report and Accounts. Formal Audit Committee meetings are supplemented during the year with informal working group meetings to review with management key messages for both the Annual Report and Accounts and Half Year Results, and to explore in more depth any complicated issues emerging. This forum provides the Audit Committee with clarity and understanding. The process concludes with an important meeting in February at which the final draft Annual Report and Accounts and year-end regulatory reports are reviewed in preparation for recommending them for approval to the Board. Because the Audit Committee also acts as the Audit Committee for the Group's main subsidiary, SJPUK, the Audit Committee also carries out this work specifically for that company.

Report of the Audit Committee continued

Matters considered during the year continued

Some highlights of the Audit Committee's work during the year, including the significant issues it considered relating to the Financial Statements, are included in the table below.

Key corporate reporting topics

Theme	What did the Audit Committee do?	What was the conclusion and impact?
Accounting judgements and actuarial assumptions	<ul style="list-style-type: none"> Persistency Assumption change – Management set out proposals for an update of the persistency assumptions for insurance bonds and pension business. The Audit Committee discussed the proposals, receiving confirmation from the external auditor that they had no concerns with the change of methodology. The Audit Committee challenged/were keen to know: <ul style="list-style-type: none"> – the reason for changing now; – how the proposed rates compared to experience, both recently and over time, and how they compared to those of other market participants; and – what the outlook might be for persistency, and whether there was any reason why it could be different to past experience in order to fully understand the reasoning for the changes. Solvency II Market Risk Capital Assessment change – The Audit Committee was briefed on revised approaches to the assessment of market risk capital, noting that the changes involved refinement based on enhanced use of data rather than a revised approach. Tax Asymmetry Modelling change – An additional refinement of the solvency capital assessment was proposed by management, to reflect the Tax Asymmetry effect (see Financial Review for further information), as experienced in recent years in both IFRS and solvency reporting. The Audit Committee challenged management on the degree to which the benefit emerging was realisable, as well as sensitivity to a range of scenarios, including the rate of unwind in rising markets. Accounting judgements – The Audit Committee reviewed papers prepared by management setting out the key accounting judgements, including the valuation of the operational readiness prepayment. Level 3 assets – Management set out the key judgements used in the valuations of the investment property portfolio and the level 3 investments in the St. James's Place Diversified Assets (FAIF) Unit Trust. The Audit Committee reviewed the key assumptions considered by the external experts, and the report provided by the external auditor on these matters. 	<ul style="list-style-type: none"> The Audit Committee noted that high persistency rates had been experienced for a number of years, and also that the proposed rates still reflected the range of possible outcomes beyond experience. As a result they agreed with management and approved the changes for Group reporting purposes and for recommendation to the SJPUK Board. The Audit Committee noted that because of the unit-linked business model the risk to meeting client liabilities is matched. However there remains a regulatory compliance risk and so the Audit Committee supported management in enhancing the assessment. The Audit Committee was further reassured by risk analysis undertaken as part of the ORSA process and was pleased that the change had been embedded in standard reporting processes by the year-end. In considering the valuation of the operational readiness prepayment, the Audit Committee considered the reasonableness of the assumptions underlying management's discounted cash flow analysis calculating the anticipated future cost savings that support the valuation of the asset. Based on the information provided, the Audit Committee was satisfied that the asset was not impaired as at the year end. Based on the information provided, the Audit Committee was satisfied with the valuations reported.

Theme	What did the Audit Committee do?	What was the conclusion and impact?
Accounting regulation and audit	<ul style="list-style-type: none"> There were no new accounting standards or significant new disclosure requirements for 2021. With the IFRS 17 Insurance Contracts standard deferred until 2023, management advised that plans were progressing and a project group had been established. The Audit Committee requested a development session in order to fully understand the impact to the Group in preparation for the adoption of IFRS 17. During 2021 the IFRS Interpretations Committee made a decision relating to the configuration and customisation costs in a cloud computing arrangement. During the second half of the year management conducted an exercise to assess the impact of the revised guidance. This resulted in a small adjustment to eliminate configuration costs that had previously been capitalised. Revised processes for separately identifying customisation costs of work on Salesforce and other cloud computing arrangements were reviewed by the Audit Committee. 	<ul style="list-style-type: none"> The Audit Committee was satisfied that the impact to the Group with regard to IFRS 17 would be limited. The Audit Committee noted that all new business and most of the past business was classified under IFRS 9 as investment business, with only a small legacy portfolio of insurance business. In addition it was noted that the Company had ceased writing insurance business in 2011. The Audit Committee challenged management on their judgements about how much of the previously capitalised work could be determined as customisation, but were impressed with the quantum of analysis of work orders and plans that were used to support the judgement. The external auditor was also able to reassure the Audit Committee with their knowledge of similar projects elsewhere. The resulting adjustment to the capitalised asset was a reduction of £5.1 million.
Final results and Annual Report	<ul style="list-style-type: none"> The Audit Committee reviewed and provided input into the periodic financial reporting, including the Half-Year Report and Accounts for 2021, the final results announcement, and the Group Annual Report and Accounts for 2021, including the viability and going concern statements. 	<ul style="list-style-type: none"> Following detailed deliberations, challenge and discussion on key aspects of the reports, the Audit Committee was satisfied with the periodic financial reports and recommended their approval to the Board.
Regulatory reporting	<ul style="list-style-type: none"> In addition to statutory reporting, the Audit Committee also reviewed the following regulatory reporting requirements: <ul style="list-style-type: none"> – Solvency II – Group Solvency and Financial Condition Report (SFCR), Group Regular Supervisory Reporting (RSR), St. James's Place UK plc RSR, and St. James's Place Investment Administration Limited Pillar 3 disclosure. – CASS – audit reports on St. James's Place Investment Administration Limited, St. James's Place Unit Trust Group Limited, Rowan Dartington & Co. Limited, and an exception report on St. James's Place Wealth Management plc. 	<ul style="list-style-type: none"> Management confirmed the specifics of the rules for Solvency II reporting and the Audit Committee was able to approve the publication of the 2021 year-end SFCR and the submission of the 2021 RSR to the regulator. The Audit Committee also reviewed and was satisfied with the CASS external audit reports.
Mass-Lapse Insurance	<ul style="list-style-type: none"> The Audit Committee considered the proposed accounting in relation to the new mass-lapse insurance arrangement. Noting the accounting treatment within expenses and other payables. 	<ul style="list-style-type: none"> The Audit Committee was satisfied with management's approach, noting that the accounting impact was relatively minor.

Report of the Audit Committee continued

Matters considered during the year continued

'Fair, balanced and understandable' opinion

The Board is required to provide its opinion on whether the Company's Annual Report and Accounts taken as a whole are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

To support the Board in providing its opinion, the Audit Committee carried out a formal review, taking account of investor feedback, commentary from the Financial Reporting Council's (FRC) annual review of corporate reporting, and management's own assessment. The Audit Committee assessed the quality of financial reporting through discussion with the external auditor, receiving presentations, and discussing key matters with senior financial management.

This process included considering each of the elements (fair, balanced, and understandable) on an individual basis to ensure our reporting was comprehensive in a clear and consistent way, and in compliance with accounting standards and regulatory and legal requirements. The external auditor also considered and confirmed agreement with the 'fair balanced and understandable statement' as part of the audit process.

Following its review, the Audit Committee advised the Board that the Company's Annual Report and Accounts for the year ended 31 December 2021 were fair, balanced and understandable.

External audit

Auditor activity and effectiveness

PwC were first appointed in 2009 and were reappointed as the Group's external auditor following a tender process in 2016. The Group will be required to change its audit firm no later than the 2027 audit. The Audit Committee is aware of the difficulty that some firms are experiencing in obtaining proposals for audit appointment given the current audit markets and audit independence standards. As a result, the Audit Committee has initiated discussions on the tender process with relevant firms.

The FRC is the UK's independent regulator responsible for promoting transparency and integrity in business. Its responsibilities include the monitoring of audits of public interest entities. This monitoring is performed by the FRC's Audit Quality Review (AQR) team. The reviews of individual audit engagements are intended to contribute to safeguarding and promoting improvement in the overall quality of auditing in the UK. During the year, the AQR team carried out a review of PwC's audit of the Group's 2020 Annual Report and Accounts. The Audit Committee discussed the content of AQR, noting that there were no significant areas for improvement identified within the report, nor any material issues in relation to the Financial Statements. The AQR findings identified two areas of the audit that required limited improvements and one area of good practice. The Audit Committee Chair received a full copy of the findings and these were discussed with PwC during an Audit Committee meeting. In addition, the Audit Committee Chair had a follow-up meeting with the AQR team.

The Audit Committee noted the results of the FRC's review of PwC for the 2020/21 inspection cycle, and were pleased to observe that, when compared to the previous year, there was an uplift in the percentage of audits graded as 'good or needs limited improvement' from 65% to 80%. Many instances of good practice were noted by the FRC and the Audit Committee therefore considered that PwC currently provides a robust audit.

The Audit Committee welcomed improvements to the audit process which included the increased use of technology to make process enhancements, and that certain stages of the audit had been accelerated to remove additional pressure at key points. Following challenge from the Audit Committee, PwC provided assurance that they were making appropriate phasing arrangements for the transition of senior managers close to their seven-year tenure limits, and that a plan was in place to avoid unnecessary disruption.

As in previous years, PwC attended all Audit Committee meetings and met privately with the Audit Committee after each meeting. The Chair of the Audit Committee also regularly met with Andrew Moore, the Group's Senior Statutory Auditor, to receive updates on progress and discuss any private matters, including audit fees and the profitability of the audit, progress of the audit and the performance of the finance function.

To launch PwC's programme of work, the Audit Committee received and agreed their plan for the audit of the 2021 year-end. PwC then provided regular updates on their work, culminating in their overall final report and findings from the year-end audit and the review of the half-year results. The reports were discussed with PwC, and the Audit Committee concurred with management's response to the recommendations identified. The Audit Committee asked PwC to pay particular attention to capacity and reserves available to meet distributions to shareholders and the liquidity thereof, covenants attaching to any new loan agreements and changes in audit committee reporting arising from regulations or market practice, and was satisfied with the results of PwC's work and findings.

During the year, an internal evaluation was carried out to assess the independence, objectivity, and effectiveness of PwC and the effectiveness of the 31 December 2020 audit process, following the FRC's Guidance on Audit Committees. PwC's effectiveness was assessed in various ways, including: feedback from management involved in the audit; feedback from the Audit Committee; assessing audit quality and delivery against the audit plan; and interrogating client administration systems to ensure senior PwC team members did not hold any St. James's Place products.

The Audit Committee found that PwC demonstrated robust challenge and professional scepticism during the 2020 year-end process and that Andrew Moore had been highly visible and effective as the engagement partner for the Group. PwC continued to provide high-quality output to the Audit Committee, setting out clearly their approach, findings and recommendations. The Audit Committee discussed with PwC the results of their work and challenge of management, especially in relation to those matters on which the Audit Committee asked them to focus, for example the operational readiness prepayment and the valuation of the private equity and private credit assets in the Discretionary Assets Fund.

The Audit Committee agreed with management's view that PwC were effective in their role as external auditor. Following this evaluation, the Audit Committee recommended that the Board seek the reappointment of PwC as external auditor at the next Annual General Meeting (AGM).

The Audit Committee also reviewed the evaluation of Grant Thornton's performance, in relation to their role as auditors of St. James's Place International and contributing to the Group Audit by PwC, and were satisfied with their performance.

Finally, the Audit Committee was authorised by shareholders at the last AGM to determine the remuneration of the external auditor. As such, the Audit Committee considered and approved the 2021 audit fees. More information on the audit fees can be found in Note 5 to the IFRS Financial Statements.

Auditor independence and non-audit services

During 2021, the Audit Committee closely monitored the BEIS Consultation on Audit and Corporate Governance which had arisen as a result of the Competition and Markets Authority's audit market study, the Brydon Review on the quality and effectiveness of audit, and the Kingman Review of the FRC. In particular, the Audit Committee considered carefully the potential impacts of the consultation. The Audit Committee also monitored trends in financial reporting reflected in the annual reports of other companies.

The Audit Committee carried out its annual review of the Policy on Auditor Independence during the year. The review resulted in minor changes, with refinements made for clarity, particularly in relation to a move away from EU references.

During the year the Audit Committee considered proposals for all non-audit services as they arose and received updates at each meeting on fees incurred with PwC for all services.

The Audit Committee discussed and approved the non-audit work carried out by PwC during the year, which was limited to audit services relating to the corporate reporting, such as the review of the half-year results and validating capital contribution payments to St. James's Place Wealth Management plc. Full details of PwC's remuneration for 2021 are set out in Note 5 to the IFRS Financial Statements.

In their audit report to the Audit Committee, PwC confirmed that they remain independent of the Group and, having carried out its own assessment, the Audit Committee concluded that PwC remained independent and objective. The Policy on Auditor Independence, which includes the restrictions relating to non-audit services imposed by EU audit legislation, is available on the Group's website.

The Group's Senior Statutory Auditor will change from financial year-end 2022. The Audit Committee participated fully in the selection of the successor to Andrew Moore and have selected Gary Shaw.

Report of the Audit Committee continued

Matters considered during the year continued

Internal audit

The 2021 Internal Audit Plan (the Plan) was approved by the Audit Committee in November 2020. The planning process is based on two approaches to analysing risk. The first is a bottom-up risk assessment of the Group's audit universe, which methodically assesses the risks faced by each component of the business. The second is a top-down assessment of the key risks to the Group. The resulting Plan reflects both of these assessments, providing a blend of bottom-up core assurance activity with specific risk-targeted audits.

This plan, together with a risk-ranked watchlist, were reviewed and monitored throughout the year and all updates and changes to the Plan were specifically considered and approved by the Audit Committee.

The Plan addressed three key themes, shown below with examples of audits undertaken:

Theme	Description	Example audits undertaken
Clients and the Partnership	The Group's processes for ensuring appropriate client outcomes, overseeing the continued growth and expansion of the Partnership compliance with the Group's advice standards, and the effectiveness of the field management team in maintaining the required controls.	<ul style="list-style-type: none"> Oversight and monitoring of client outcomes Partner supervision Initial disclosure of fees and charges Recording of ongoing servicing Protection products and professional services Client tax reporting IMA fund mergers Portfolio bonds administration Policy Services Limited
Operational excellence	The robustness and effectiveness of the Group's core operational processes, the impact of continued growth and increased complexity, and the major change initiatives.	<ul style="list-style-type: none"> UT/ISA new business processes Administration centre quality framework Operational resilience Treasury Benefit realisation from projects Budget setting and monitoring
Regulation and reputation	The regulatory landscape, including significant recent and expected future changes, the importance of compliance across the Group's increasingly complex operations, and the key function of second-line monitoring.	<ul style="list-style-type: none"> UK corporate governance Senior Managers & Certification Regime Responsible business reporting Governance and oversight of data protection Own Risk and Solvency Assessment (ORSA) Process AMMS comparable market rates assessment Compliance assurance function Risk culture

The delivery of the Plan is the responsibility of the Internal Audit Director, who is accountable to the Audit Committee and who has regular one-to-one meetings with the Chair of the Audit Committee and the Chair of the Board. Each internal audit report is sent promptly to Audit Committee members and progress reports are discussed at each meeting to update the Audit Committee on progress against the Plan and any remedial actions allocated to management. The Audit Committee followed up and ensured management actions from internal audit reports were completed promptly, and that appropriate alternative controls were in place until those actions were completed.

Internal audit reports regularly to the Audit Committee on internal controls and has confirmed that overall internal controls are effective and there are no significant failings. Noting that certain controls require improvement, management has plans in place for further enhancements to the control framework in specific areas, with progress being monitored by internal audit and the Audit Committee. For example, work is underway to ensure the scalability of operational processes within the investment division and enhancements are being made to the process for evidencing the realisation of benefits from projects. In October 2021, the Audit Committee considered and approved the proposed 2022 Internal Audit Plan.

Deloitte LLP has continued to provide co-sourcing services for specialist expertise and market insight. Examples of services provided under this contract include subject matter experts such as IT and regulatory specialists, and additional resources to maintain and enhance the level of assurance provided to the Audit Committee. In advance of the end of the existing three-year co-source contract in December 2021, a competitive tender process was completed by internal audit and the Audit Committee Chair. From a strong shortlist of firms, Deloitte LLP was selected to continue as the preferred co-source provider for the next three years.

The effectiveness of the internal audit function was externally assessed in late 2019 by EY against the global standards set by the International Institute of Internal Auditors, the 2017 Code for Effective Internal Audit in Financial Services, and current best practice in our industry. The report concluded that the internal audit function remains effective and 'generally conformed' to the global standards across all aspects of performance. It highlighted the function's significant progress and suggested opportunities for enhancements, work on which is now substantially concluded. One recommendation remains open: to enhance the use of data analytics within audits. This remains a key priority for the team and is also being supported through co-source engagement.

An internal quality assessment was carried out and presented to the Audit Committee in May 2021. The Audit Committee concluded that internal audit is effective and meets the needs of the Group. The Audit Committee also reviewed and approved the Internal Audit Charter, which can be found on our website at: www.sjp.co.uk/about-us/corporate-governance.

Whistleblowing

The Board ensures that appropriate arrangements are in place to enable individuals to raise any concerns about illegal or improper behaviour connected to St. James's Place. The Chair of the Audit Committee is a key contact in the Whistleblowing Policy and is the whistleblowers' champion under the Senior Managers and Certification Regime. On behalf of the Board, the Audit Committee reviewed whistleblowing arrangements during the year and received regular updates on activity. Each case was considered when first reported and tracked through at each meeting until satisfactorily concluded. The Audit Committee established that each of the matters had been properly investigated and appropriate actions taken, that no resulting changes were required to the Group's procedures or systems of control, and that none of the matters was material to the financial position or results of the Group. Following review and challenge by the Audit Committee, the Annual Whistleblowing Report and the Whistleblowing Policy were considered by the Board in May 2021. The Board concluded that the whistleblowing arrangements were appropriate and consistently in force across the entire Group.

Internal controls

Systems of internal control

The Board has overall responsibility for ensuring that management maintains comprehensive systems of internal control for managing risk and for assessing their effectiveness. On behalf of the Board, the Audit Committee takes responsibility for assessing the effectiveness of the Group's risk management and internal control systems, covering all material controls including financial, operational and compliance controls for the Group and the individual entities. It does this by overseeing the continuous review of risk and control self-assessments, and by monitoring the effectiveness of the internal control model throughout the year through the quarterly updates provided by management to the Committee. The internal control systems are designed to identify, evaluate and manage the risk of failure to achieve business objectives within the stated risk appetite, rather than to eliminate the risk altogether. This provides reasonable but not absolute assurance against material misstatement or loss. St. James's Place plc is committed to operating within strong systems of internal control that enable business to be executed and risk taken without over-exposing the business to reputational damage or potential losses beyond risk appetite.

Specifically, in relation to the financial reporting processes, the main features of the internal control systems include: extensive documentation; operation and assessment of controls in key risk areas; monthly review and approval of all financial accounting data including data generated by our outsource providers; and formal review of financial information by senior management, for both individual companies and the consolidated Group. The Audit Committee is provided with updates on the operation of financial reporting controls throughout the year and each control is subject to an annual cycle of review and reapproval which culminates at the year-end.

Report of the Audit Committee continued

Matters considered during the year continued

In addition, the Audit Committee received, discussed and evaluated the quarterly updates on the results from the Group risk function on the effectiveness of the internal control model. These updates are underpinned by management risk and control assessments captured through the risk and internal controls platform, and provided the Audit Committee with holistic updates on management's view of the Group risk environment. In addition, the Audit Committee received and discussed the assessments of internal controls from the internal audit and Group risk functions to support its review of the internal control system, monitoring actions to ensure viable improvements were made by management.

Over the course of year, management have implemented a number of strategic initiatives to enhance existing controls technological upgrades which support the Partnership in advising clients remotely, specifically:

- the implementation of Salesforce as the primary CRM system for the Partnership improving the management of client documentation;
- operational and service excellence initiatives, including increasing the volumes and robustness of straight-through processing (STP) to ensure a more effective administration process; and
- a programme of activities focused on operational resilience which has provided further assurance on the robustness of our key control activities.

During the year an operational incident involving a third-party service provider was identified resulting from an individual's error at the third-party service provider. Whilst this did not result in client detriment, a comprehensive root cause investigation of the incident was commissioned and jointly overseen with the Risk Committee. Following the investigation, the third-party service

provider has implemented further mitigative control activities to prevent future incidents, and these are assessed as part of the regular monitoring programme.

These sources of assurance assist the Audit Committee in completing its annual review and enable the Audit Committee to attest on behalf of the Board that it has been able to properly review the effectiveness of St. James's Place's system of internal control in accordance with the 2014 FRC Guidance on risk management, internal control and related financial and business reporting. The Audit Committee did not identify any 'significant failings or weaknesses' and it has ensured that corrective action is taken on matters arising from the review. Internal audit and management control self-assessments identified areas where controls improvements should be made. For example, work is underway to ensure the ongoing scalability of operational processes within the investment division and enhancements are being made to the process for evidencing the realisation of benefits from projects. The Audit Committee continues to track progress on these items throughout the year to ensure actions are completed.

Bribery and fraud review

The Audit Committee monitors and receives regular reports from the Money Laundering Reporting Officer on the Group's policies, systems and controls to prevent bribery and fraud. During 2021, fraud update reports have been presented at each Committee meeting and a report covering fraud and bribery was presented to the Committee in May. It was determined that, overall, St. James's Place's controls are effective, appropriate policies and procedures are in place, and operational effectiveness of controls is evidenced.

The majority of attempted frauds against St. James's Place and its clients arise as a result of account takeover activities involving email hacking, email interception and postal interception of letters and forms. Fraud prevention controls to prevent the takeover of client accounts and fraudulent withdrawal of client funds

are reliant on manual controls performed by Partners and Partner support staff. Whilst most of them operate the required controls effectively, individual lapses do lead to losses. During the course of 2021, the Group has seen a small number of cases of attempted misrepresentation of well-known government bodies such as FCA and HMRC or services such as estate agents, to persuade clients to transfer their funds to them for 'safe-keeping' or other ostensibly legitimate purposes such as property transactions. Following review by the Audit Committee, the following actions have been undertaken to counteract these threats:

- in response to the increased levels of fraudulent activity, the St. James's Place social media team has successfully requested LinkedIn remove a number of profiles on the grounds of suspicious activities;
- monitoring of St. James's Place social media activity to detect attempted takeovers or suspicious activity, and detection and removal of cloned St. James's Place websites;
- enhancement of the identity verification checks by the call centre teams; and
- updated fraud prevention training and communications to Partners, Partner support staff and administration centre staff as well as clients in order to improve awareness of these risks and how to counteract them.

Report of the Risk Committee



Rosemary Hilary

Risk Committee membership

Member and date joined Committee

RH	Rosemary Hilary (Chair) 17 October 2019 and became Chair on 19 August 2020
EG	Emma Griffin 16 September 2020
JH	John Hitchins 1 January 2022
SJ	Simon Jeffreys 1 January 2014
LN	Lesley-Ann Nash 16 September 2020
RY	Roger Yates 1 January 2014

Note: Baroness Wheatcroft retired and Baroness Morrissey DBE stepped down as members of the Committee on 14 May 2021.

The Committee's terms of reference set out the Committee's role and authority and can be found on the corporate website at www.sjp.co.uk.

Key objective of the Risk Committee

The Committee's primary role is to provide guidance, advice and constructive challenge to relevant boards in relation to the Group's risk appetite and management of risk. The relevant boards are those of St. James's Place PLC and its wholly owned subsidiaries (together the SJP Group), including its regulated companies.

Regular attendees at meetings

The Chair, Chief Executive, Chief Financial Officer, Managing Director, Chief Operations and Technology Officer, Chief Risk Officer and Internal Audit Director are regular attendees. Subject-matter experts and other members of senior management are also invited to attend and present on specific topics throughout the year.

Dear Shareholder,

I am delighted to present to you my report as Chair of the Risk Committee (the Committee) and would like to open by taking this opportunity to thank all the current and retired Committee members for their continued contribution during the year. I also welcome John Hitchins who joined the Committee in January 2022.

Reflecting on 2021 as a whole, we have seen a significant reduction in the severe risk posed by the spread of COVID-19 that arose in 2020. Although there remains uncertainty as to the future impact of the virus, the successful vaccine rollout in the UK has encouragingly resulted in the lifting of lockdowns and many other restrictions. The future outlook appears more positive but caution remains due to the risk of emerging mutations of the virus which may be resistant to existing vaccines or reduce their effectiveness, together with periodic spikes in COVID-19 cases in those who are unvaccinated or as the effect of existing vaccines wears off.

Against this backdrop, the Group has continued to prioritise the health and welfare of its employees, advisers and other stakeholders, for instance through the continuation of flexible working policies and additional care and monitoring of those clients identified as vulnerable. This has brought into sharper focus the risks, and also opportunities, arising out of the social impact of the enforced changes on lifestyle and the working environment.

As the COP26 Summit in 2021 highlighted, climate change is a very real threat and the Group has recognised its own responsibilities to help tackle it by making pledges committing to being carbon positive in its operations by 2025, net zero in its supply chain by 2035, and net zero in its investments by 2050. Climate change represents just one aspect of what is often referred to as environmental, social and governance (ESG) considerations and the Group's commitment in this area is demonstrated in its aspiration to be a leading responsible business. In 2021 the Group established a Responsible Business division and appointed a Head of Environmental Strategy, which mark significant steps in the implementation of the actions required to achieve the Group's aims and meet the pledges we have made. We understand that being responsible

Report of the Risk Committee continued

presents both risks and opportunities and the Committee is playing a significant role in monitoring the governance and measurement of delivery against the Group's responsible business commitments. Perhaps the area where the Group can make the most impact is through its responsible investing proposition, which has been developing over a number of years and recognises the opportunity to maximise customer benefits through its active investment management approach.

A principal focus of the Committee has remained its monitoring and scrutiny of the Group's risk profile and operational resilience. During the year it considered the stress and scenario testing carried out as part of the Own Risk and Solvency Assessment (ORSA) in order to assess the risks to the Group's capital and liquidity which assisted in informing the Group's dividend decision. This analysis continued to confirm that the Group remains resilient to macro-economic shocks arising from the COVID-19 pandemic, movements in inflation and interest rates, and market constraints on the supply of goods and labour.

In addition to our continued monitoring of the potential risks posed by COVID-19, the Committee has undertaken a series of risk 'deep dives' supported by analysis from the business. Focused reports from senior executives have also contributed to the Committee's assessment of the Group's principal risks. Emphasis has continued to be placed on developing the risk management organisation and framework and enhancing the risk culture across the Group. A key aspect of this has been the increased emphasis we have given to the consideration and monitoring of new and emerging risks which, during 2021, has included 'deep dives' on climate change and responsible investing, cryptocurrency and changes in the competitive landscape.

The Group's risk and compliance functions sit under the executive leadership of Mark Sutton, the Group's Chief Risk Officer (CRO), and during the year I have worked closely with Mark to set the agenda of the Committee meetings and discuss key issues.

In 2022 the Committee will continue to probe and test the Group's risk profile to assess whether it remains within the Board's risk appetite, and to monitor emerging risks to ensure the Group is ready for the challenges which lie ahead.

Rosemary Hilary

On behalf of the Risk Committee
23 February 2022

Operation and performance of the Committee

The Committee comprises six independent Non-executive Directors. The Committee Chair regularly meets the CRO, the Chief Executive, the Chief Financial Officer and individual members of the Executive Board to discuss key risk topics. The Chair, in conjunction with the other Committee members and the CRO, establishes a rolling forward agenda, ensuring that the key responsibilities of the Committee are fulfilled, and that significant and emerging risks are considered at appropriate times.

The Committee also focused on its own performance and effectiveness during the year. As part of this, the Committee carried out an annual review of its terms of reference and concluded that it continued to discharge its responsibilities appropriately. The Committee's performance was also reviewed as part of a Board effectiveness review (see pages 117 to 119) and the Board remains satisfied with the Committee's effectiveness and that, taken together, the Committee has the experience and qualifications necessary to perform its role.

Oversight of risk

The Committee spends a significant proportion of its time receiving updates from the CRO and other key executives, who have direct access to the Chair should the need arise. The Committee also regularly considers progress on the Compliance Assurance Plan and assesses the adequacy of resources committed to its delivery. The Committee monitors the operation, performance, and resourcing levels of the risk and compliance function.

Oversight of the Risk Management Framework is key to the delivery of the responsibilities of the Committee. During 2021, the Group's principal risks and emerging risks were inevitably influenced by the ongoing impact of COVID-19. However, the progress and investment made in recent years meant that both the organisation and the Risk Management Framework were able to adapt to the changes in circumstances and continue to demonstrate resilience. During the year the CRO completed an organisational design review of the function, which is being strengthened by the move to a single function approach across the Group and the implementation of a comprehensive Target Operating Model. The increased use of technology and data analytics tools in areas such as risk reporting and anti-money laundering has also led to more effective operations.

Assessing the implementation of risk mitigation in the business is another area which the Committee reviews and challenges. Where risks crystallise,

the Committee reviews the circumstances and root causes, and then assesses the response of management. More details on the principal risks, the Risk Management Framework, risk appetite, and how risk is monitored and managed across the business can be found on pages 85 to 95. The Committee reviewed and commented on the Group's Risk Appetite Statement and, in its final form, recommended its approval to the Group Board.

Interactions with regulators

As most of the activity within the Group is regulated, the Committee considers all material interactions with the Group's principal regulators. It monitors progress against any actions. The Group's interactions are principally with the Prudential Regulation Authority, the Financial Conduct Authority, the Information Commissioner's Office, the Central Bank of Ireland, the Monetary Authority of Singapore, the Hong Kong Securities and Futures Commission and the Hong Kong Insurance Authority.

Activities during the year

On an ongoing basis the Committee receives regular reports on a number of areas, including:

- updates on material risks that have been prominent in the period since the previous meeting;
- reporting on key risk indicators;
- interactions with regulators and any actions required;
- an assessment of the impact and implementation of new regulations;
- business assurance reviews;
- the Group's Own Risk and Solvency Assessment, as well as similar assessments for certain of St. James's Place's regulated subsidiaries; and
- the latest view of emerging risks and any significant changes in the risk environment.

The Committee also approves the annual Compliance Assurance Plan.

Key matters considered during the year

The table below highlights some examples of where the Committee has provided review and challenge, alongside relevant conclusions. Examples are shown across the Group's ten risk areas.

Risk area	What did we do?	What were the conclusions?
Administration service	<p>Administration performance – The Committee received updates on the ongoing operational impact of the transition to remote working following the lockdown restrictions arising under COVID-19.</p> <p>It was reported that ongoing process changes and service enhancements had resulted in improved service delivery, quality of administration and reduction in error rates.</p> <p>A material operational incident involving a third-party service provider was identified during the year. The incident was caused by an individual's error and resulted in regulatory breaches and operational disruption. SJP commissioned a comprehensive investigation of the incident, which was overseen in conjunction with the Audit Committee.</p>	<p>The Committee was satisfied that the service level agreements (SLAs) continued to be met in all material respects by administration centres in the UK, Ireland and Mumbai, with our third-party administrators responding effectively to the challenges of remote working.</p> <p>Following the investigation, management worked closely with the third-party service provider to identify the necessary remediation, including on change management, supervision and incident response activity to ensure service quality and the robustness of their risk management and control systems going forward. When questioned by the Committee, confirmation was received that any direct impact on clients had been rectified without any long-term detriment being suffered.</p>

Report of the Risk Committee continued

Key matters considered during the year continued

Risk area	What did we do?	What were the conclusions?
Client proposition	<p>Investment risk landscape – The Committee considered a review of the evolution of risks within the investment proposition, including an outline of the development of the centralised investment risk management team to further enhance client outcomes through improved capability, service and efficiency.</p> <p>The Committee also received updates on planned changes to the Investment Management Approach (IMA) to ensure delivery of investment performance, and the progress being made in ensuring effective delivery of the changes.</p> <p>Third-party product risks – The Committee received an update from, and challenged the work of, the Third-Party Product Risk Group, the body accountable for all third-party providers on the St. James's Place panel. Updates were also provided on third-party tax-advantaged products.</p>	<p>The Committee challenged and was satisfied that the development and delivery of the new investment proposition strategy appropriately considered the need to meet client expectations.</p> <p>The Committee questioned and was satisfied that steps were being taken to ensure sufficient resource was in place to support the effective delivery of the plan to deliver changes to the IMA.</p> <p>The Committee was reassured that third-party providers were assessed thoroughly on introduction and throughout their duration on the St. James's Place panel, with appropriate action taken when required.</p>
Conduct	<p>Clients with vulnerable characteristics – The Committee reviewed a detailed presentation on the key measures and oversight in place across the business to support clients with vulnerable characteristics, noting how the global pandemic had acted as a catalyst in exposing vulnerabilities for some people. The importance of recognising circumstances that give rise to vulnerabilities at certain points in clients' lives was acknowledged as being fundamental to ensuring they were appropriately supported and protected. The Committee explored how additional training was being provided to advisers in this area to help to identify and protect clients.</p> <p>Complaints handling – The Committee received reports on the Group's complaints handling operations and data, which outlined the impact of circumstances arising throughout the year on complaint volumes and complaint handling processes. Circumstances included lockdowns and home working and the impact of increased business volumes.</p> <p>The Committee received reports on the oversight and management of Partners' outside business interests and a field risk team update on client servicing.</p>	<p>The Committee discussed the actions being taken in the business to enhance its approach to identifying and supporting vulnerable clients, including those unfamiliar with using, and meeting via, technology. Following on from discussions in 2020, the topic remained an area of key focus for the Committee in 2021 and it was reassured by the positive steps being taken.</p> <p>The Committee challenged whether sufficient resource was being applied to complaints handling, and was reassured that, with support of the client liaison team, complaint volumes were stabilising and processes were being enhanced to assist the operations in scaling up as the business continues to grow.</p> <p>The Committee noted that the number of Partners with outside higher risk business interests was very small in comparison to the number of Appointed Representatives. The depth and frequency of monitoring by the Field Risk team provided assurance that risks posed to clients and SJP's reputation were being well managed.</p>

Risk area	What did we do?	What were the conclusions?
Financial	<p>ORSA – The Committee took an active role throughout the year in the review and challenge of the Group's Own Risk and Solvency Assessment (ORSA). This included stress and scenario activity which supports assessment of financial resilience, liquidity and solvency ratios for the Group and UK and Irish insurance entities, as well as analysis and challenge of reverse stress testing.</p> <p>Capital management and liquidity – The Committee also reviewed the continuation of an agreed Liquidity and Solvency Buffer and Contingency Funding Plan for St. James's Place UK plc (SJPUK)), together with action plans to manage SJPUK's Solvency Ratio within its agreed Risk Appetite.</p>	<p>The Committee was involved in challenging the comprehensiveness and depth of stress and scenario testing; and was comfortable that the Group remained financially resilient, and able to remain within regulatory approved risk tolerances. The evolution of the Group's capital and liquidity management risk assessments was highlighted.</p> <p>The Committee supported the ongoing liquidity and solvency proposals and recommended them to the board of SJPUK.</p>
Outsourcing	<p>Outsourcing – The Committee reviewed the current material outsourcing processes in the Group, and a list of material relationships. This was supplemented by regular updates on key outsourced relationships, such as the Group's administration partners. The Committee probed into controls over data security at third-party suppliers.</p> <p>The Committee also considered progress with activity preparing for regulatory developments on outsourcing ahead of implementation in 2022. The operational resilience implications for the Group were also considered (see Security and Resilience on page 135).</p>	<p>The Committee recognises the importance of maintaining appropriate controls over outsourced activities and was comfortable with management's plans to continue to improve risk management in this area. The Committee further obtained confirmation that the controls in place were in line with the Group's Risk Appetite Statement. A tightening of controls in particular in relation to smaller suppliers was highlighted as an opportunity for future enhancement.</p> <p>The Committee was supportive of progress in relation to the development of an enhanced outsourcing and supplier management programme.</p>
Partner proposition	<p>Technology support – The Committee received regular reports on the implementation of Salesforce as it was rolled out to Partner businesses.</p> <p>Supervision of Partner businesses – The Committee received updates on the developments in the risk framework considering specifically the risks more relevant to larger practices.</p> <p>Partner engagement – More regular and structured engagement with the Partnership via surveys was implemented in 2021 and provided important and timely insight into Partner sentiment. Direct feedback and survey results indicated that some Partners were feeling more remote from SJP, potentially arising out of the lack of direct contact as a consequence of the lockdown restrictions and changes in working and engagement practices caused by COVID-19.</p>	<p>The Committee supported the strategy of implementing Salesforce to further support Partner businesses and to facilitate enhanced centralised evidence of client servicing. The Committee noted that overall feedback on the migration to Salesforce had been positive with adoption by Partner practices as their primary CRM exceeding initial targets.</p> <p>The Committee acknowledged that high levels of engagement and cultural alignment between St. James's Place and the Partnership is a key mitigant for a number of these risks. Through the emerging risk analysis, the Committee agreed that further work be undertaken to assess the cultural ties with the Partnership, in particular in the context of remote working.</p> <p>The Committee noted the action being taken to mitigate the issue including the reintroduction of face-to-face development and networking events for Partners, which were positively received.</p>

Report of the Risk Committee continued

Key matters considered during the year continued

Risk area	What did we do?	What were the conclusions?
People	<p>The Committee received updates on employee-related risks, including employee wellbeing, and the impact of remote working, absence and long-term sickness, and remuneration and bonus.</p> <p>The results of an internal survey indicated that the impact of our first formal redundancy programme in the first quarter of 2021, together with the lack of pay rises, bonuses and promotions, coupled with uncertainty over return-to-work COVID requirements, were having an impact.</p> <p>As part of the overall review of people risk, the Committee considered remuneration risks. The review supports the Remuneration Committee's consideration of the alignment of SJP Group's remuneration policies for Directors and employees with its strategy. It also provides assurance on compliance with existing and forthcoming regulatory requirements.</p>	<p>The value of resources made available to employees to manage their wellbeing during the pandemic was recognised and it was noted that the business intended to keep these in place going forward to promote individual wellbeing and help reduce employee absence.</p> <p>The Committee obtained assurance around the actions taken by management to ensure that appropriate measures were in place to support employees' wellbeing and provide positive engagement and communication across the Group both during lockdown and on their return to the office.</p> <p>The CRO attended meetings of the Remuneration Committee to provide input into the alignment of risk behaviours and the conduct and management of operational incidents to ensure reward and performance were reflected appropriately. The Committee's own activities supported the Remuneration Committee in reaching its conclusion that remuneration policies continued to mitigate potential conflicts of interest and did not encourage inappropriate risk-taking. The Committee also noted the findings of a compliance assurance review focusing on compliance with the various remuneration requirements applying to the Group's regulated entities where the actions identified were largely technical in nature and would be remediated relatively easily.</p>
Regulatory	<p>Regulatory change – The Committee reviewed and discussed the impact of upcoming regulatory change and management's response, for example, to the FCA and PRA consultation papers on operational resilience, outsourcing and the Investment Firms Prudential Regime (IFPR).</p> <p>Client money and client assets – The Committee reviewed and approved the CASS Annual Report for 2020.</p> <p>Regulator engagement – The Committee received reports on the more material topics of discussion with the Group's regulators, as well as progress reports on the actions taken to address matters raised by the regulators as part of ongoing supervision and wider industry communications.</p> <p>Business assurance and internal audit – The Committee received an update on the effectiveness of the controls in place across the Group, which emphasised that the increased volume of advice activity in 2021 had not impacted detrimentally on client outcomes.</p>	<p>The Committee probed and was satisfied with the progress against each of the areas outlined by management. Further information on operational resilience and outsourcing can be found under their specific headings in this report.</p> <p>The Committee assessed whether adequate progress had been made on items identified through the most recent CASS audit and gained assurance on the effectiveness of CASS controls and oversight.</p> <p>The Committee discussed and agreed the actions being taken to address both firm-specific and industry-wide themes identified by regulators.</p> <p>The Committee noted an effective rating from compliance assurance during the year, which had included reviews of higher risk products and more complex transactions such as defined benefit pension transfers. The Committee will continue to receive updates including further work on refining the grading structures and aged analyses of ongoing cases to ensure they remain appropriate and in line with the Group's risk appetite.</p>

Risk area	What did we do?	What were the conclusions?
Security and resilience	<p>Operational resilience – The Committee reviewed the Group's approach to business continuity and operational resilience and received updates on the Group's progress in response to the new FCA/PRA regulations which will take effect in March 2022.</p> <p>Data and cyber risks – The Committee was provided with an assessment of the Group's information and cyber security risks, and activities contributing to the cyber maturity programme.</p>	<p>The Committee was actively engaged in overseeing the activities to enhance operational resilience across the Group and approved a list of important business services which would be required to ensure continuity within acceptable limits in the event of a severe but plausible disruption. The Committee was satisfied that good progress had been made in readiness for the regulations coming into force, with the business being on track to meet the new requirements ahead of their coming into force.</p> <p>The Committee discussed the results of the testing and assurance activities over cyber security, including phishing exercises, reflecting the heightened activity in this area including due to COVID-19. It will continue to receive, review and challenge management information on cyber security on a frequent basis and conduct 'deep dives' as appropriate.</p> <p>The Committee received assurance that the Group's cyber security framework had developed in maturity and an increased level of engagement over this topic had heightened awareness of the risks.</p> <p>The Committee was also advised that simulation exercises were being carried out both at Executive Board and by the Board in support of the ongoing cyber security/business continuity programme, with learnings helping to further strengthen the Group's resilience and continuity planning. Further comfort was obtained through the focus of the Technology Advisory Group (TAG) on this area, and its input into the Committee via Simon Jeffreys, who is also a member of TAG.</p> <p>The Committee was also reassured by the increased support being given to the Partnership around data security through the piloting of the provision of configured technology software and hardware devices.</p>
Strategy, competition and brand	<p>Strategy impact – As part of the ongoing programme of deep dives on subsidiary businesses, the Committee received reports on the performance of St. James's Place International Limited (SJPI) and the Asia business. The review of SJPI highlighted the risks arising out of Brexit relating to financial promotions and non-Irish residency tax declarations, and the Committee considered the options available to address the risks posed.</p> <p>Emerging risks – The Committee considered regular updates on management's views on emerging risks, supported by a detailed horizon scanning exercise carried out with each member of Executive Board. The Committee also provided its views of emerging risks that should remain within its short- to medium-term focus.</p>	<p>The Committee was reassured by the actions being taken to mitigate the identified post-Brexit risks for SJPI, and the actions being taken to develop the business in Asia.</p> <p>The Committee was comfortable that suitable emerging risks had been identified and that appropriate focus was being placed on managing them where possible. The enhanced reporting and more granular assessment of these risks provided the basis for deeper debate on the potential implications for the Group, and the Committee recognised the importance of continuing to set appropriate time aside to consider emerging risks.</p>

Outlook

The Committee will continue its focus on ensuring the Group's key risks are appropriately managed so that St. James's Place remains resilient, with strong foundations for long-term success. Areas of focus will continue to include the adequacy of consideration of, and response to, emerging risks, as well as the actions taken to ensure ongoing operational resilience, including where critical activities take place via outsourced arrangements. Additionally, the liquidity and solvency of the regulated entities within the Group, and the strategy and ongoing implementation of the IMA aimed at improving client investment outcomes, will remain important topics of focus, along with developments to the cyber security programme.

Report of the Nomination and Governance Committee



Paul Manduca

Nomination and Governance Committee membership

Member and date joined Committee

PM Paul Manduca (Chair)
1 January 2021

RH Rosemary Hilary
22 July 2020

SJ Simon Jeffreys
1 January 2022

RY Roger Yates
8 October 2018

Note: Iain Cornish, Baroness Morrissey DBE and Baroness Wheatcroft were members of the Committee from 1 January to 14 May 2021. Simon Jeffreys was also a member of the Committee between December 2018 and July 2020.

The Committee's terms of reference set out the Committee's role and authority and can be found on the corporate website at www.sjp.co.uk.

Key objective of the Nomination and Governance Committee

The Committee has overall responsibility for planning Board and senior executive succession, leading the process for new appointments and ensuring that these appointments bring the required skills, experience and diversity to the Board. The Committee is also responsible for overseeing the Group's governance arrangements, taking into consideration the structure, size and composition of all its boards and committees to ensure they are made up of the right people with the necessary skills and experience to direct the Group in the successful execution of its strategy.

Regular attendees at meetings

The Chief Executive, Company Secretary and representatives of external consultants.

Dear Shareholder,

Having joined the Committee upon my appointment to the Board, I took over as Chair when Iain Cornish retired from the Board in May 2021. Under Iain's leadership, the Nomination and Governance Committee and the Board made significant progress in overseeing the Board's medium-term succession planning, in particular in addressing the need for diversity around the board table. Whilst the Board now has a number of fresh faces, we cannot rest on our laurels and need to make sure we have robust plans in place to manage future planned and unplanned changes in its composition. During the year a key focus has been on succession planning to ensure we have candidates in place when we come to selecting successors to the Chairs of our Audit and Remuneration Committees. During 2021 the Committee carried out a thorough search for candidates to further strengthen the Board and we recommended the appointment of John Hitchins to the Board in November. Following John's appointment the composition of each of the Board's principal committees was reviewed and I am delighted that Simon Jeffreys has agreed to rejoin the membership of this Committee.

We continue to keep a keen eye on Executive succession planning and the Chief Executive has provided the Committee with details of the short-term/emergency succession plans in place for Executive Board and other key management roles, together with an indication of the longer-term succession options for each role. As part of this, the Committee was keen to ensure that Ian Gascoigne's retirement from the Board in March 2022 did not present any particular succession challenges. Whilst Ian Gascoigne's absence will be felt across the organisation, we are fortunate to have a depth of experience across the Executive Board which has meant his executive responsibilities will be transitioned with minimal operational impact.

In last year's report we explained how we had established a Technology Advisory Group (TAG) to provide the Board with access to important cyber and technology skills and expertise. TAG has been up and running since March and the Board has benefitted from valuable insight into the status of the Group's own cyber and technology environment, as well as future threats and opportunities that may influence our strategy and/or business model.

Inclusion and diversity remains a key topic for the Committee and the Board and during the year we monitored progress against our inclusion and diversity strategy and stated public commitments. In line with many organisations, we have found that despite committing significant time and effort it is difficult to control the pace of change particularly when it comes to establishing a diverse pipeline for senior management. We are confident that our goals are achievable and we continue to make positive progress, albeit not as quickly as we may desire.

Our Group governance framework continues to evolve as we seek to maintain an appropriate, proportionate and sustainable governance model that takes account of the myriad of individual and collective requirements imposed by regulation and legislation on the Group, whilst also supporting the business to achieve its strategic aims. The Committee's responsibility for oversight in this area has been increasing in recent years and is now reflected in both the Committee's name and its terms of reference.

In accordance with the provisions of the UK Corporate Governance Code, an externally facilitated Board evaluation was required to be carried out in 2021. Having considered a number of potential providers, the Committee recommended to the Board the appointment of Independent Audit. The effectiveness review was carried out in the second half of the year and further details can be found in the Corporate Governance Report on pages 117 to 119.

Paul Manduca

On behalf of the Nomination and Governance Committee
23 February 2022

Activities during the year

Topic	Summary of activity	Find out more
Board composition	Taking account of the tenure of existing Board members and Baroness Morrissey's unplanned departure, the Committee remained focused on the longer-term succession planning for Non-executive Directors. The Committee considered the skills, experience and diversity required to ensure ongoing effectiveness, and following a thorough search recommended to the Board that John Hitchins be appointed a Non-executive Director.	See overleaf
Committee composition	In light of the appointment of John Hitchins, the composition of the Board's principal committees were each reviewed and changes were recommended to the Board.	See overleaf
Management succession	The Committee sought assurance that short-term succession plans were in place for members of the Executive Board and key personnel and also considered longer-term succession plans for each role.	See overleaf
Inclusion and diversity	The Committee continued to assess the progress made against the inclusion and diversity strategy during the year. The Committee also monitored progress against the commitments made and the impacts of significant events during the year, including the redundancies made earlier in the year.	See page 139
Subsidiary board membership	Following the recategorisation of St. James's Place UK plc (SJP UK) as a Category 2 firm by its lead regulator, the Prudential Regulation Authority, the Committee considered changes to the composition of SJP UK's board. In addition, the Committee endorsed recommendations on the appointment of non-executive directors to the boards of its material subsidiaries.	
Group governance	The Committee reviewed progress made in enhancing the Group's governance framework and planned future actions. In recognition of its increased focus on governance, the Committee name and terms of reference have been updated to reflect its wider responsibilities.	See page 139
Board effectiveness	The Committee addressed the actions that had been identified in the 2020 Board effectiveness review, and appointed Independent Audit to undertake the externally facilitated review for 2021.	See pages 139 and 117 to 119

Report of the Nomination and Governance Committee continued

Operation and performance of the Committee

The Committee currently comprises the Chair of the Board and three independent Non-executive Directors, who between them are also the chairs of the Nomination and Governance, Audit, Risk and Remuneration Committees and the Senior Independent Director. Membership of the Committee, alongside the Board's other Committees, was reviewed and revised in 2021 following changes to the overall Board composition and Simon Jeffreys rejoined the Committee with effect from 1 January 2022. The Committee's effectiveness has been reviewed by the Board as part of its overall assessment of its effectiveness (see pages 117 to 119) and it remains satisfied that, as a whole, the Committee has the experience and qualifications necessary to perform its role.

Board and Executive succession

The Committee has reported over the last couple of years on the considerable work undertaken to manage the succession of a number of Non-executive Directors who were reaching nine years' tenure on the Board. Unusually this resulted in five appointments in a relatively short space of time. It is not ideal to have so many changes in such a short space of time and so the Committee will, where possible, look to phase future appointments to reduce potential for disruption.

Whilst it is essential to have robust succession plans in place, it is also important for the Committee to be prepared for unforeseen changes, as was the case when Baroness Morrissey resigned to become chair of AJ Bell plc during 2021. Following the Annual General Meeting, where three Non-executive Directors stood down, the Committee reflected on the skills and experience it had lost and those it would need over the coming years. As the Chairs of our Audit and Remuneration Committees were nearing the nine-year tenure which the UK Corporate Governance Code uses as an indicator of independence, Russell Reynolds was engaged to support in the search for potential new Non-executive Directors. Russell Reynolds is a sponsor of the 30% Club and are accredited in the FTSE 350 category of the Enhanced Voluntary Code of Conduct for Executive Search Firms and in May they provided a diverse long-list of high-calibre candidates who could further strengthen the Board. Having taken account of the availability of candidates, a formal interview process was undertaken before other members of the Board were invited to meet the recommended candidate. In November, the Board announced the appointment of John Hitchins.

Our succession plan is a live instrument and will remain front and centre in the Committee's consciousness as it seeks to ensure the Board remains effective. We remain comfortable that the size, structure and composition of the Board remains appropriate, with succession plans for those Directors likely to retire in the next couple of years well advanced. Where we deem it necessary we will look to bring in additional Directors to address potential gaps that arise from a change in circumstances or the loss of one of our existing Board members.

Succession planning at the Executive and senior management levels remains a key focus of the Committee and during the year it sought assurance from the Chief Executive that short-term succession plans were in place for members of the Executive Board and key personnel in the event that emergency cover was required. In addition, the longer-term succession plans for each of those roles were considered and the Committee will continue to stay abreast of developments that could influence plans. When considering Ian Gascoigne's forthcoming retirement from the Board the Committee was comfortable that his executive responsibilities will be successfully transitioned to Executive Board colleagues and determined that it would not at the present time appoint a further Executive Director onto the Board.

Group governance

As a financial services Group, our governance structure is significantly influenced by the legal and regulatory frameworks within which we operate and the practicalities of how we choose to operate our business. The resulting complexity increases the importance of having a clear and demonstrable governance framework to support our key people and governance bodies in fulfilling their individual and collective responsibilities. In recent years, the Committee has taken a key role in overseeing the evolution of our governance framework as we have matured as an organisation and with this in mind it is appropriate to reflect the role the Committee has to play in relation to governance in its name and its terms of reference. During 2021, the Committee continued to monitor progress in establishing an appropriate, proportionate and sustainable governance model. A lot of progress has been made in recent years, but there has also been significant change both inside and outside the organisation that has had an influence. In 2022 the Committee will look to ensure that our governance framework remains appropriate, proportionate and sustainable as we look to the future.

As reported last year, a Technology Advisory Group (TAG) was established to help advise and educate the Board in terms of technology and during 2021 it held its first four meetings. The TAG was able to explore a wide range of topics during these meetings, providing valuable insight to the Board on the Group's current technology environment, technology innovation and disruption and the cyber security landscape. Whilst it is still relatively new, the TAG has gone some way to bridging a potential knowledge gap on the Board and in 2022 we will review its role relative to the Board and determine if there are aspects we need to develop further.

Inclusion and diversity

The Committee has continued to receive regular reports to enable it to closely monitor the implementation of the Group's Inclusion and Diversity Policy, our performance against our Inclusion and Diversity Strategy and the targets which have been factored into Executive team bonus performance criteria and Board KPIs. The Committee's report last year referred to the Committee and the Board's recognition that our inclusion and diversity journey had only just begun and whilst we have been pleased to see the significant efforts made, it is clear that investment in developing a diverse pipeline of future leaders will take time to come to fruition. We acknowledge that in the first few years of our strategy progress is unlikely to be linear, but we must also be quick to recognise where we can take further actions to keep our strategy on track. During 2021, the number of women in senior roles has increased to 24.4% but is behind the aspiration we have set ourselves. Progress in addressing our gender pay gap has also been slower than we would have hoped. Working with our inclusion and diversity team, the Executive Board has identified revised focus areas for 2022 that will broaden our opportunities to make progress against our targets. Further information on how the Inclusion and Diversity policy has been implemented can be found in the Responsible Business section of our Strategic Report on pages 55 to 57.

The Board Diversity Policy sets out our own commitment and provides an important part of the Board's succession plans, and the process for recruiting new Directors. The Board continues to meet the Parker Review target but the appointment of John Hitchins in November 2021 meant that the proportion of women on our Board fell below the 33% target set by the Hampton-Alexander Review. However, Ian Gascoigne's retirement from the Board on 31 March 2022 will mean we meet this target again. The size of our Board means that individual membership changes can have a material impact on the gender ratio, but the Board remains committed to ensuring social, ethnic and cognitive diversity is achieved through the identification of and active support for our talent pipeline.

Board effectiveness

The Committee has reviewed detailed analysis of the significant other commitments of existing and newly joined Non-executive Directors and how much time was spent on the Company's business and affairs. The Committee and the Board are satisfied that the Non-executive Directors are able to, and do, commit sufficient time and attention to the Company's business. In addition, the Committee reviewed and approved an assessment of the independence of each of the Non-executive Directors, concluding that each of the Non-executive Directors demonstrated that they remained independent in character and judgement. Further information on these conclusions can be found in the Notice of Meeting for the Company's 2022 AGM.

A number of potential board evaluation providers were considered by the Committee which ultimately decided to recommend to the Board that Independent Audit Limited be appointed to carry out the 2021 Board effectiveness review and provide support with reviews in 2022 and 2023. The actions in the 2020 Board effectiveness plan have also been largely completed and further details on this and the 2021 review are set out on pages 117 to 119. Further details on the training and development provided to Directors (including induction programmes) can also be found on page 115.

Report of the Remuneration Committee



Roger Yates

Remuneration Committee membership

Member and date joined Committee

RY Roger Yates (Chair)
1 January 2014

EG Emma Griffin
22 July 2020

SJ Simon Jeffreys
1 January 2014

LN Lesley-Ann Nash
1 January 2022

The Committee's terms of reference set out the Committee's role and authority. They can be found on the corporate website at www.sjp.co.uk.

Key objective of the Remuneration Committee

The Committee's primary purpose is to ensure that remuneration arrangements support the strategic aims of the business as well as the recruitment, motivation and retention of senior executives, whilst also complying with regulatory requirements.

Regular attendees at meetings

Chair, Chief Executive, Chief Financial Officer and Chief Risk Officer.

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Section 1

Chair's annual statement (unaudited)

Dear Shareholder,

On behalf of the Remuneration Committee (the Committee) and the Board, I am pleased to present the Directors' Remuneration Report for 2021 (the Report).

At the AGM held on 7 May 2020, shareholders approved the current Directors' Remuneration Policy (the Policy) with 94.7% of votes cast in favour. The current Policy continues to operate effectively and its strategic rationale (as set out in the Policy's objectives summarised on page 143) remains aligned with the Group's strategy. The targets set for Directors' annual bonuses (both financial and strategic) and the performance conditions attaching to PSP awards are also aligned with the strategy for the Company.

Last year we reported extensively in the Annual Report and Accounts on the significant impact of COVID-19 on society and our business. As we outline throughout our Annual Report and Accounts, the performance of the business and markets has been strong in 2021 and we do not believe there are any circumstances relating to the pandemic that would require us to make any adjustments to in-flight Performance Share Plan awards at the present time. We will continue to monitor all in-flight awards as they move towards vesting.

Performance and remuneration outcomes 2021

Whilst decisions we made to simplify our operations in 2021 resulted in a number of roles being lost across the business, this was not driven by an imperative to cut costs and we have continued to invest in the business. The strength and resilience of the business has meant that we have not had to draw upon government support during the pandemic and, whilst we withheld a proportion of our 2019 final dividend, we were able to pay the withheld amount to shareholders in 2021. We pride ourselves on being a Real Living Wage employer, extending our commitment to supporting some of our key suppliers during the pandemic to ensure employees working solely for SJP continued to receive the Real

Living Wage. Having made the difficult decision not to pay annual bonuses for 2020 or salary rises in 2021, we are delighted that we have now been able to reward the outstanding efforts of our workforce which have helped us to weather the COVID storm and deliver strong performance for all our stakeholders in 2021. During 2021 we were able to address well-earned promotions that had been deferred and our performance against our stated targets enabled us to not only reward employees with annual bonuses but also make pay rises in 2022.

The Committee has determined that 96.7% of the maximum annual bonus should be paid to the Executive Directors for 2021, reflecting the strong financial results for the year and the excellent performance in meeting or exceeding the strategic goals set by the Committee at the start of the year, which are fully explained in the Report. Fifty percent of the annual bonus is deferred into shares for three years.

The three years ending 2021 have been a period of strong absolute and relative performance, and Performance Share Plan (PSP) outcomes reflect this. Based on the three-year performance to the end of 2021, 93.4% of the Executive Directors' PSP awards granted in 2019 will vest in March 2022, as a result of relative Total Shareholder Return (TSR) being in the top quartile of the range set by the Committee, and Earnings Per Share (EPS) growth being towards the upper end of the range set by the Committee.

The Committee considered whether there was any requirement for downward discretionary adjustment of bonus or PSP outcomes. It concluded that the outcomes were a good reflection of the overall performance achieved by the Company and the value delivered for shareholders, over the one-year and three-year periods, and that the results have been achieved whilst maintaining effective risk controls. Therefore, the Committee decided that no downward discretionary adjustment was appropriate.

When determining the bonus and PSP outcomes for 2021, the Committee has taken account of the total target and maximum remuneration of the Executive Directors, which remains below the median level for financial services companies of our size.

Changes to the Board

As we reported in our 2020 Annual Report and Accounts, Iain Cornish and Baroness Wheatcroft retired from the Board at the 2021 Annual General Meeting. Baroness Morrissey DBE also stepped down at the AGM and, following receipt of regulatory approval, Paul Manduca was appointed as Chair of the Board on 14 May 2021. On 1 November 2021 we also welcomed John Hitchins onto the Board. On 27 January 2022 we confirmed that Ian Gascoigne will be retiring from the Board of Directors on 31 March 2022, but would remain an employee and further details of his new role with the Company are set out on page 159 of this Report. Details of the remuneration for all of the Directors serving throughout the year can be found later in the Report.

Remuneration for 2022

The Committee considered the overall remuneration arrangements for the Executive Directors in 2022 in accordance with the Policy and has decided to increase their base salaries for 2022 by 4%, which is in line with the overall increase of base salaries for the workforce. Despite this increase, the base salaries remain below market median for a company of our size both in Financial Services and General Industry.

The maximum annual bonus opportunity for 2022 will remain at the same level as 2021 in accordance with the approved Policy. Following consultation with large shareholders, the Committee has decided to change the financial performance metric in the annual bonus. This will replace the single metric used historically (operating profit measured on an Embedded Value basis) with a new scorecard of financial metrics which will provide a rounded and balanced view of financial performance, include metrics that management can more directly

Report of the Remuneration Committee continued

influence, and that help to drive future growth. Whilst the previous metric had the advantage that it takes account of the long-term nature of our business, it is a somewhat complex measure. The new scorecard also recognises aspects of long-term performance but using simpler, more familiar metrics. Shareholders consulted were supportive of the change. For further information on the annual bonus performance targets for 2022 please see pages 157 and 158.

At the Policy vote in 2020, shareholders approved maximum PSP award levels for Executive Directors of 250% of base salary. However, the Committee decided to apply a restrained approach in 2021, granting only 200% of base salary – below the Policy level. In 2022, the Committee has decided to now implement the maximum Policy award level of 250% of base salary. This award level will bridge part of the gap between our Executive Directors' total target remuneration and the market median, and it is in the context of strong Company performance.

Following a review of the fees paid to our Non-executive Directors, the Board has decided that, in keeping with norms in the wider financial services sector, it should disaggregate fees for committee responsibilities from the base fees paid to Non-executive Directors. The new fee structure has a lower base fee but with separate committee membership fees. Paying separate fees for committee membership, together with those paid to chairs of committees, the Senior Independent Director and the designated Non-executive Director for Workforce Engagement, will ensure that the total fees paid to individual directors better reflect their differing personal responsibilities. The Board also recognised the importance of being able to attract and retain Directors of the appropriate calibre given the increased workload, regulatory responsibilities and the size of the Group in recent years.

In accordance with the requirements and expectations of our Regulators, we have also appointed a number of non-executive directors to subsidiary boards in recent years, including some of the Directors of the Company. During 2021 the Board took the opportunity to review the fees paid to non-executive directors appointed to the boards of subsidiary companies to ensure those fees reflected the time commitment and responsibilities attaching to the roles. Where the Company's Non-executive Directors receive additional fees for their roles on subsidiaries, details can be found in the notes to the table on page 146. The revised fees for 2022 have been set taking account of current market rates and those relating to the Company are disclosed in more detail on page 160. The Committee has also reviewed the Board Chair's fee against current market rates and has determined that the Chair's fee would remain unchanged in 2022.

Our stakeholders

When considering remuneration, the Committee takes into account the experience and the expectations of our stakeholders. The Committee is regularly updated on the latest views of major shareholders and investor representative bodies, and on best practice. Any views expressed by shareholders have been considered by the Committee when reviewing the continuing appropriateness of the Policy and its application for remuneration in 2022.

The Committee understands the important and increasing focus on clear and transparent disclosure of performance targets and outcomes to demonstrate the alignment of remuneration and performance. The Committee has further strengthened the reporting of performance against targets set for 2021, as well as the performance criteria that has been set for 2022. The enhancements made have included clearer ESG targets. Before making the change to the annual bonus measures outlined

above, the Committee consulted with major shareholders and has met and corresponded with a number of shareholders to discuss their views. Views expressed by shareholders are discussed by the Committee and were taken into account when finalising the application of the Policy for remuneration in 2022. The 2022 Investment Association Principles of Remuneration, the 2022 ISS Voting Guidelines and the 2022 Glass Lewis Guidelines have also been taken into account.

During 2022, the Committee will review the Policy in preparation for the next triennial vote at the AGM in 2023. We shall consult with major shareholders on any material changes to the Policy, if such changes are proposed.

Lesley-Ann Nash joined the Committee in January 2022 and, as the designated Non-executive Directors for Workforce Engagement will be well placed to support the Committee's consideration of the interests and implications of remuneration policy on the wider workforce. In February 2022 the Chair of the Committee supported by the Committee's advisers, Alvarez and Marsal, met with the Workforce Engagement Panel to discuss how the remuneration for Executive Directors operates and how the underlying principles and structure align to that of the wider workforce. The meeting provided an opportunity for Panel members to raise questions on behalf of the wider workforce and provided information to help them to engage more widely with their colleagues. The intention is for regular engagement to take place in the future. The Group's Employee Reward Policy and Directors' Remuneration Policy are available to all employees and the overall reward structure is explained in broad terms. All employees share in a bonus scheme aligned to performance, with Executive Director pay awards being in line with the general approach for all employees.

Corporate governance developments and regulatory change

The Committee closely monitors developments in remuneration regulations from European and UK authorities, and has taken these into account when considering the continued appropriateness of the Policy, its application, and the disclosures provided in this Report. Of significant interest to the Committee during the year were the increased focus on the alignment between Executive remuneration targets and ESG/climate change measures and the implementation of the Investment Firms Prudential Regime (IFPR) which applies to regulated subsidiaries within the Group. Before confirming that the Policy and its operation were effective, the Committee assessed the Policy and remuneration practices against the six factors set out in Provision 40 of the UK Corporate Governance Code and examples against each factor are set out below.

Example	Factor(s)
The changes in the financial performance measures applying to the 2022 annual bonus are intended to help simplify an aspect that was considered overly complex by some shareholders.	Clarity and Simplicity
The changes made to the reporting of the strategic targets attaching to the annual bonus also help to highlight the importance of risk management and culture to the final outcomes as well as supporting understanding of the predictability of outcomes driven by financial performance.	Predictability, Risk and Alignment to Culture
When considering increases in base salaries for Executives, the Committee ensured that the percentage increase was consistent with that of the wider workforce.	Proportionality

Total shareholder return

The Company has sustained outstanding levels of return to shareholders. £100 invested in St. James's Place a decade ago was worth over £700 at the end of 2021, which is more than three times the rate of return for the FTSE All-Share Index.

Conclusion

The remuneration for 2021 reflects the resilience of the business and excellent performance. We believe the Policy continues to ensure close alignment of our Executive Directors with the best interests of our shareholders and other stakeholders, and supports the future growth and success of the Company.

I would like to thank shareholders for their continued support and encourage you to vote in favour of the resolution relating to the Directors' Remuneration Report for 2021, at the 2022 AGM.

Roger Yates

On behalf of the Remuneration Committee
23 February 2022

The objectives of the remuneration policy are:

- to support the retention of individuals with the experience and skills to drive the performance of the Company;
- to ensure remuneration is transparent and reflects the performance of the Group in the relevant year and the longer-term. Annual bonus and long-term incentive opportunities are therefore linked to the achievement of demanding performance targets; and
- to align pay with the strategic objectives of the Company and the interests of our shareholders whilst giving due regard to principles of best practice and relevant regulations.

A summary of the Remuneration Policy can be found on pages 161 to 163.

Report of the Remuneration Committee continued

Section 2

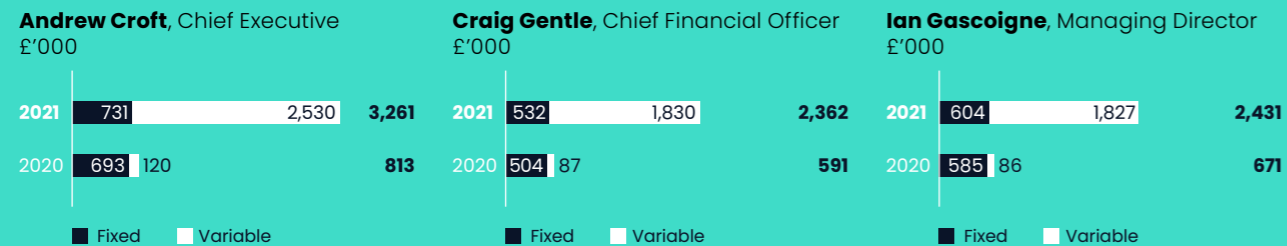
Remuneration at a glance and annual report on remuneration

Summary of Executive Directors' remuneration for the year

How were our Executive Directors rewarded?

The base salaries in the table and chart below for 2020 reflect a 20% reduction in their base salaries agreed by Directors for May, June and July 2020. These sums were instead paid to the St. James's Place Charitable Foundation.

Single figure remuneration for performance period ending 31 December 2021, compared with 2020



	2021		2020			2021		2020	
Base salary	568,218	537,049	410,865	388,327	Base salary	410,865	388,327	410,865	388,327
Benefits	49,145	48,329	38,987	38,358	Benefits	110,743	118,668	110,743	118,668
Pension	113,644	107,410	82,173	77,665	Pension	82,173	77,665	82,173	77,665
Other	2,863	178	2,875	–	Other	177	178	177	178
Annual bonus (cash) ²	411,958	–	297,877	–	Annual bonus (cash) ²	297,877	–	297,877	–
Annual bonus (deferred) ²	411,958	–	297,877	–	Annual bonus (deferred) ²	297,877	–	297,877	–
Total	1,557,786	692,966	1,130,654	504,350	Total	1,199,712	584,838	1,199,712	584,838
PSP vested ¹	1,702,967	119,712	1,231,359	86,560	PSP vested ¹	1,231,359	86,560	1,231,359	86,560

¹ The value of the PSP vested corresponds to the long-term incentives in the Total remuneration table on page 145.

² The annual bonus awards are in respect of performance during the years ending 2020 and 2021 respectively.

Linking remuneration to achievement of key business goals

		Weighting (maximum potential percentage points per item)	Outturn (actual points earned)	Percentage of base salary earned ¹
Annual bonus for 2021 (max 150% of base salary)	EEV operating profit	50%	50	75%
	Strategic and operational KPIs	50%	46.7	70%
	Total bonus opportunity	100%	96.7	145%
PSP (2019 award) (max 200% of base salary ¹)	Relative TSR	33.3%	33.3	66.7%
	EPS growth (including the unwind of the discount rate) in excess of RPI	33.3%	26.7	53.5%
	EPS growth (excluding the unwind of the discount rate) in excess of RPI	33.3%	33.3	66.7%
	Total PSP opportunity	100%	93.4	186.9%

¹ Base salary for PSP is the base salary at the time of grant. The value of the PSP vesting is also dependent on the amount of share price movement between grant and vesting.

Annual report on remuneration

This Directors' Remuneration Report, excluding the Directors' Remuneration Policy, will be put to an advisory shareholder vote at the 2022 AGM. This part of the Report explains the work of the Remuneration Committee, sets out how we implemented our Policy during 2021 and how we intend to implement our Policy in 2022. The information on pages 145 to 160 has been audited where indicated.

2.1 How the Remuneration Policy was applied in 2021

2.1.1 Remuneration payable in respect of performance in 2021 (audited)

Summary of total remuneration

The remuneration received by Executive Directors and Non-executive Directors in respect of the years ended 31 December 2021 and 2020 is set out below.

Executive Director		Base salary	Benefits	Annual bonus	Long-term incentives	Pension	Other	Total	Total fixed remuneration	Total variable remuneration
		£	£	£	£	£	£	£	£	£
Andrew Croft	2021	568,218	49,145	823,916	1,702,967	113,644	2,863	3,260,753	731,007	2,529,746
	2020	537,049	48,329	–	119,712	107,410	178	812,678	692,788	119,890
Craig Gentle	2021	410,865	38,987	595,754	1,231,359	82,173	2,875	2,362,013	532,025	1,829,988
	2020	388,327	38,358	–	86,560	77,665	–	590,910	504,350	86,560
Ian Gascoigne	2021	410,865	110,743	595,754	1,231,359	82,173	177	2,431,071	603,781	1,827,290
	2020	388,327	118,668	–	86,560	77,665	178	671,398	584,660	86,738

Non-executive Director		Fees	Benefits	Total
		£	£	£
Iain Cornish	2021	82,246	–	82,246
	2020	210,622	10,017	220,639
Emma Griffin	2021	104,650	1,942	106,592
	2020	88,632	1,192	89,824
Rosemary Hilary	2021	127,725	287	128,012
	2020	95,089	692	95,781
John Hitchins	2021	14,108	–	14,108
	2020	–	–	–
Simon Jeffreys	2021	114,392	1,217	115,609
	2020	102,339	1,291	103,630
Baroness Morrissey DBE	2021	31,402	–	31,402
	2020	80,418	–	80,418
Paul Manduca	2021	305,948	179	306,127
	2020	–	–	–
Lesley-Ann Nash	2021	84,650	1,571	86,221
	2020	49,379	–	49,379
Baroness Wheatcroft	2021	31,402	–	31,402
	2020	80,418	–	80,418
Roger Yates	2021	113,937	311	114,248
	2020	108,240	–	108,240

Benefits

Benefits for the Executive Directors comprise a company car or cash equivalent, fuel, private healthcare, life and critical illness cover, permanent health insurance, health screening and travel costs. For Ian Gascoigne, they also include a housing allowance to facilitate working across multiple locations (2021: £72,000). The amounts shown are generally the taxable amounts.

Benefits for Non-executive Directors are for the reimbursement of taxable travel expenses grossed up for any tax payable thereon.

Pension allowance

Pension contributions, being 20% of base salary, were capped by legislation and so a non-pensionable allowance was paid to the Executive Directors in full for Andrew Croft and Ian Gascoigne, and for the balance for Craig Gentle, who had a £4,000 contribution to the money purchase Group pension scheme. Consistent with the pensions contributions provided to the wider workforce, all Executive Directors appointed after the 2018 AGM receive a pension allowance of 10% of salary on joining, increasing to 12.5% after five years and 15% after 10 years of service. The pension

contributions for Executive Directors appointed prior to the 2018 AGM will be reduced to 15% of base salary by 1 January 2023. None of the Executive Directors participate in defined benefit pension schemes.

Annual bonus

As explained on page 162, half of the annual bonus is paid in cash, and the other half in the form of a conditional award of Company's shares, which are subject to forfeiture for three years under the terms of the Deferred Bonus Scheme.

Report of the Remuneration Committee continued

Long-term incentives

The value of the long-term incentives is the value of shares for the award where the performance period ends in the year, together with the value of the dividends that would have been received during the three-year performance period. The gross value of those dividends is £130,068 for Andrew Croft and £94,048 for Craig Gentle and Ian Gascoigne. The long-term incentive figures for 2021 have been calculated using the average of the Company's share price in the three-month period to 31 December 2021, being £15.66, as the actual vesting date of the PSP award is on 25 March 2022. The figures for 2020 have been updated from the three-month average figures used in last year's report (being £99,286 for Andrew Croft and £71,791 for Ian Gascoigne and Craig Gentle) to take into account the Company's share price on the date of vesting on 26 March 2021, being £12.62. The LTIP figure for 2021 in the table on the previous page includes the following: £575,993 for Andrew Croft; and £416,482 each for Ian Gascoigne and Craig Gentle, which are attributable to the movement in the share price between the grant date and the end of the performance period. This amounts to 33.82% of the vesting amount shown in the table. The LTIP figure for 2020 in the table on

the previous page includes the following: -£4,550 for Andrew Croft and -£3,290 each for Ian Gascoigne and Craig Gentle, which are attributable to the movement in the share price between the grant date and the end of the performance period. This amounts to -4.58% of the vesting amount shown in the table for Andrew Croft, Ian Gascoigne and Craig Gentle. These awards are subject to a two-year post-vesting holding period.

Other

These amounts relate to income received from the Share Incentive Plan and the Save As You Earn. For the Share Incentive Plan the value of the Matching shares (one for every ten Partnership shares) for Andrew Croft, Ian Gascoigne and Craig Gentle where 14 shares were purchased for each on 25 March 2021 at £12.67 and 25 shares were purchased by Andrew Croft and Ian Gascoigne on 25 March 2020 at £7.13. Employees making contributions to the Save As You Earn receive a 20% discount on shares under option. Andrew Croft started a savings contract in March 2021 with a discount of £2.34 per share for 1,148 shares under option. Craig Gentle started a savings contract in September 2021 with a discount of £3.20 per shares for 843 shares under option.

Waiver of base salary/fees

The Directors each agreed to a 20% reduction of base salaries/ fees for May, June and July 2020.

Iain Cornish waived his fee for chairing the Risk Committee in 2020 (£23,075).

Roger Yates waived his fee for chairing the board of St. James's Place Unit Trust Group Limited for the period he carried out that role in 2020 (to 4 May 2020).

Subsidiary board fees

Rosemary Hilary received £20,000 for chairing St. James's Place UK plc in 2021 and Emma Griffin received £20,000 for chairing St. James's Place Unit Trust Group Limited in 2021. Simon Jeffreys was appointed as chair of St. James's Place International plc on 1 September and received a fee of £6,667 for the four months to 31 December 2021.

Payments to past Directors or for loss of office

No payments were made to past Directors or for loss of office during the year ended 31 December 2021.

2.1.2 Summary of total annual bonus for 2021 performance

The performance conditions and weightings which applied to the annual bonus and the resulting payout were as follows:

Measure	Weighting (percentage of salary)	Weighting (percentage of maximum)	Threshold (EEV operating profit) (20% payable)	Maximum value (100% payable)	Actual	Payout (percentage of salary)	Payout (percentage of maximum total bonus)
Financial (EEV operating profit)	75%	50%	£845m	£929m	£1,545.4m	75%	50%
Strategic	75%	50%	Assessment by the Committee of the performance of the Executive Directors			70%	46.7%
Total payout						145%	96.7%

Annual bonus strategic targets performance assessment

As described in other parts of the Annual Report and Accounts, the Company delivered strong performance in 2021 for each of our key stakeholders: shareholders; clients; the Partnership; employees; and society. The Committee considered these groups when setting the strategic targets for 2021, together with other objectives set out in the 2021 business plan. In serving our clients well, developing our employees and the Partnership for the future and striving to improve the effectiveness of our organisation, the Company will be well placed to meet our long-term business objectives, and create additional value for our shareholders. The Company also focuses on the importance of safe and sustainable growth through prudent management of risk and the highest standards of regulatory compliance, maintaining constructive relationships with regulators.

The Committee set the Executive Directors a range of business priorities which align to the six business priorities underpinning our annual business plan. Each category is equally weighted and is made up of a number of objectives. Underlying performance against each of the priorities was monitored against quantitative and qualitative measures to help support the Committee's determination of the overall success against objectives and we have included details of the measures and outcomes for the objectives opposite.

The Committee recognised that a high proportion of the business priorities had been achieved and that nearly all of the major business plan objectives had been satisfactorily completed. The Committee continues to believe that the financial and strategic performance elements of the annual bonus should be equally weighted, particularly as the strategic measures are important drivers of future performance and a number ultimately impact the Group's financial performance (e.g. Net manpower growth). The category entitled 'Our culture and being a leading responsible business' is made up entirely of 'ESG' targets. However, other factors throughout the objectives also recognise our aim to be a leading responsible business.

Business priority (scorecard weighting – total 75%)	Measure/target	Outcome
Build community (12.5%)		
Net manpower growth	Growth of adviser base in line with plan	5% growth achieved
Successful delivery of key Partner events	Deliver Annual Company Meeting and key Partner events with feedback indicating events have met or exceeded expectations.	Virtual Annual Company Meeting and range of Partner conferences delivered 96% of respondents said they met or exceeded expectations
Partner sentiment	Achieve strong overall scores based on a basket of criteria in Partner engagement survey	Overall scores improved on the prior year, with improved ratings received in relation to SJP's overall proposition and investment management proposition
Employee engagement	Achieve strong employee engagement score (stretch goal of 85%)	Engagement score of 83%, close to stretch goal
Partner retention	Achieve strong retention	Retention rate in excess of 95%
Employee retention	Employee regretted attrition rate	Regretted attrition rate broadly in line with expectations
Making it easier to do business (12.5%)		
Quality of administration	Improve by 1%	Achieved as at December 2021
Salesforce adoption	% of Partnership using Salesforce as their primary CRM tool (60%)	89% using Salesforce as primary CRM tool
Legacy system removal	Remove dependency on legacy CRM system	Completed migration from legacy systems
Operational Excellence Programme	Programme delivery in line with plan	Delivery on track
Digital client proposition	On track to deliver minimum viable product in Q1 2022	Beta version live and on track to deliver in Q1 2022
Online Wealth Account	Values updated by 8am on 80% of working days	Vast majority of our business via core systems successfully loaded by 8am on 81% of working days in December
Continued financial strength (12.5%)		
Streamlining of the business	Deliver simplification in line with plans	Restructuring exercise delivered in line with projected costs with impact on the business effectively managed
Partner business loans	Maximum external lending facility capacity for Partner business loans	External facilities resulted in a contribution to cash resources for the year end ended 31 December 2021
Capital usage	Group capital managed within risk appetite	Achieved
Clean Share Class	Implement Clean Share Classes	Achieved
Regulator relationship	Maintain continued constructive relationship with PRA and FCA	Relationships broadly positive
Deliver value to Partners and clients through our investment proposition (12.5%)		
Partner and client sentiment toward Investment proposition	Maintain and improve sentiment based on a basket of measures drawn from client health checks and Partner surveys	Achieved, improvement in sentiment evident in results across basket of measures (positive sentiment increased 7% vs 2020)
Value Assessment Ratings	Improvement in the number of green and amber rated funds in Value Assessment Statement	Achieved. More than 40% of our funds have seen an improvement in their overall performance rating due to achieving their objectives and/or outperforming their benchmark during the assessment period.
Fund changes	Successful delivery of planned fund changes	Fund changes in 2021 successfully delivered and on track for plan to July 2022
Responsible Investment	Ensure that Fund managers are UNPRI signatories	100% achievement

Report of the Remuneration Committee continued

Business priority (scorecard weighting – total 75%)	Measure/target	Outcome
Our culture and being a leading responsible business (12.5%)		
Culture	Embedding the updated Culture Vision	Achieved, embedded in consciousness of workforce and built into Personal Development Review process. 89% of employees now understand what the culture and values mean to them. 82% of employees have discussed culture with a senior leader or line manager
Gender diversity	Increase representation of females in senior roles (equivalent to Head of Division or more senior) (goal at 25%)	Achieved 24.4% as at 31 December 2021, an increase of 1.1% in 2021
Charitable fundraising	Support St. James's Place Charitable Foundation to raise £8 million	£8 million raised during 2021
Responsible Business Strategy	Adopt Responsible Business Strategy	Achieved. Responsible Business Strategy approved and adopted
Group Governance	Complete Phase 2 of Group Governance Plan	Ongoing enhancement of governance processes to support the PLC Board, subsidiary boards and Senior Managers delivered. Further information can be found in the Report of the Nomination and Governance Committee
Environment	Adopt environmental goal and strategy	Achieved – target to be climate positive in our operations by 2025, net zero in our supply chain by 2035, net zero in our Partnership by 2035 and net zero in our investments by 2050.
Responsible Investment	Establishment and adoption of Net Zero Asset Owner Alliance goal and strategy	Achieved – target to reduce the carbon emissions of our investment portfolios by 25% by 2025.
Build and protect our brand and reputation (12.5%)		
Media sentiment	Maintain media sentiment toward SJP	Sentiment remained consistently strong during 2021 with the average monthly media sentiment score being 95%
Brand review	Complete market research on existing brand and potential new visual identities	Completed and new visual identity chosen
Digital Marketing	Roll out digital marketing strategy	Progress made and roll-out planned for 2022
Client complaints	Achieve low levels of complaints, relative to volume of clients	Complaint volumes reduced to 0.4% as a proportion of clients (2020: 0.5%)
Internal Audit, risk and regulation	Based on broadening/deepening regulatory relationships, no regulatory sanctions and internal audit/compliance reports	Achieved, relationships with regulators broadened in 2021. The internal controls were effective at keeping the Group within the Board's stated risk appetite. There were no regulatory sanctions in the year. See Report of the Audit Committee on page 126 for more information.

2.1.3 Long-term incentive awards (audited)

Vesting of Performance Share Plan (PSP) awards

On 31 December 2021, the awards made on 25 March 2019 under the PSP reached the end of their three-year performance period. These will vest on 25 March 2022, being the third anniversary of the date of grant. The vested shares for Executive Directors are subject to a two-year post-vesting holding period (other than to sell shares to settle tax on vesting or exercise). The performance conditions which applied to the 2019 PSP awards, and the actual performance achieved against these conditions, are set out in the tables below:

Performance hurdle	TSR relative to the FTSE 51 to 1501		Average annual adjusted EPS growth (including the unwind of the discount rate) in excess of RPI2		Average annual adjusted EPS growth (excluding the unwind of the discount rate) in excess of RPI3	
	Performance required	Percentage of one-third of award vesting	Performance required	Percentage of one-third of award vesting	Performance required	Percentage of one-third of award vesting
Below threshold	Below median	0%	Below 5%	0%	Below 5%	0%
Threshold	Median	25%	At least 5%	25%	At least 5%	25%
Stretch or above	Upper quartile or above	100%	16% or above	100%	16% or above	100%
Actual achieved	20 out of 78 companies	100%	13.1%	80.2%	18.8%	100%

- 1 FTSE 51-150 index excluding investment trusts and companies in the FTSE oil, gas and mining sectors.
- 2 The first EPS performance condition is calculated by reference to the post-tax EEV operating profit (on a fully diluted per share basis). This measure excludes the direct impact of stock market fluctuations and changes in economic assumptions on the final year's performance.
- 3 The second EPS performance condition is calculated by reference to an adjusted post-tax EEV operating profit, which strips out the unwind of the discount rate. This adjustment is intended to remove indirect impacts of stock market fluctuations and economic assumptions from all years, thus removing any impact from the opening value of in-force business and the risk-free rate in the final year's performance.
- 4 Straight-line vesting occurs between threshold and maximum vesting.
- 5 No discretion was exercised by the Committee to override the outcome referred to above.

Therefore, the total percentage of the 2019 PSP awards vesting was 93.4%, which resulted in the following awards to the Executive Directors:

Director	Total number of shares granted	Percentage of awards vesting	Number of shares vesting	Value of shares vesting (£)
Andrew Croft	107,537	93.41%	100,454	1,572,899
Craig Gentle	77,757	93.41%	72,635	1,137,312
Ian Gascoigne	77,757	93.41%	72,635	1,137,312

- 1 As these awards will not actually vest until 25 March 2022, a deemed share price is used to calculate the value of shares vesting for the purposes of this Report. This is taken as the three-month average to 31 December 2021 being £15.66.

Granting of PSP awards in 2021

Details of PSP awards (at nil-cost option) granted to the Executive Directors in 2021 are set out in the table below:

Director	Type of award	Basis of award granted	Average share price at date of grant	Number of SJP shares over which award was granted ¹	Face value of award (£'000)	Percentage of face value that would vest at threshold performance
Andrew Croft	Nil-cost option	200% of salary of £568,218	£12.67	89,695	1,136	25%
Craig Gentle	Nil-cost option	200% of salary of £410,865	£12.67	64,856	822	25%
Ian Gascoigne	Nil-cost option	200% of salary of £410,865	£12.67	64,856	822	25%

- 1 The number of shares awarded was calculated based on the average share price over a period of three days prior to the date of grant on 25 March 2021, being £12.67 per share. The face value of the award figure is calculated by multiplying the number of shares awarded by the average share price figure of £12.67.

- 2 PSP awards are structured as nil-cost options and there is therefore no exercise price payable on exercise. Dividend equivalents accrue to the Executive Directors between the date of grant and exercise of the award (up to a maximum of six years from date of grant), but are released only to the extent that awards vest. Awards in 2021 were based on the achievement of two equally weighted metrics: (a) Average annual adjusted EPS growth, based on EEV, in excess of CPI, with the scale starting at CPI+5% and extending to CPI+12%; and (b) TSR performance relative to a composite benchmark of FTSE 51 to 150, excluding investment trusts and companies in the oil, gas and mining sectors. For each performance metric a threshold and stretch level of performance is set. At threshold, 25% of the relevant element vests, rising on a straight-line basis to 100% for attainment of levels of performance between threshold and maximum targets. These awards also have a post-vesting holding period of two years from the vesting date.

Report of the Remuneration Committee continued

2.1.4 Share awards (audited)

The tables below set out details of share awards that have been granted to individuals who were Executive Directors during 2021 and which had yet to vest or be exercised at some point during the year. The performance periods for all share awards run for a period of three years, ending on 31 December of the year immediately preceding the vesting date.

Performance Share Plan awards outstanding

Director	Date of grant	Market price at grant	Shares originally awarded	Face value (£) ¹	Shares vested	Vesting date	Remaining unexercised at 31 December 2021
Andrew Croft	25 March 2019	£9.92	107,537	1,066,767	–	25 March 2022	107,537
	25 March 2020	£7.13	159,387	1,136,429	–	25 March 2023	159,387
	25 March 2021	£12.67	89,695	1,136,436	–	25 March 2024	89,695
Craig Gentle	25 March 2019	£9.92	77,757	771,349	–	25 March 2022	77,757
	25 March 2020	£7.13	115,249	821,725	–	25 March 2023	115,249
	25 March 2021	£12.67	64,856	821,726	–	25 March 2024	64,856
Ian Gascoigne	24 March 2016	£9.10	73,874	672,253	63,063	24 March 2019	63,063
	27 March 2017	£10.57	71,405	754,751	44,912	27 March 2020	44,912
	25 March 2019	£9.92	77,757	771,349	–	25 March 2022	77,757
	25 March 2020	£7.13	115,249	821,725	–	25 March 2023	115,249
	25 March 2021	£12.67	64,856	821,726	–	25 March 2024	64,856

¹ The face value of the award figure is calculated by multiplying the number of shares awarded by the market price at grant (the average share price figure over a period of three days prior to the date of grant).

Deferred Bonus Scheme – shares held during 2021

The table below sets out details of the awards held by the Executive Directors under the deferred element of the annual bonus scheme during 2021:

Director	Balance at 1 January 2021	Released in year ¹	Awarded in year ²	Balance at 31 December 2021 ³	Vesting date
Andrew Croft	23,930	23,930	–	–	26 March 2021
	24,806	–	–	24,806	25 March 2022
	15,346	–	–	15,346	25 March 2023
Craig Gentle	23,930	23,930	–	–	26 March 2021
	17,936	–	–	17,936	25 March 2022
	11,096	–	–	11,096	25 March 2023
Ian Gascoigne	23,930	23,930	–	–	26 March 2021
	17,936	–	–	17,936	25 March 2022
	11,096	–	–	11,096	25 March 2023

¹ These deferred share awards were awarded on 26 March 2018 and were equal in value to 50% of the Director's 2017 total annual bonus.

² Bonuses were not paid to any employees for 2020 and therefore no deferred share awards were awarded.

³ Outstanding awards at the year end relate to deferred shares awarded in 2019 and 2020 which were earned in 2018 and 2019 respectively. The share price used to calculate the 2019 award was £10.04 and that for the 2020 award was £10.11.

Further details of the deferred element of the annual bonus scheme are set out on page 162. Dividends accrue to the Executive Directors during the three-year period while the shares are subject to forfeiture, and details of these dividends are set out on page 162.

Save As You Earn (SAYE) share option scheme – shares held during 2021

Details of the options held by the Directors in 2021 under the SAYE scheme and any movements during the year are as follows:

Director	Options held at 1 January 2021	Granted in year	Lapsed in year	Exercised in year	Options held at 31 December 2021	Exercise price	Dates from which exercisable
Andrew Croft	987	–	–	987	–	£9.11	01 May 2021 to 31 October 2021
	–	1,148	–	–	1,148	£9.40	01 May 2024 to 31 October 2024
Craig Gentle	–	843	–	–	843	£12.81	01 November 2024 to 30 April 2025
Ian Gascoigne	1,167	–	–	–	1,167	£7.71	01 May 2022 to 31 October 2022
	–	221	–	–	221	£8.13	01 May 2023 to 31 October 2023

At 31 December 2021 the mid-market price for the Company's shares was £16.84. The range of prices between 1 January 2021 and 31 December 2021 was between £11.43 and £16.95.

Share Incentive Plan – shares held during 2021

The table below sets out details of the awards held by the Directors under the Share Incentive Plan during 2021:

Director	Balance at 1 January 2021	Partnership shares allocated in year ¹	Matching shares allocated in year ²	Dividend shares allocated in year ³	Balance at 31 December 2021	Holding period (matching shares)
Andrew Croft	188	–	–	–	188	24 March 2017 to 24 March 2020
	181	–	–	–	181	29 March 2018 to 29 March 2021
	192	–	–	–	192	25 March 2019 to 25 March 2022
	277	–	–	–	277	25 March 2020 to 25 March 2023
	–	142	14	–	156	25 March 2021 to 25 March 2024
Craig Gentle	188	–	–	–	188	24 March 2017 to 24 March 2020
	192	–	–	–	192	25 March 2019 to 25 March 2022
	–	142	14	–	156	25 March 2021 to 25 March 2024
Ian Gascoigne	502	–	–	–	502	28 March 2011 to 28 March 2014
	210	–	–	–	210	26 March 2014 to 26 March 2017
	167	–	–	–	167	26 March 2015 to 26 March 2018
	174	–	–	–	174	24 March 2016 to 24 March 2019
	188	–	–	–	188	24 March 2017 to 24 March 2020
181	–	–	–	181	29 March 2018 to 29 March 2021	
192	–	–	–	192	25 March 2019 to 25 March 2022	
277	–	–	–	277	25 March 2020 to 25 March 2023	
–	142	14	–	156	25 March 2021 to 25 March 2024	

¹ Partnership shares are shares awarded in return for an investment of between £10 and £1,800. Partnership shares were awarded to Andrew Croft, Craig Gentle and Ian Gascoigne on 25 March 2021 at a price of £12.67 per share, in return for £1,800 being deducted from pre-tax salary.

² For every ten Partnership shares acquired, the Company awards one matching share. Matching shares were also awarded on 25 March 2021 in relation to the Partnership shares mentioned above.

³ The Partnership, dividend and matching shares will be held by an employee benefit trust on behalf of the Director. The matching and dividend shares must be held for a minimum period of three years from the date of the award.

Between 1 January 2022 and 23 February 2022 there were no exercises or other dealings in the Company's share awards by the Directors.

Report of the Remuneration Committee continued

2.1.5 Shareholding requirements and Directors' share interests (audited)

Shareholding requirements

As from 2018, the Executive Directors were required to build up a shareholding equivalent to 200% of salary in Company shares. As from 2020, the Chief Executive was required to build up a shareholding equivalent to 300% of salary in the Company shares. All of the Executive Directors have already exceeded the shareholding requirements (as shown in the table below). Whilst our Policy aims to broadly align with market expectations, in practice, the longest-serving Executive Directors continue to maintain shareholdings that far exceed the stated Policy. This demonstrates their commitment to the long-term success of the Company and upholding the values that underpin our culture (see page 8 for further details on our values).

Director	Shares held at 1 January 2021	Shares held at 31 December 2021	Percentage of base salary held in SJP shares as at 31 December 2021 ¹
Andrew Croft	719,547	725,133	2,093%
Craig Gentle	59,390	81,998	280%
Ian Gascoigne	749,802	452,360	1,798%
Iain Cornish	6,500	N/A	
Emma Griffin	-	2,070	
Rosemary Hilary	-	-	
John Hitchins	-	-	
Simon Jeffreys	18,364	18,364	
Paul Manduca	-	10,000	
Baroness Morrissey DBE	-	N/A	
Lesley-Ann Nash	-	-	
Baroness Wheatcroft	2,500	N/A	
Roger Yates	50,000 ⁶	50,000 ⁶	

1 Calculated using the mid-market price at 31 December 2021 of £16.84 and the base salary as at 31 December 2021. The overall percentage of base salary excludes the shares that would need to be sold to meet the notional tax and employee National Insurance Contributions on bonus share awards that remained in their periods of deferral.

2 The interests of the Executive Directors set out above include Deferred Bonus Scheme (DBS) awards held in trust for the Directors, details of which are set out on page 150. The interests of the Executive Directors also include awards under the Share Incentive Plan, details of which are set out on page 151.

3 The Company's register of Directors' interests contains full details of Directors' shareholdings and any share awards under the Company's various share schemes.

4 Disclosure of the Directors' interests in share awards is given on pages 150 and 151 and also in Note 25 – Related Party Transactions.

5 Iain Cornish and Baroness Wheatcroft retired from the Board and Baroness Morrissey DBE stepped down from the Board on 14 May 2021.

6 Due to an administrative error, purchases of a total of 20,000 shares by Roger Yates in 2018, which had received the appropriate authorisation required under the Company's Insider Dealing Policy, were not announced to the stock exchange and notified to the FCA in accordance with the requirements of Disclosure & Transparency Rule DTR3. These shares were also not reflected in the Directors' Remuneration Reports in the year's ended 31 December 2018, 2019 and 2020.

Between 1 January 2022 and 23 February 2022 there were no transactions in the Company's shares by the Directors.

Executive Directors' shareholdings and outstanding share awards

Executive Director	Beneficially owned at 31 December 2021 ¹	Outstanding PSP awards (performance conditions) ²	SAYE options (no performance conditions) ³	Outstanding DBS awards (no performance conditions) ⁴	SIP shares (no performance conditions) ⁵
Andrew Croft	725,133	356,619	1,148	40,152	994
Craig Gentle	81,998	257,862	843	29,032	536
Ian Gascoigne	452,360	365,837	1,388	29,032	2,047

1 Beneficially owned shares include those DBS awards and SIP shares set out in columns (4) and (5) above.

2 Details of the PSP awards (including options that are unvested and those that are vested but have not been exercised) are set out on page 150.

3 Details of the SAYE options (including options that are vested but have not been exercised) are set on page 151.

4 Details of DBS awards are set out on page 150.

5 Details of the SIP shares are set out on page 151.

2.1.6 Dilution (unaudited)

Dilution limits agreed by shareholders at the time of shareholder approval of the various long-term incentive schemes allow for up to 10% of share capital in ten years to be used for grants to employees and members of the St. James's Place Partnership under all share schemes (i.e. both the employee and Partner share schemes), and up to 5% of share capital in ten years to be used for grants to employees under discretionary schemes.

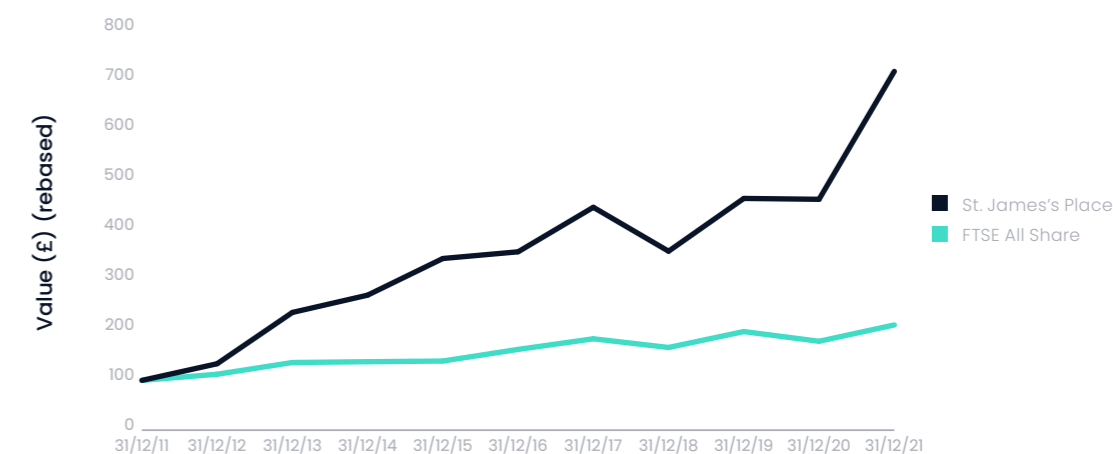
The table below sets out, as at 31 December 2021, the number of new ordinary shares in the Company which have been issued, or are capable of being issued (subject to the satisfaction of any applicable performance conditions), as a result of options or awards granted under the various long-term incentive schemes operated by the Company in the ten years prior to 31 December 2021.

Share scheme	Number of new ordinary shares of 15 pence each	Percentage of total issued share capital as at 31 December 2021
SAYE schemes	4,264,908	0.79%
Executive share schemes	14,393,837	2.66%
Partners' share schemes	14,860,667	2.75%
Total	33,519,412	6.20%

In addition, as at 31 December 2021, the Group's Employee Share Trust held 1,235,743 shares in the Company which were acquired to meet awards made under the PSP, Deferred Bonus Scheme and Restricted Share Plan. The number of shares in the Company held in the Share Incentive Plan Trust as at 31 December 2021 was 438,382.

2.1.7 Total shareholder return performance and CEO pay over the same period (unaudited)

The graph below shows a comparison of the Company's TSR performance against the FTSE All-Share Index over the last ten financial years. The Company considers this to be the most appropriate comparative index, given the broad nature of the index and the companies within it.



This graph shows the value, by 31 December 2021, of £100 invested in St. James's Place on 31 December 2011, compared with the value of £100 invested in the FTSE All Share Index on the same date. The other points plotted are the values at intervening financial year ends.

Report of the Remuneration Committee continued

The table below shows the total remuneration figure for the Chief Executive over the last ten financial years. The total remuneration figure includes the annual bonus and long-term incentive awards which vested based on performance in those years (and ending in that year for PSP scheme awards).

	Year ending 31 December									
	David Bellamy					Andrew Croft				
	2012	2013	2014	2015	2016	2017	2018	2019	2020	
Total remuneration (£)	2,410,380	3,362,651	3,646,514	3,115,230	2,631,667	2,458,020	1,886,774	1,421,729	812,678	3,260,753
Annual bonus (% of maximum)	46%	98%	95%	93.3%	96.67%	96.67%	62%	37.5%	0%	96.7%
LTIP vesting (% of maximum)	87%	95%	96%	100%	100%	87.94%	85.3%	62.9%	9%	93.4%

- The deemed value of the PSP award in the table above for 2021 is £1,702,967. This value reflects an increase of £5.74 in the St. James's Place share price over the vesting period of 57.78% (the share price of the PSP award on the date of grant was £9.924 and the deemed share price on the date of vesting was £15.66, calculated as set out in the note below).
- As the actual vesting date for the PSP (performance period ending 31 December 2021) is not until 25 March 2022, a deemed value has been used. This is the average of the Company's share price in the three-month period to 31 December 2021, being £15.66. The 2020 figure for total remuneration has been updated by substituting the three-month average figure used to calculate the value of long-term incentive awards in last year's Report by a revised figure based on the Company's share price on the date of vesting on 26 March 2021, being £12.62.

2.1.8 Percentage change in remuneration of all Directors and employees (unaudited)

As the Company has no employees, the table below shows the percentage change in the salary/fee, benefits and annual bonus for each Director against all UK employees of the Group for the year between 31 December 2019 and 31 December 2020 and the year between 31 December 2020 and 31 December 2021.

Remuneration element	Average employee (% change)	Executive Directors (% change)			
		A Croft	I Gascoigne	C Gentle	
Salary/fee ³	2021	–	5.8	5.8	5.8
	2020	5.0	(2.2)	(2.2)	(2.2)
Benefits ¹	2021	5.6	1.7	(6.7)	1.6
	2020	3.1	–	(0.4)	(6.1)
Bonus	2021	–	–	–	–
	2020	(100)	(100)	(100)	(100)

Remuneration element	Average employee (% change)	Non-executive Directors (% change) ²										
		I Cornish	E Griffin ⁵	R Hilary ⁶	J Hitchens	S Jeffreys	P Manduca	Baroness Morrissey DBE ⁵	L-A Nash ⁵	Baroness Wheatcroft	R Yates	
Salary/fee ^{3&4}	2021	–	(61.0)	18.1	34.3	–	11.8	–	(61.0)	71.4	(61.0)	5.3
	2020	5.0	(2.2)	– ⁴	686.2	–	14.5	–	–	–	20.1	13.5
Benefits ¹	2021	5.6	(100)	62.9	(58.5)	–	(5.7)	–	–	–	–	–
	2020	3.1	(53.5)	–	–	–	(34.2)	–	–	–	(100)	–
Bonus	2021	–	–	–	–	–	–	–	–	–	–	–
	2020	(100)	–	–	–	–	–	–	–	–	–	–

1 See the Benefits note on page 145 for further details on the benefits for Directors.

2 The base fee for Non-executive Directors was increased by 26.4% for 2020 following a review carried out in 2019.

3 The change in the salary for average employees is higher than the average salary increase of the workforce referred to in the Chair's annual statements in prior years due to salary increases in respect of promotions and role changes being taken into account.

4 The Directors in office at the time each agreed to a 20% reduction of base salaries/ fees for May, June and July 2020. The reduction is reflected in both the changes in 2020 and 2021.

5 Emma Griffin, Baroness Morrissey DBE and Lesley-Ann Nash were all appointed during 2020. Paul Manduca and John Hitchens were appointed in 2021. Baroness Morrissey DBE resigned in 2021.

6 The significant increase in Rosemary Hilary's fee in 2020 is due to her having not served a full year in 2019. Rosemary Hilary was also appointed as chair of the Risk Committee on 19 August 2020.

2.1.9 Relative importance of spend on pay (unaudited)

The following table sets out the percentage change in profit, dividends and overall spend on pay in the year ending 31 December 2021, compared to the year ending 31 December 2020.

	2021	2020	Percentage change
	£'Million	£'Million	
IFRS profit after tax ¹	287.6	262.0	+10%
EEV operating profit before tax ¹	1,545.4	919.0	+68%
Dividends	280.8	206.8	+36%
Employee remuneration costs	262.9	193.2	+36%

1 IFRS profit after tax has been presented to enable comparison between different companies, as it is a measure defined by International Financial Reporting Standards. EEV operating profit before tax is an alternative performance measure (for further details see the Glossary of Alternative Performance Measures on page 260), which has been presented as it is the financial performance measure upon which bonuses are based. Further information about these measures is set out in the Financial Review on pages 66 to 85.

2.1.10 CEO pay ratio (unaudited)

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021	Option A	87:1	56:1	31:1
2020	Option A	25:1	16:1	10:1
2019	Option A	45:1	28:1	17:1
2018	Option C	62:1	42:1	21:1

	CEO pay	P25 pay	P50 pay	P75 pay
	£	£	£	£
Salary	568,218	27,161	38,000	60,000
Total pay	3,260,753	37,317	58,307	104,252

For 2021, we have chosen to calculate the CEO pay ratio using Option A, which requires us to calculate the pay and benefits for all UK employees, using the same methodology as is used to calculate the CEO's 'single figure', which provides a more accurate comparison between the CEO and the workforce. This enabled us to identify the three individuals at the 25th, 50th and 75th percentiles (known as P25, P50 and P75, respectively) as at 31 December 2021, and their pay figures are then used to calculate the ratio. We have chosen this option as it uses the most statistically accurate methodology.

In 2020 the CEO pay ratio was significantly influenced by both COVID-19 and business and market performance which resulted in it falling significantly, principally as a result of the material fall in the variable pay awards. As reported above, the excellent performance delivered in 2021, and overall in the last three years, has meant that Executive Directors' 2021 annual bonuses and the LTIP awards vesting in 2022 are close to their maximum values. All employees participate in an annual bonus scheme but variable pay makes up a significantly larger proportion of the Chief Executive's total pay than is the case for the wider workforce. Whilst the average bonus levels across the workforce will increase in years of strong performance, the absolute value of the CEO's remuneration will also increase in these years resulting in an increase in the CEO pay ratio.

The median ratio is consistent with our pay, reward and progression policies for employees which relate pay levels to performance and market benchmarks. In 2021, 77.6% of our Chief Executive's total remuneration was delivered through variable pay schemes. These are directly linked to the Company's performance as well as share price movements over the longer-term. Whilst none of the three employees identified at the 25th, 50th and 75th percentiles are eligible to receive PSP Awards, all three received a bonus within the year and are invited to participate in the SIP and SAYE on the same terms as the Chief Executive.

Report of the Remuneration Committee continued

2.2. Remuneration Committee (unaudited)

2.2.1 Role, activities and performance of the Committee

The Committee's primary purpose is to ensure that there is a clear link between reward and performance and that the Policy structure and levels of remuneration for both Executive Directors (EDs) and Material Risk Takers (identified in accordance with relevant PRA and FCA requirements) are appropriate. In particular, the Committee reviews the list of those employees who are considered to be Material Risk Takers and monitors compliance with the Group's remuneration policies, as they apply to that population. When determining the appropriateness of remuneration the Committee pays particular attention to the remuneration paid to the wider workforce (in particular Director pay ratios and relative importance of spend) and the overall competitiveness of packages when compared to peers. The key responsibilities of the Committee are set out in its terms of reference, which can be found on the Company's website www.sjp.co.uk.

The Committee's key areas of activity during the year included:

Topic	Summary of activity	Find out more
Annual bonus objectives and new awards	The Committee considered and set the strategic objectives for 2021 and, upon the recommendation of the Executives, agreed that no annual bonus awards would be made for 2020.	See pages 146 to 148
PSP awards and vestings	Determining the grants and performance conditions for PSP awards to be made to Directors, senior management and Material Risk Takers. The Committee also considered whether there were any circumstances which warranted the application of malus or clawback provisions, or the exercise of discretion permitted under scheme rules.	See page 149
Assessing risk	Assessing the alignment of the Group's remuneration policies with risk appetite and regulatory requirements, and seeking assurance from the Chief Risk Officer, and relevant management from across the business, that the remuneration outcomes were in line with the policies, were appropriate, and did not warrant discretionary changes.	
Financial Services Regulation	The Group's remuneration policies and practices are required to meet regulatory requirements that apply to certain group subsidiaries. In addition, industry best practice drives the expectations of a range of stakeholders, including our Regulators. During the year, the Committee has considered adherence to existing requirements and the implications of the new Investment Firms Prudential Regulations (IFPR). The Committee has also considered the approach to remuneration for individuals in Control functions and is responsible for setting the methodology for determining Material Risk Takers and for agreeing the list of Material Risk Takers.	
Remuneration Advisers	Carrying out a formal tender process as part of a review of the Committee's advisers, resulting in the reappointment of Alvarez and Marsal.	See opposite
Regulatory developments and feedback from investors	Regular updates were received from the Company Secretary and the Committee's remuneration advisers on regulatory developments, investor guidelines and feedback from investor meetings. These were taken into account by the Committee when determining remuneration outcomes and the application of the Policy for future periods.	

The Committee's effectiveness was reviewed by the Board as part of its overall assessment of its effectiveness (see pages 117 to 119) and the Board remains satisfied that, as a whole, the Committee has the experience and qualifications necessary to successfully perform its role.

2.2.2 Committee membership and attendance in 2021

This is set out on page 113. No Director was present when their own remuneration was considered or agreed.

2.2.3 Advisers to the Committee

As reported last year the consultants advising the Committee left Aon and joined Alvarez and Marsal (A&M) in 2020 and the Committee decided to engage A&M in the short-term with a view to reviewing their appointment in 2021. The Committee subsequently carried out a formal tender process and invited six firms, all of whom were signatories to the Remuneration Consultants' Code of Conduct, to submit formal proposals. From those proposals the Committee short-listed three firms that presented to the Committee in October following which it was agreed to reappoint A&M. A&M are signatories to the Remuneration Consultants' Code of Conduct, which requires their advice to be impartial, and they have confirmed their compliance with the Code to the Committee. The services that A&M provide to the Committee include but are not limited to: the provision of benchmarking data; guidance on forthcoming changes to and application of remuneration related legislation and regulation as it applies to the Group and insight on current market practices.

The total fees paid to A&M for the advice provided to the Committee during the year was £68,138 (excluding VAT). Fees are charged on a 'time spent' basis.

2.2.4 Voting at the 2021 Annual General Meeting

The votes cast at the 2021 Annual General Meeting, held on 14 May 2021, in respect of the resolution on the Directors' Remuneration Report and at the 2020 Annual General Meeting, held on 7 May 2020, in respect of the resolution on the Directors' Remuneration Policy are summarised below.

	2021 Directors' Remuneration Report vote	Percentage of votes cast	2020 Directors' Remuneration Policy vote	Percentage of votes cast
Votes for	454,434,677	99.62%	421,389,944	94.71%
Votes against	1,744,941	0.38%	23,526,651	5.29%
Total votes cast	456,179,618		444,916,595	
Total votes withheld	36,400		63,572	

2.3. Implementation of the Remuneration Policy in 2021 (unaudited)

2.3.1 2022 salary

The base salaries of the Executive Directors are being increased in 2022. The current salaries as at 1 March 2021 and from 1 March 2022 are as follows. These percentage increases are in line with the average increase levels for other employees of the Company:

Executive Director	Salary from March 2021 £	Salary from March 2022 £	Percentage increase
Andrew Croft	568,218	590,947	4%
Craig Gentle	410,865	427,300	4%
Ian Gascoigne ¹	410,865	427,300	4%

¹ Ian Gascoigne will retire as a Director and from the Board on 31 March 2022.

Report of the Remuneration Committee continued

2.3.2 Annual bonus for 2022

The Executive Directors' maximum bonus opportunity for 2022 is the same as for 2021 being 150% of salary. Half of the annual bonus will be determined by a scorecard of financial performance metrics, and half by key strategic targets. Malus and clawback provisions apply to both cash and deferred elements of the bonus.

Financial objectives

The scorecard of financial performance metrics is intended to:

- Provide a rounded and balanced view of financial performance;
- Include targets that management can directly influence;
- Include a target relating to future growth; and
- Recognise current year profitability.

Metrics	Scorecard weighting – total 75%	Alignment with strategy
Underlying cash result	15%	Recognises annual cash profitability, which is an important driver of dividends, and future investment in the business.
Net Funds Under Management flows	30%	Reflects both new business and client retention, and is a driver of sustained profit growth.
Annual costs	30%	Keeping cost growth below the rate of growth in revenues is a key determinant of profit growth.

Strategic objectives

For 2022, the Committee has again set the Executive Directors a range of business priorities which align to the six business priorities underpinning our annual business plan. Each priority is equally weighted and is made up of a number of objectives with a mix of quantitative and qualitative measures. Set out below are details of the measures for the objectives. As was the case in 2021, the priority titled 'Our culture and being a leading responsible business' is made up entirely of ESG targets. However, other factors throughout the objectives may to some extent recognise our aim to be a leading responsible business.

Business priority (scorecard weighting – total 75%)	
Build Community (12.5%) <ul style="list-style-type: none"> • Net manpower growth • Employee Learning & Development • Partner sentiment • Employee engagement 	Deliver value to Partners and clients through our investment proposition (12.5%) <ul style="list-style-type: none"> • Value Assessment Ratings • Delivery of Fund changes • Operational Excellence • Responsible Investment
Making it easier to do business (12.5%) <ul style="list-style-type: none"> • Administration performance • Salesforce adoption • Digital client proposition • Client adoption of digital literature • Operational efficiency 	Our culture and being a leading responsible business (12.5%) <ul style="list-style-type: none"> • Responsible Business strategy • Net Zero commitments • Digital propositions strategy • Community impact • Inclusion and diversity
Continued financial strength (12.5%) <ul style="list-style-type: none"> • Partner Lending • Capital usage • Regulator relationship 	Build and protect our brand and reputation (12.5%) <ul style="list-style-type: none"> • Client sentiment • Brand • Digital Marketing • Value of Advice • Cyber security • Client complaints • Internal Audit, risk and regulation

2.3.3 Performance Share Plan awards for 2021

The Executive Directors will each receive a PSP award in 2022 of 250% of salary (2020: 200%). These awards will be subject to a relative TSR performance condition for one-third of the award and earnings per share growth targets for two-thirds of the award as follows:

Performance level hurdle	TSR relative to the FTSE 51 to 150 ¹		Average annual adjusted EPS growth in excess of CPI ²	
	Performance required	Percentage of one third of award vesting	Performance required	Percentage of two thirds of award vesting
Below threshold	Below median	0%	Below 5%	0%
Threshold	Median	25%	At least 5%	25%
Stretch or above	Upper quartile or above	100%	12% or above	100%

¹ FTSE 51 to 150, excluding investment trusts and companies in the FTSE oil, gas and mining sectors.

² The EPS performance condition is calculated by reference to the post-tax EEV operating profit (on a fully diluted per share basis). This measure includes the direct impact of stock market fluctuations and changes in economic assumptions on the final year's performance.

³ Straight-line vesting occurs between threshold and maximum vesting.

⁴ Awards are subject to a three-year performance period. Vested shares cannot normally be sold for a further two years other than to the extent necessary to settle tax on vesting or exercise.

⁵ Malus and clawback provisions apply.

2.3.4 Shareholding requirement

The Chief Executive is required to build and maintain a shareholding equivalent to 300% of salary in the Company's shares. For other Executive Directors, the shareholding requirement is 200% of salary.

2.3.5 Duration of contracts

The Board of the Company is proposing that each of the Executive Directors be re-elected at the Company's forthcoming AGM. Although the Executive Directors' services contracts do not have fixed end dates they may be terminated with twelve months' notice from either the Company or from the Executive Director.

2.3.6 Retiring Director

As we announced in January 2022, Ian Gascoigne has decided to retire from the Board effective 31 March 2022.

Following his retirement from the Board, Mr Gascoigne is continuing as an employee of the Company. He will provide advice and support to the business and members of the St. James's Place Partnership, continue as a Trustee of the St. James's Place Charitable Foundation and continue to attend and support the Investment Executive and the Brand and Reputation Committee. This will enable the Company to continue to benefit from Mr Gascoigne's considerable experience in financial services including his 30 years with the Group.

In this new role, Mr Gascoigne will receive a total remuneration package of £225,000 per annum which includes basic salary and the monetary value of any Company fringe benefits. He will cease to be eligible for annual bonus, long-term incentive (Performance Share Plan (PSP)) awards or pension allowance.

Mr Gascoigne remains eligible for an annual bonus in respect of the 2021 financial year, subject to the usual performance conditions under the bonus plan; half of the bonus will be deferred into shares in accordance with the Policy. He will not receive a PSP grant in 2022.

In accordance with the relevant plan rules, he will retain the deferred bonuses he holds which are 17,936 shares (in respect of the 2018 Deferred Bonus Scheme Award) and 11,096 shares (in respect of the 2019 Deferred Bonus Scheme Award) and a number of shares to be determined (in respect of the 2021 Deferred Bonus Scheme Award). He will also retain (in accordance with the plan rules) the PSP awards he holds which are 72,635 shares (in respect of the 2019 PSP Award), 115,249 shares (in respect of the 2020 PSP Award) and 64,856 shares (in respect of the 2021 PSP Award). The PSP awards remain subject to existing vesting dates, performance conditions and post-vesting holding requirements. In line with the Directors' Remuneration Policy, Ian will be required to maintain a shareholding equivalent to 200% of his base salary at the date he steps down from the Board for the first year post-cessation; and 100% of his base salary at the date he steps down for the second year post-cessation.

Report of the Remuneration Committee continued

2.3.7 Fees for the Board Chair and Non-executive Directors for 2022

The fees for the Board Chair and Non-executive Directors for 2022 and 2021 are as set out below. SJP aims to provide competitive recognition and reward for all employees that reflects the nature of individual roles and enables us to attract and retain the best talent. Similarly, providing adequate compensation to all Board members is essential if the Board is to be able to recruit and retain high-calibre Directors and maintain effective succession plans for all Board roles. During 2021 the Board reviewed the fees paid to our Non-executive Directors on the Board, noting in particular the shift away from all-inclusive fees across the wider financial services sector, towards setting fees in line with individual responsibilities. The Board believes that setting fees in line with responsibilities will ensure that the fees paid to individual directors better reflect their differing responsibilities and time commitments and will also recognise the impact on specific Committees and roles of increased workload, regulatory responsibilities and the size of the Group.

Commencing 1 January 2022, the Board has determined that the base fee for Non-executive Directors should reduce to £76,000 (2021: £84,650). The fees for Committee Chairs have increased to £25,000 (£23,075) and separate fees will be paid to Committee members (other than Committee Chairs) to reflect their additional responsibilities and time commitments (£5,000 for the Nomination and Governance Committee and £10,000 for each of the Audit, Risk and Remuneration Committees). The Board also recognised that the fee for the Senior Independent Director did not reflect the additional time commitments and responsibilities of the role. Similarly, the responsibilities and time commitments of the Designated Non-executive Director for Workforce Engagement should be recognised. The Board has therefore decided to increase the Senior Independent Director's Fee to £15,000 per annum (2021: £6,212) and also introduce a fee of £15,000 for the Designated Non-executive Director for Workforce Engagement. Alongside the Board's review of Non-executive Director fees, the Committee also reviewed the fee for the Chair of the Board and decided that it would not be increased in 2022. When setting the fees paid to our Non-executive Directors and the Chair for 2022, the Board and Remuneration Committee sought to ensure that they were commensurate with those for financial services companies of comparable size.

	Fees from 1 January to 31 December 2021	Fees from 1 January to 31 December 2022	Percentage increase from 2021
	£	£	
Chair ¹	375,000	375,000	0%
Base fee ²	84,650	76,000	-10.2%
Committee Chair (excluding Nomination and Governance Committee)	23,075	25,000	8.3%
Audit, Risk and Remuneration Committee Member (per Committee membership)	–	10,000	N/A
Nomination and Governance Committee Member	–	5,000	N/A
Senior Independent Director	6,212	15,000	241%
Designated Non-Executive Director for Workforce Engagement	–	15,000	N/A

¹ The Chair's fee increased on the appointment of a new Chair on 14 May 2021 (previously £221,707).

² For the year ended 31 December 2021 the base fee for Non-executive Directors also covered membership of board committees. From 1 January 2022 Non-executive Directors will receive a lower base fee and a separate fee for each Committee membership.

This Report was approved by the Board of Directors and signed on its behalf by:

Roger Yates, Chair of the Remuneration Committee
23 February 2022

Section 3

Summary of the 2020 Directors' Remuneration Policy

The following table summarises each element of the Policy, explaining how each element operates and links to corporate strategy.

A copy of the approved Policy can be found on the Company's website: www.sjp.co.uk.

Element	Purpose and link to strategy	Operation including maximum opportunity	Performance metrics
Base salary	To provide the core reward for the role. Sufficient level to recruit and retain individuals of the necessary calibre, taking into account the required skills, experience, demands and complexity of the role.	Normally reviewed annually from 1 March, taking into account: role, experience and performance of the individual; Company performance; external economic conditions; average changes in broader workforce salary; and periodic benchmarking for each role against similar UK listed companies. Percentage increases will normally be capped at the level of increases for the Company's wider employee population. Increase may be higher in exceptional circumstances, such as a change in role and/or a significant change in responsibility or role size. Where new appointees have been given a starting salary below mid-market level, increases above those granted to the wider workforce (in percentage terms) may be awarded, subject to individual performance and development in the role.	Whilst there are no performance targets attached to the payment of base salary, performance is considered in the annual salary review process alongside those factors outlined under 'Operation'.
Pension	Helps recruit and retain Executives. Provides a discrete element of the package to contribute to retirement income	Provide either defined contribution to a pension scheme or an equivalent cash amount via non-pensionable allowance if the Executive is affected by HMRC limits. The maximum pension level for Executive Directors who joined the Board before the 2018 AGM is currently 20% of base salary. This will be reduced to 15% of base salary by 1 January 2023. This brings it into line with the pension allowance for long-serving employees in the wider workforce. For any Executive Directors joining the Board after the 2018 AGM, the pension allowances are aligned to that of the wider workforce, which is currently an employer contribution of 10% of salary on joining, which increases with service up to a maximum of 15%. In response to changes in legislation or similar developments, the Company may amend the form of an Executive Director's pension arrangements.	N/A
Other benefits	Operate competitive benefits to help recruit, retain and support the wellbeing of employees.	Including but not limited to: <ul style="list-style-type: none"> • Company car (or salary supplement in lieu); • Private medical insurance; • Life cover/Death in service cover; • Critical illness; • Relocation assistance where necessary; and • Use of a driver for business purposes. Executive Directors are eligible to participate in any all-employee share plan (e.g. SIP and SAYE) operated by the Company on the same terms as other eligible employees. The maximum level of participation is subject to limits imposed by HMRC (or a lower cap set by the Company). Any reasonable business expenses (including tax thereon) may be reimbursed.	N/A

Report of the Remuneration Committee continued

Element	Purpose and link to strategy	Operation including maximum opportunity	Performance metrics
Annual bonus	<p>Rewards the achievements of annual financial and strategic business plan targets and delivery of key, non-financial objectives.</p> <p>Deferred element aids retention, encourages long-term shareholding, discourages excessive risk taking and aligns with shareholders' interests.</p> <p>Performance metrics reflect the key performance drivers of the annual business plan, achievement of which will reflect performance in line with the Group's strategy.</p>	<p>Maximum opportunity for the Executive Directors is 150% of base salary.</p> <p>Performance below threshold on a scorecard element results in zero payout on that element. Payouts are on a scale from 20% to 100% of the maximum opportunity for performance between threshold and maximum.</p> <p>50% of any bonus payable is paid in cash and the remaining 50% deferred into SJP shares, the vesting of which is normally subject to a three-year continuous service requirement but not further performance conditions.</p> <p>Dividends in the form of shares accrue on the deferred shares and are paid to the Executive Directors during the three-year deferral period.</p> <p>All bonus payments are at the discretion of the Committee. The Committee has the discretion to override formulaic bonus outcomes, where necessary, under both financial and non-financial performance metrics, to take account of overall performance.</p> <p>The Company Malus and Clawback Policy applies.</p>	<p>Performance measures, targets and weightings are reviewed annually and set in line with the annual business plan.</p> <p>Performance is measured over one year. At least half of the bonus is based on financial measures, reflecting the key priorities of the business for the relevant year. Up to half of the annual bonus can be based on the achievement of key non-financial objectives set at the start of the year.</p> <p>Actual measures and weightings may change from year to year to reflect the business priorities at that time.</p> <p>Details of performance criteria and targets set for the year under review and performance against them are provided in the Annual Report on Remuneration.</p>
Performance Share Plan	<p>Supports long-term retention.</p> <p>Focuses the Executive on longer-term corporate performance and objectives.</p> <p>Aligns interests to those of shareholders.</p>	<p>Awards may be granted annually, up to 250% of salary as at date of grant. The Committee intends to use this maximum capacity prudently. Awards in 2020 for existing Executive Directors will not exceed 200% of base salary.</p> <p>Vesting is usually on the third anniversary of the date of grant, dependent on the achievement of stretching performance conditions measured over a period of three financial years.</p> <p>Executive Directors are required to retain vested PSP shares, net of tax, for a further period of two years.</p> <p>Dividend equivalents may accrue, in the form of shares, on awards made between the date of grant and the end of the two-year post-vesting holding period. These dividend equivalents will be released only to the extent that awards vest.</p> <p>The Committee has the discretion to override formulaic vesting outcomes, where necessary, to take account of overall performance.</p> <p>The Committee has the discretion, in exceptional circumstances, to grant and/or settle an award in cash.</p> <p>The Company Malus and Clawback Policy applies.</p>	<p>Awards vest to the extent of achievement of the following performance metrics:</p> <p>EPS growth based on EEV adjusted profit; and</p> <p>Relative TSR performance.</p> <p>The Committee may choose different measures, and weightings between them, if it deems it appropriate, taking into account the strategic objectives of the Company.</p> <p>For each performance metric, a threshold and stretch level of performance is set. At threshold, 25% of the relevant element vests, rising on a straight-line basis to 100% for performance between threshold and maximum.</p>

Element	Purpose and link to strategy	Operation including maximum opportunity	Performance metrics
Minimum shareholding requirements	To ensure alignment of the long-term interests of Executive Directors and shareholders.	<p>Executives are required to build and maintain a minimum shareholding equivalent to 300% of base salary for the Chief Executive and 200% of base salary for other Executives, to be achieved normally within five years of appointment.</p> <p>Until the threshold is reached, at least 50% of vested shares from the PSP and other share awards (less tax liability) must be retained.</p>	N/A
Post-cessation shareholding requirements	To ensure continued alignment of the long-term interests of Executive Directors and shareholders post-cessation.	<p>Executives are required to maintain a shareholding equivalent to the in-employment shareholding requirement immediately prior to departure (or the actual share and award holding on departure, if lower) for the first year post-cessation; and 50% of the holding for the second year post-cessation.</p> <p>There are appropriate arrangements in place to ensure enforceability.</p>	N/A
Non-executive Directors' fees	To attract high quality, experienced Non-executive Directors.	<p>The Chair of the Board is paid an all-inclusive annual fee which is reviewed periodically by the Committee.</p> <p>All Non-executive Directors receive a basic annual fee for carrying out their duties, together with additional fees being paid in respect of Board Committee Chairship and, where appropriate, membership, and other responsibilities, with fee levels reviewed periodically by the Board. They may also be paid additional fees in the event of exceptional levels of additional time being required. PLC Board Directors who are also members of subsidiary Boards of the Company, may receive fees in respect of their duties on the subsidiary Boards.</p> <p>Any reasonable business expenses (including tax thereon if applicable) may be reimbursed.</p> <p>There is no prescribed maximum individual fee level or annual increase. Reviews take into account market data for similar non-executive roles in other companies of a similar size, complexity and/or business to St. James's Place as well as the time commitment of its Non-executive Directors. The policy is to pay up to the mid-market level based on similar time commitments of chair and non-executives in comparable companies.</p>	Neither the Chair nor the Non-executive Directors are eligible for any performance-related remuneration.

Directors' Report

The Directors present their Report together with the audited Consolidated Financial Statements of the Group for the year ended 31 December 2021. This Report has been prepared in accordance with requirements outlined within The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and, together with the Strategic Report, forms the management report as required under the UK Financial Conduct Authority's (FCA) Disclosure and Transparency Rule DTR4.1. Certain information that fulfils the requirements of the Directors' Report can be found elsewhere in this document and is referred to below. This information is incorporated into this Directors' Report by reference.

Information disclosed in accordance with the requirements of the sections of the FCA's Listing Rule LR9.8 (Annual Financial Report) and Disclosure and Transparency Rule DTR7 (Corporate Governance) that are applicable can be found in the following sections:

Disclosure	Location
Details of long-term incentive schemes	Directors' Remuneration Report
Contracts of significance	This Directors' Report
Shareholder waivers of dividends	This Directors' Report
Shareholder waivers of future dividends	This Directors' Report
Directors' interests in the Company's shares	Directors' Remuneration Report
Major shareholders' interests	This Directors' Report
Authority to purchase own shares	Corporate Governance Report
Internal controls	Report of the Audit Committee

As permitted by legislation, some of the matters required to be included in the Directors' Report have instead been included in the Strategic Report:

- future business developments (throughout the Strategic Report);
- risk management on pages 86 to 95;
- details of branches operated by the Company on page 237; and
- the Group's impact on the environment, including those disclosures required regarding greenhouse gas emissions, on pages 43 to 47.

Status of Company

The Company is registered as a public limited company under the Companies Act 2006. For details of the Company's subsidiaries and overseas branches, please see Note 23 to the Financial Statements on pages 237 to 239.

Going concern

In conjunction with its assessment of longer-term viability as set out on pages 93 to 95, the Board concluded that it remained appropriate to adopt the going concern basis of accounting in preparing the Consolidated Financial Statements as it believes the Group will continue to be in business, with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations for a period of at least 12 months from the date of approval of the Group Financial Statements.

Share capital

Structure of the Company's capital

As at 31 December 2021, the Company's issued and fully paid-up share capital was 540,530,529 ordinary shares of 15 pence each. All ordinary shares are quoted on the London Stock Exchange, and can be held in uncertificated form via CREST. All shares have equal rights to dividends and to participate in a distribution on winding up. Details of the movement in the issued share capital during the year are provided in Note 20 to the Financial Statements on page 230.

Voting rights

At any General Meeting, on a show of hands, each member who is present in person has one vote and every proxy present who has been duly appointed by a member entitled to vote on a resolution has one vote. On a poll, every member who is present in person or by proxy shall have one vote for every share of which he or she is the holder.

Restrictions on voting rights

If any shareholder has been sent a notice by the Company under section 793 of the Companies Act 2006 and has failed to supply the relevant information for a period of 14 days, then the shareholder may not (for so long as the default continues) be entitled to attend or vote either personally or by proxy at a shareholders' meeting, or to exercise any other right conferred by membership in relation to shareholders' meetings.

If those default shares represent at least 0.25% of their class, any dividend payable in respect of the shares will be withheld by the Company and (subject to certain limited exceptions) no transfer, other than an excepted transfer, of any shares held by the member in certificated form will be registered.

Articles of Association

The full rights and obligations attaching to the ordinary shares of the Company are set out in the Articles. Holders of ordinary shares are entitled to: receive the Company's Reports and Accounts; attend, speak and exercise voting rights; and appoint proxies to attend General Meetings.

Restrictions on share transfers

There are restrictions on share transfers, all of which are set out in the Articles. Restrictions include transfers made in favour of more than four joint holders and transfers held in certificated form. Directors may decline to recognise a transfer, unless it is in respect of only one class of share and lodged (and duly stamped) with the Transfer Office. The Directors may also refuse to register any transfer of shares held in certificated form which are not fully paid. Directors

may also choose to decline requests for share transfers from a US Person (as defined under Regulation S of the United States Securities Act 1933) that would cause the aggregate number of beneficial owners of issued shares who are US Persons to exceed 70.

The registration of transfers may be suspended at such times and for such periods (not exceeding 30 days in any year) as the Directors may from time to time determine in respect of any class of shares.

The Company is not aware of any agreements between shareholders that restrict the transfer of shares or voting rights attached to the shares.

The interests of the Directors, and any persons closely associated, in the issued share capital of the Company are shown on page 152.

Substantial shareholders

Information provided to the Company by substantial shareholders pursuant to the DTR is published via a Regulatory Information Service.

As at 23 February 2022, the Company had been notified of the following interests disclosed to the Company under DTR5:

Shareholder	Holding at 31 Dec 2021	Percentage held at 31 Dec 2021 ¹	Holding at 23 Feb 2022	Percentage held at 23 Feb 2022 ¹
BlackRock, Inc.	34,169,141	6.36%	34,169,141	6.36%
RBC	21,377,117	3.95%	21,652,140	4.00%

¹ Percentage provided was correct at the date of notification.

Results and dividends

The Financial Review on pages 66 to 85 sets out the consolidated results for the year.

An interim dividend of 11.55 pence per share, which equates to £62.4 million, was paid on 24 September 2021 in respect of the year ended 31 December 2021. No interim dividend was paid during 2020 in respect of the year ended 31 December 2020. On 24 March 2021 the proportion of the dividend withheld from the 2019 final dividend was reinstated as a further 2019 interim dividend, and was paid to shareholders on the register on 5 March 2021.

The Directors also recommend that shareholders approve a final dividend of 40.41 pence per share, which equates to £218.4 million, in respect

of the year ended 31 December 2021, to be paid on 27 May 2022 to shareholders on the register at close of business on 29 April 2022. A final dividend of 38.49 pence per share, which equated to £207.2 million, was paid on 21 May 2021 to shareholders on the register at the close of business on 16 April 2021, in respect of the year ended 31 December 2020.

Details of the Dividend Reinvestment Plan (DRIP) are set out on page 258.

Our people

Details of the Company's approach to maintaining an appropriately skilled and diverse workforce, including recruitment practices, development opportunities, employee engagement and equal opportunities can be found in the Our Responsible Business section on pages 32 to 61.

The Workforce Engagement section of the Corporate Governance Report (page 103) summarises how the Board has engaged with employees. This engagement, and the presence of a designated Non-executive Director on the Board, ensures that the Board is able to take account of the interests of employees in its discussions and when making decisions. Engagement during 2021 contributed to the Board's consideration of key strategic topics and the determination of policies affecting the workforce and helped to inform future decision-making around flexible working and our strategy regarding employee awards.

Directors' Report continued

Fostering business relationships

Engagement with the Board's key stakeholders, including suppliers and clients, is summarised in the Corporate Governance Report on pages 103 to 109. In many cases the Group's primary point of engagement with these stakeholders is through the business, where regular dialogue is maintained. Focus on strategic topics and regular reporting from management enables the Board to establish a clear view of business relationships with these stakeholders and has provided important context in its deliberations and decision-making. Further details are set out in the Section 172(1) Statement on pages 106 to 109.

Significant contracts and change of control

The Company has a number of contractual arrangements which it considers essential to the business of the Company. Specifically, these are committed loan facilities from a number of banks and arrangements with fund managers and third-party providers of administrative services.

A change of control of the Company may cause some agreements to which the Company is a party to alter or terminate. These include bank facility agreements, securitisation arrangements and employee share plans.

The Group had committed facilities totalling £504 million as at 23 February 2022 which contain clauses which require lender consent for any change of control. In addition, the Group guarantees the obligations of loans made to Partners in connection with facilities agreed with various lenders totalling £401 million in aggregate. Should consent not be given, a change of control would trigger mandatory repayment of the said facilities.

The Group also had committed securitisation facilities totalling £224 million which contain clauses which require lender consent for any change of control. Should such consent not be given, a change of control would trigger early amortisation of the facilities.

All the Company's employee share plans contain provisions relating to a change of control. Outstanding awards and options may vest and become exercisable on a change of control, subject where appropriate to the satisfaction of any performance conditions at that time and pro-rating of awards.

Financial instruments

An indication of the Group's use of financial instruments can be found in Note 17 to the Financial Statements on pages 216 to 227.

Directors and Directors' indemnities

Details of the Directors of the Company at the date of this Report and during the year ended 31 December 2021 can be found in the Corporate Governance Report on pages 100 and 101. Details of the indemnity provisions in place for the Directors, including qualifying third-party indemnity provisions, can be found on page 114.

Political and charitable donations

It is the Group's policy not to make any donations to political parties within the definitions set out in the Political Parties, Elections and Referendums Act 2000 and sections 362 to 379 of the Companies Act 2006. During the year we have donated £3.8 million to the St. James's Place Charitable Foundation, more details of which can be found on pages 51 and 52.

Annual General Meeting

The Company plans to hold its Annual General Meeting on Thursday 19 May 2022. Full details of the meeting, including location, time and the resolutions to be put to shareholders at the meeting, are included in a separate Notice of Annual General Meeting, which is available on our website.

Important events since the financial year-end

Details of important events affecting the Group since 31 December 2021 can be found in the Chief Executive's Report on pages 16 to 19.

Disclosure of information to auditors

Each of the Directors, at the date of approval of this report, confirms that:

- so far as each Director is aware, there is no relevant audit information of which the auditors are unaware; and
- each Director has taken all steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of such information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the Board:

Andrew Croft, Chief Executive

Craig Gentle, Chief Financial Officer
23 February 2022

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Accounts 2021 and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with UK-adopted international accounting standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The Directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and Accounts 2021 and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's and company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Board of Directors on pages 100 and 101 confirm that, to the best of their knowledge:

- the group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the group;

- the company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the group and company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the group's and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the group's and company's auditors are aware of that information.

By order of the Board:

Jonathan Dale, Company Secretary
23 February 2022

Financial Statements

Our financial performance has reflected the strength of new business during the year, growth in FUM during both 2020 and 2021, and the resulting growth in income

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£353.8m

IFRS profit before shareholder tax

£287.6m

IFRS profit after tax

53.3p

IFRS basic earnings per share

03

Independent Auditors' Report to the Members of St. James's Place plc

Report on the audit of the Financial Statements

Opinion

In our opinion:

- St. James's Place plc's Group Financial Statements and Parent Company Financial Statements (the "Financial Statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements, included within the Annual Report, which comprise: Consolidated and Parent Company Statements of Financial Position as at 31 December 2021; the Consolidated Statement of Comprehensive Income, Consolidated Statement of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity for the year then ended; and the notes to the Financial Statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 5, we have provided no non-audit services to the parent company in the period under audit.

Our audit approach

Overview

Audit scope

- The Group Financial Statements comprise the consolidation of approximately 68 individual components, each of which represents an individual legal entity within the Group or consolidation adjustments.
- We assessed each component and considered the contribution it made to the Group's performance in the year, whether it displayed any significant risk characteristics and/or whether it contributed a significant amount to any individual Financial Statement line item.
- The above assessment resulted in us identifying five financially significant components and one significant risk component that required audit procedures for the purpose of the audit of the Group Financial Statements.
- The five financially significant components are based in the UK and were audited by the PwC UK audit team. The significant risk component is based in the Republic of Ireland and was audited by Grant Thornton Ireland.
- By performing audit procedures on these six components and by audit of specific balances in four components with large individual balances, we achieved coverage greater than 90% of each material Financial Statement line item within the Group's Financial Statements.
- We performed a full scope audit of all material line items in the Parent Company's Financial Statements

Key audit matters

- Valuation of investments with judgemental valuation, being investment properties and level 3 investments in the Diversified Assets Fund (Group)
- Valuation of the Operational Readiness prepayment in respect of the development of an administration platform at an outsourced provider (Group)

Materiality

- Overall Group materiality: £15,000,000 (2020: £14,000,000) based on 5% of average underlying cash generated in the past three years.
- Overall parent company materiality: £14,200,000 (2020: £14,600,000) based on 1% of total assets.
- Performance materiality: £11,250,000 (2020: £10,500,000) (Group) and £10,600,000 (2020: £11,000,000) (parent company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Financial Statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Impact of the COVID-19 pandemic, which was a key audit matter last year, is no longer included because of the reduced uncertainty of the impact of the COVID-19 pandemic. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation of investments with judgemental valuation, being investment properties and level 3 investments in the Diversified Assets Fund (Group)</i></p> <p>As disclosed in the Audit Committee report (Page 122) and Note 17 (Page 216). As at 31 December 2021, the Group held £152.1 billion of investments (including cash and cash equivalents). The majority of these investments do not require significant judgement in calculating their valuation in the Financial Statements. However, £2.6 billion of these investments are in investment properties and level 3 assets in the Diversified Assets Fund ("DAF"), which require management to use significant estimates and judgements in order to calculate the valuation at the year-end. Due to the magnitude of these balances and the level of judgement involved in their valuation, this was an area of focus for our audit. The Group outsources the investment valuation activities for each, with assets in the DAF valued by Kohlberg Kravis Roberts & Co. Inc ("KKR"), whilst the investment property portfolio is managed by Orchard Street with regular valuations performed by CBRE.</p>	<p>Investment properties:</p> <p>We engaged our internal real estate valuation experts to review the methodology and key assumptions used by CBRE in valuing the property portfolio.</p> <p>Our valuation experts:</p> <ul style="list-style-type: none"> • Obtained and reviewed the valuation reports produced by CBRE and confirmed that the methodology adopted was appropriate. • Benchmarked the key assumptions used by CBRE against industry norms using our experience and knowledge of the market for all properties in the portfolio. • Where they fell outside of the expected ranges, valuations showed unexpected movements, or otherwise appeared unusual, performed further testing and, when necessary, held further discussion with Valuers to understand and validate the assumptions. • Agree key data inputs to the valuations to supporting evidence on a sample basis <p>Level 3 assets in the Diversified Assets Fund:</p> <p>We engaged our internal valuation experts to review the methodology and key assumptions used by KKR in valuing a sample of individual level 3 investments within the DAF. Our valuations experts met with KKR and reviewed the year end valuation report for each asset in the sample. They challenged KKR on the appropriateness of the methodology and assumptions, given the specifics of each of the assets in question. From the evidence obtained when testing the valuation of investment properties and level 3 assets in the DAF, we found the assumptions and methodology used, and the resulting valuations, to be appropriate</p>

Independent Auditors' Report to the Members of St. James's Place plc continued

Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation of the Operational Readiness prepayment in respect of the development of an administration platform at an outsourced provider (Group)</i></p> <p>As disclosed in the Audit Committee report (Page 122) and Note 12 (Page 207). The Group is charged costs by an outsourced provider for the development of a policy administration platform used by the Group. These costs are recognised as a prepayment and are unwound over the duration of the related service agreement with the provider, which had been extended by 5 years during 2020. The balance of the prepayment asset at 31 December 2021 was £296 million. The maximum value at which the prepayment can be recognised is equal to the net present value of future cost savings from the agreement. Due to the nature and magnitude of the amount arising from the contractual terms, the valuation of this asset was an area of focus for our audit.</p>	<p>In testing whether the asset was valued appropriately and whether an impairment was necessary we:</p> <ul style="list-style-type: none"> agreed amounts capitalised in the year to the service agreement and cash payments to the provider; assessed the reasonableness of the assumptions underlying management's discounted cash flow analysis calculating the anticipated future cost savings that support the valuation of the asset; agreed that the cost savings had been calculated using appropriate service tariffs; performed a sensitivity analysis on the inflation and discount rate assumptions as well as business flow levels to determine the potential impact of changes in these assumptions to check whether they would affect the carrying value of the asset; and considered the headroom available under what we considered to be reasonably possible downside scenarios and whether additional disclosure was necessary. <p>We determined that the accounting, recognition and disclosure of the asset in the Financial Statements was supported by the evidence obtained.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Financial Statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

The Group is structured as a vertically integrated wealth management business and operates predominantly within the United Kingdom. Six of the components within the Group required an audit of their complete financial information. Of these, five components (St. James's Place UK plc, St. James's Place Unit Trust Group Limited, St. James's Place Investment Administration Limited, St. James's Place Management Services Limited and St. James's Place Wealth Management plc) were considered financially significant.

The St. James's Place International plc had specific risk characteristics which led us to include in our scope an audit of its complete financial information. St. James's Place International plc is an insurance company giving rise to complex accounting entries, such as the calculation of insurance reserves and deferred income reserve.

All of the five financially significant components were audited by PwC UK. St. James's Place International plc is incorporated and regulated in the Republic of Ireland and was audited by Grant Thornton Ireland. At the planning stage of the audit we provided written instructions to Grant Thornton Ireland to confirm the work we required them to complete and the materiality level they should perform their work to. We held regular phone calls and meetings with the Grant Thornton Ireland engagement leader and director through the planning, execution and completion phases of the audit to inform them of developments at a Group level and to understand from them any local developments that were relevant for our audit of the Group. During the execution phase, in light of travel restrictions, senior members of the UK engagement team performed a remote review of Grant Thornton Ireland's audit working papers, reviewing selected elements of their work focused on the significant and elevated risks identified.

In addition to the full scope audit of the six components noted above, we also performed specific audit procedures on certain Financial Statement line items within four other components. These Financial Statement line items were selected for testing to ensure that we had sufficient coverage of each Financial Statement line item within the Group Financial Statements.

Together with additional procedures performed at a Group level on the consolidation, the result of our scoping was that we achieved in excess of 90% coverage of each material Financial Statement line item within the Group Financial Statements, in support of our audit opinion.

In planning our audit, we considered the extent to which climate change is impacting the Group and how it impacted our risk assessment for the audit of the Group's Financial Statements. In making these considerations we:

- Enquired of management in respect of their own climate change risk assessment, including associated governance processes and understood how these have been implemented.
- Obtained the latest Task Force for Climate Related Financial Disclosures ("TCFD") report from the Group and checked it for consistency with our knowledge of the Group based on our audit work.
- Considered management's risk assessment and the TCFD report in light of our knowledge of the wider asset management and wealth management industries.

Our conclusions were that the impact of climate change does not give rise to a Key Audit Matter for the Group and it did not impact our risk assessment for any material Financial Statement line item or disclosure.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual Financial Statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the Financial Statements as a whole.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

	Financial Statements – Group	Financial Statements – parent company
Overall materiality	£15,000,000 (2020: £14,000,000).	£14,200,000 (2020: £14,600,000).
How we determined it	5% of average underlying cash generated in the past three years	1% of total assets
Rationale for benchmark applied	The engagement team concluded that £15.0 million is the most appropriate figure when setting an overall materiality on the engagement. The quantum of £15.0 million was determined by considering the various benchmarks available to us as auditors, our experience of auditing the Group and the business performance over the past three years given the influence of the COVID-19 pandemic during 2020. £15.0 million represents 5% of the average underlying cash generated in the last three years.	The purpose of the Parent Company is to hold investments in other Group companies. As such PwC considers it appropriate to use total assets as the benchmark for overall materiality.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £2.0 million to £11.0 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to £11,250,000 (2020: £10,500,000) for the Group Financial Statements and £10,600,000 (2020: £11,000,000) for the parent company Financial Statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.75 million (Group audit) (2020: £0.7million) and £0.7 million (parent company audit) (2020: £0.7 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Independent Auditors' Report to the Members of St. James's Place plc continued

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- Obtained management's assessment of the going concern of the Group, and challenged the appropriateness of the assumptions used by utilising our knowledge of the Group gained throughout the audit and obtaining further corroborative audit evidence.
- Considered the results of management's analysis of the relevant solvency requirements and liquidity position of the Group, including forward looking scenarios within the Group's Own Risk and Solvency Assessment.
- Considered information obtained through review of regulatory correspondence, minutes of meetings of the Board, Audit and Risk Committees, as well as publicly available information to identify any information that would contradict management's assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

In auditing the Financial Statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Parent Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the Financial Statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the Financial Statements and our auditors' report thereon. The directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the Financial Statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the The Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the Financial Statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements;
- The directors' explanation as to their assessment of the Group's and parent company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the parent company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the Financial Statements and our knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the Financial Statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Parent Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Parent Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the Financial Statements and the audit

Responsibilities of the directors for the Financial Statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the Financial Statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditors' Report to the Members of St. James's Place plc continued

Auditors' responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK and Irish regulatory principles, such as those governed by the Prudential Regulation Authority, the Financial Conduct Authority and the Central Bank of Ireland, and we considered the extent to which non-compliance might have a material effect on the Financial Statements. We also considered those laws and regulations that have a direct impact on the Financial Statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the Financial Statements (including the risk of override of controls), and determined that the principal risks were related to risk of management override of controls and risk of fraud in revenue recognition. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with the Risk and Compliance function, Internal Audit and the company's legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading the Audit Committee papers in which whistle blowing matters are reported and considered the impact of these matters on the Group's compliance with laws and regulations;

- Reading key correspondence with the Prudential Regulation Authority, the Financial Conduct Authority and the Central Bank of Ireland in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the Board, Risk and Audit Committees
- Reviewing data regarding customer complaints and the company's register of litigation and claims, in so far as they related to non-compliance with laws and regulations and fraud;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations increasing reported revenues;
- Designing audit procedures to incorporate unpredictability around nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the Financial Statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Parent Company Financial Statements and the part of the The Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 7 December 2009 to audit the Financial Statements for the year ended 31 December 2009 and subsequent financial periods. The period of total uninterrupted engagement is 13 years, covering the years ended 31 December 2009 to 31 December 2021.

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these Financial Statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Andrew Moore (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London

23 February 2022

Consolidated Statement of Comprehensive Income

	Note	Year ended	Year ended
		31 December	31 December
		2021	2020
		£'Million	£'Million
Insurance premium income		36.5	40.1
Less premiums ceded to reinsurers		(23.2)	(25.1)
Net insurance premium income		13.3	15.0
Fee and commission income	4	2,737.2	2,096.4
Investment return	6	15,275.4	5,949.6
Net income		18,025.9	8,061.0
Policy claims and benefits			
– Gross amount		(62.8)	(54.0)
– Reinsurers' share		16.9	20.4
Net policyholder claims and benefits incurred		(45.9)	(33.6)
Change in insurance contract liabilities			
– Gross amount		(9.7)	(5.9)
– Reinsurers' share		(9.9)	3.6
Net change in insurance contract liabilities		(19.6)	(2.3)
Movement in investment contract benefits	6	(15,186.7)	(5,910.7)
Expenses	5	(1,931.3)	(1,688.0)
Profit before tax	3	842.4	426.4
Tax attributable to policyholders' returns	7	(488.6)	(98.8)
Profit before tax attributable to shareholders' returns		353.8	327.6
Total tax expense	7	(554.8)	(164.4)
Less: tax attributable to policyholders' returns	7	488.6	98.8
Tax attributable to shareholders' returns	7	(66.2)	(65.6)
Profit and total comprehensive income for the year		287.6	262.0
Profit attributable to non-controlling interests		0.9	–
Profit attributable to equity shareholders		286.7	262.0
Profit and total comprehensive income for the year		287.6	262.0
		Pence	Pence
Basic earnings per share	20	53.3	49.1
Diluted earnings per share	20	52.5	48.6

The results relate to continuing operations.

The Notes and information below and on pages 182 to 242 form part of these Consolidated Financial Statements.

As permitted by section 408 of the Companies Act 2006, no Statement of Comprehensive Income is presented for the Company.

Consolidated Statement of Changes in Equity

	Note	Equity attributable to owners of the Parent Company					Non-controlling interests	Total equity	
		Share capital	Share premium	Shares in trust reserve	Misc. reserves	Retained earnings			
		£'Million	£'Million	£'Million	£'Million	£'Million			
At 1 January 2020		80.2	182.4	(16.4)	2.5	699.4	948.1	(0.9)	947.2
Profit and total comprehensive income for the year		–	–	–	–	262.0	262.0	–	262.0
Dividends	20	–	–	–	–	(107.1)	(107.1)	–	(107.1)
Exercise of options	20	0.4	2.9	–	–	–	3.3	–	3.3
Consideration paid for own shares		–	–	(3.9)	–	–	(3.9)	–	(3.9)
Shares sold during the year		–	–	5.5	–	(5.5)	–	–	–
Retained earnings credit in respect of share option charges		–	–	–	–	10.6	10.6	–	10.6
At 31 December 2020		80.6	185.3	(14.8)	2.5	859.4	1,113.0	(0.9)	1,112.1
Profit and total comprehensive income for the year		–	–	–	–	286.7	286.7	0.9	287.6
Dividends	20	–	–	–	–	(329.9)	(329.9)	–	(329.9)
Issue of share capital	20	0.1	10.2	–	–	–	10.3	–	10.3
Exercise of options	20	0.4	18.3	–	–	–	18.7	–	18.7
Shares sold during the year		–	–	6.3	–	(6.3)	–	–	–
Retained earnings credit in respect of share option charges		–	–	–	–	20.4	20.4	–	20.4
At 31 December 2021		81.1	213.8	(8.5)	2.5	830.3	1,119.2	–	1,119.2

The number of shares held in the Shares in trust reserve is given in Note 20 Share capital, earnings per share and dividends on page 230.

Miscellaneous reserves represent other non-distributable reserves.

The Notes and information below and on pages 182 to 242 form part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position

	Note	As at	As at
		31 December 2021	31 December 2020
		£'Million	£'Million
Assets			
Goodwill	8	29.6	31.0
Deferred acquisition costs	8	379.6	424.5
Intangible assets			
– Purchased value of in-force business	8	14.4	17.6
– Computer software	8	27.0	23.5
Property and equipment	9	154.5	174.4
Deferred tax assets	7	20.6	14.4
Investment in associates		1.4	–
Reinsurance assets	14	82.4	92.3
Other receivables	12	2,923.0	2,579.2
Investments			
– Investment property	11	1,568.5	1,526.7
– Equities	11	106,782.3	83,359.2
– Fixed income securities	11	29,305.9	27,701.4
– Investment in Collective Investment Schemes	11	5,513.2	5,890.2
– Derivative financial instruments	11	1,094.6	1,386.8
Cash and cash equivalents	11	7,832.9	6,660.1
Total assets		155,729.9	129,881.3
Liabilities			
Borrowings	16	433.0	341.8
Deferred tax liabilities	7	649.8	378.1
Insurance contract liabilities	14	572.3	562.6
Deferred income	8	562.6	579.9
Other provisions	15	44.1	34.3
Other payables	13	2,604.5	2,038.0
Investment contract benefits	11	110,349.8	93,132.7
Derivative financial instruments	11	1,019.5	749.9
Net asset value attributable to unit holders	11	38,369.0	30,919.1
Income tax liabilities		6.1	32.7
Preference shares		–	0.1
Total liabilities		154,610.7	128,769.2
Net assets		1,119.2	1,112.1
Shareholders' equity			
Share capital	20	81.1	80.6
Share premium		213.8	185.3
Shares in trust reserve		(8.5)	(14.8)
Miscellaneous reserves		2.5	2.5
Retained earnings		830.3	859.4
Equity attributable to owners of the Parent Company		1,119.2	1,113.0
Non-controlling interests		–	(0.9)
Total equity		1,119.2	1,112.1
		Pence	Pence
Net assets per share		207.1	207.0

The Consolidated Financial Statements on pages 178 to 242 were approved by the Board of Directors on 23 February 2022 and signed on its behalf by:

Andrew Croft, Chief Executive

Craig Gentle, Chief Financial Officer

The Notes and information on pages 182 to 242 form part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

	Note	Year ended	Year ended
		31 December 2021	31 December 2020
		£'Million	£'Million
Cash flows from operating activities			
Cash generated from operations	18	1,741.0	102.5
Interest received		19.2	33.1
Interest paid		(10.2)	(11.6)
Income taxes paid	7	(319.1)	(248.1)
Contingent consideration		(1.3)	–
Net cash inflow/(outflow) from operating activities		1,429.6	(124.1)
Cash flows from investing activities			
Payments for property and equipment	9	(3.4)	(8.0)
Payment of software development costs	8	(19.2)	(18.8)
Payments for acquisition of subsidiaries and other business combinations, net of cash acquired		(6.6)	(22.4)
Proceeds from sale of shares in subsidiaries and other business combinations, net of cash disposed		4.1	–
Net cash (outflow) from investing activities		(25.1)	(49.2)
Cash flows from financing activities			
Proceeds from the issue of share capital and exercise of options		18.7	3.3
Consideration paid for own shares		–	(3.9)
Proceeds from borrowings	16	576.4	270.0
Repayment of borrowings	16	(486.1)	(332.1)
Principal elements of lease payments		(10.7)	(10.0)
Dividends paid to Company's shareholders	20	(329.9)	(107.1)
Net cash (outflow) from financing activities		(231.6)	(179.8)
Net increase/(decrease) in cash and cash equivalents		1,172.9	(353.1)
Cash and cash equivalents at 1 January	11	6,660.1	7,013.6
Effects of exchange rate changes on cash and cash equivalents		(0.1)	(0.4)
Cash and cash equivalents at 31 December	11	7,832.9	6,660.1

The Notes and information on pages 182 to 242 form part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards

1. Accounting policies

St. James's Place plc (the Company) is a public company limited by shares which is incorporated and registered in England and Wales, domiciled in the United Kingdom and whose shares are publicly traded.

i. Statement of compliance

The Group Financial Statements consolidate those of the Company and its subsidiaries (together referred to as the Group).

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework. The consolidated financial statements of the Group have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

There were no new or amended IFRS standards effective for periods beginning on 1 January 2021 which are relevant to the Group. However, the March 2021 IFRS Interpretation Committee update included an agenda decision on 'Configuration and Customisation costs in a Cloud Computing Arrangement' which was ratified by the IASB in April 2021. The decision resulted in a £5.1 million reduction in the carrying value of the computer software and other specific software developments asset.

ii. New and amended accounting standards not yet adopted

As at 31 December 2021, the following new and amended standards, which are relevant to the Group but have not been applied in the Financial Statements, were in issue but are not yet effective. None of the standards or amendments below had been endorsed by the UK as at 31 December 2021:

- IFRS 17 Insurance Contracts;
- Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current;
- Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework;
- Annual Improvements to IFRS 2018–2020; and
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture.

The Group is currently assessing the impact that the adoption of the above standards, amendments and clarifications will have on the Group's results reported within the Financial Statements. The only standard or amendment expected to have a significant impact on the Group's Financial Statements is IFRS 17 Insurance Contracts. Further information on this standard is given below.

IFRS 17 Insurance Contracts

IFRS 17 incorporates revised principles for the recognition, measurement, presentation and disclosure of insurance contracts.

The Group closed to new insurance business, as defined under accounting standards, in 2011. At 31 December 2021, the Group had £84.5 million of non-unit-linked insurance contract liabilities, which are substantially reinsured, and £487.8 million of unit-linked insurance contract liabilities. As a result, the Group's net exposure on this business is not material.

The vast majority of the business written by the Life companies within the Group is defined as investment, rather than insurance, business under accounting standards. Investment business is outside the scope of IFRS 17.

Management is currently assessing the impacts of adopting the new standard. The effective date of the standard is currently 1 January 2023, subject to endorsement by the UK Endorsement Board.

iii. Basis of preparation

The going concern basis has been adopted in preparing these Financial Statements.

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Chief Executive's Report, and the Chief Financial Officer's Report on pages 16 to 19 and 62 to 64. The financial performance and financial position of the Group are described in the Financial Review on pages 66 to 85.

As shown on page 84 of the Financial Review, the Group's capital position remains strong and well in excess of regulatory requirements. In addition, it has continued to operate within its external banking covenants. The S&P rating of SJPUK remains at A- (BBB at SJP PLC). Similarly, the Fitch rating remains at A+ for SJPUK (A at SJP PLC level). Further, the long-term nature of the business results in considerable positive cash flows arising from existing business.

The Board has considered the potential impact of COVID-19 on the business, including the associated impact of the economic volatility on funds under management and the Group's financial results. In addition, the Board has considered the operational impacts of COVID-19, including through its key outsourced providers. It noted that the business continued to be resilient in the face of the challenges presented by the COVID-19 pandemic during 2021. This, along with the performance of our key outsource providers, who also adapted well to the changing environment, supports its view that the business will continue to remain operationally resilient.

As a result of its review, the Board believes that the Group will continue to operate, with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations, for a period of at least 12 months from the date of approval of the Group Financial Statements.

The Financial Statements are presented in pounds Sterling, rounded to the nearest one hundred thousand pounds. They are prepared on a historical cost basis, except for assets classified as investment property and financial assets and liabilities at fair value through profit and loss.

The preparation of the Financial Statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

Judgements made by management in the application of IFRSs that have significant effect on the Financial Statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 2.

The Financial Statements are prepared in accordance with the Companies Act 2006 as applicable to companies reporting under IFRS and the accounting policies set out below have been applied consistently to all years presented in these Consolidated Financial Statements.

iv. Summary of significant accounting policies

(a) Basis of consolidation

The consolidated financial information incorporates the assets, liabilities and results of the Company and of its subsidiaries. Subsidiaries are those entities which the Group controls. Control exists if the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity (including unit trusts in which the Group holds more than 30% of the units). Further information on how control is assessed, including the judgement taken in consolidating SJP Partner Loans No.1 Limited, the Group's securitisation entity, is set out in Note 2.

Associates are all entities over which the Group has significant influence but not control and are accounted for at fair value through profit or loss. The Group uses the acquisition method of accounting to account for business combinations and expenses all acquisition costs as they are incurred. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with policies adopted by the Group.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 in the Consolidated Statement of Comprehensive Income.

The treatment of transactions with non-controlling interests depends on whether, as a result of the transaction, the Group alters control of the subsidiary. Changes in the Parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions; any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Parent entity. Where the Group loses control of the subsidiary, at the date when control is lost the amount of any non-controlling interest in that former subsidiary is derecognised and any investment retained in the former subsidiary is remeasured to its fair value; the gain or loss that is recognised in profit or loss on the partial disposal of the subsidiary includes the gain or loss on the remeasurement of the retained interest.

Intra-group balances, and any income and expenses or unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements.

The St. James's Place Charitable Foundation is not consolidated within the financial information. This is because the Company does not control the Charitable Foundation in accordance with IFRS 10.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

1. Accounting policies continued

(b) Fee and commission income

Fee and commission income comprises:

- (i) advice charges (post-RDR) paid by clients who receive advice alongside their investment in a St. James's Place. Advice may be provided at initial investment, and on an ongoing basis;
- (ii) third-party fee and commission income, due from third-party product providers in respect of products sold on their behalf;
- (iii) wealth management fees paid by clients for the ongoing administration of their investment product;
- (iv) investment management fees paid by clients for all aspects of investment management, including fees taken by the Group to pay third-party investment advisers;
- (v) fund tax deductions, which are fees charged to clients to match the policyholder tax expense;
- (vi) policyholder tax asymmetry, the difference between the deferred tax position and the offsetting client balances;
- (vii) discretionary fund management fees generated through the services provided by our DFM business; and
- (viii) amortisation of DIR, the unwinding of income that has been deferred. This relates to initial product charges and dealing margins from unit trusts.

The provision of initial advice is a distinct performance obligation. As a result, initial advice charges are recognised in full on acceptance and inception of the associated policy by the relevant product provider, which may be a Group company or a third party. Ongoing advice charges are recognised as revenue on an ongoing basis, consistent with the nature of the performance obligation being discharged, rather than at a single point in time.

Third-party fee and commission income is recognised in full on acceptance and inception of the associated policy by the relevant third-party product provider. The performance obligation is the initial advice provided to a client which leads to investment in a third-party product, hence it is appropriate that this revenue stream is recognised on the same basis as initial advice charges. Where the third-party product provider retains the right to clawback of commission on an indemnity basis, revenue on sale of these products is recognised to the extent that it is highly probable the revenue will not be clawed back. A provision is recognised for any amounts received which do not meet the 'highly probable' threshold.

Wealth management fees, investment management fees, fund tax deductions, policyholder tax asymmetry and discretionary fund management fees relate to services provided on an ongoing basis, and revenue is recognised on an ongoing basis to reflect the nature of the performance obligations being discharged.

When initial product charges and dealing margins do not relate to a distinct performance obligation satisfied at inception of a contract, the income is deferred and amortised over the anticipated period in which the services will be provided.

(c) Insurance and reinsurance premiums

Unit-linked insurance contract premiums are recognised as revenue when the liabilities arising from them are recognised. All other premiums are accounted for when due for payment.

(d) Insurance claims and reinsurance recoveries

Insurance contracts death claims are accounted for on notification of death. Critical illness claims are accounted for when admitted. All other claims and surrenders are accounted for when payment is due. Reinsurance recoveries, in respect of insurance claims, are accounted for in the same period as the related claim.

(e) Investment return

Investment return comprises investment income and investment gains and losses. Investment income includes dividends, interest and rental income from investment properties under operating leases. Dividends are accrued on an ex-dividend basis, and rental income is recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Interest, which is generated on assets classified as fair value through profit or loss, is accounted for using the effective interest method.

(f) Expenses

(i) Payments to Partners

Payments to Partners comprises initial commission and initial advice fees (IAF) (paid for initial advice, at policy outset and within an initial period for regular contribution), renewal commission and renewal advice fees (payable on regular contributions) and fund fee commission or ongoing advice fees (OAF) (based on funds under management). Initial and renewal commission and advice fees are recognised in line with the associated premium income, but initial commission on insurance and investment contracts may be deferred, as set out in accounting policy (k). Fund fee commission and ongoing advice fees are recognised on an accruals basis.

(ii) Lease expenses

Lease expenses under IFRS 16 comprise depreciation of the right-of-use asset and interest expense on the lease liability. Further information on depreciation of the right-of-use asset is set out in the accounting policy for property and equipment, which includes leased assets and can be found on page 186. Interest expense on the lease liability is calculated using the effective interest method. It is charged to expenses within the Statement of Comprehensive Income.

The Group recognises lease payments associated with short-term leases and leases of low-value assets on a straight-line basis over the lease term.

(g) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax payable by the Group in respect of policyholders and shareholders. Income tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Tax liabilities are recognised when it is considered probable that there will be a future outflow of funds to a taxing authority, and are measured using a best-estimate approach.

(i) Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(iii) Policyholder and shareholder tax

The total income tax charge is a separate adjustment within the Statement of Comprehensive Income based on the movement in current and deferred income taxes in respect of income, gains and expenses. The total charge reflects tax incurred on behalf of policyholders as well as shareholders, and so it is useful to be able to identify these separately.

Shareholder tax is estimated by making an assessment of the effective rate of tax that is applicable to the shareholders on the profits attributable to shareholders. This is calculated by applying the appropriate effective corporate tax rates to the shareholder profits. The remainder of the tax charge represents tax on policyholders' investment returns.

(h) Dividends paid

Dividend distributions to the Company's shareholders are recognised in the period in which the dividends are declared, that is when they are appropriately authorised and no longer at the discretion of the Company. The final dividend for the financial year is disclosed but unpaid and awaiting approval by the Company's shareholders at the Annual General Meeting.

(i) Investment contract deposits and withdrawals

Investment contract payments in and out are not included in the Statement of Comprehensive Income but are reported as deposits to or deductions from investment contract benefits in the Statement of Financial Position. The movement in investment contract benefits within the Statement of Comprehensive Income principally represents the investment return credited to policyholders.

Explicit advice charges are payable by most clients who wish to receive advice with their investment in a St. James's Place retail investment product. St. James's Place facilitates the payment of these charges for the client, by arranging withdrawals from the client's policy, which are then recognised as income to the Group. A proportion of the charge is then paid to the St. James's Place adviser who provides the advice (see (b)(i) Fee and commission income and (f)(i) Expenses).

(j) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired entity at the date of acquisition. Where the fair value of the Group's share of the identifiable net assets of the acquired entity is greater than the cost of acquisition, the excess is recognised immediately in the Statement of Comprehensive Income.

Goodwill is recognised as an asset at cost and is reviewed at least annually for impairment or when circumstances or events indicate there may be uncertainty over this value. If an impairment is identified, the carrying value of the goodwill is written down immediately through the Statement of Comprehensive Income and is not subsequently reversed. At the date of disposal of a subsidiary, the carrying value of attributable goodwill is included in the calculation of the profit or loss on disposal except where it has been written off directly to reserves in the past.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

1. Accounting policies continued

(k) Deferred acquisition costs

For insurance contracts, acquisition costs comprise direct costs such as initial commission and the indirect costs of obtaining and processing new business. Acquisition costs which are incurred during a financial year, net of any impairment losses, are deferred and then amortised to expenses in the Statement of Comprehensive Income on a straight-line basis over the period during which the costs are expected to be recoverable, and in accordance with the incidence of future related margins.

For investment contracts, only directly attributable acquisition costs, which vary with and are related to securing new contracts and renewing existing contracts, are deferred, and only to the extent that they are recoverable out of future revenue. These deferred acquisition costs, which represent the contractual right to benefit from providing investment management services, net of any impairment losses, are amortised to expenses in the Statement of Comprehensive Income on a straight-line basis over the expected lifetime of the Group's investment contracts. All other costs are recognised as expenses when incurred.

The periods over which costs are expected to be recoverable are as follows:

Insurance contracts:	5 years
Investment contracts:	14 years

(l) Intangible assets

(i) Purchased value of in-force business

The purchased value of in-force business in respect of insurance business represents the present value of profits that are expected to emerge from insurance business acquired on business combinations. It is calculated at the time of acquisition using best-estimate actuarial assumptions for interest, mortality, persistency and expenses, net of any impairment losses, and it is amortised on a straight-line basis as profits emerge over the anticipated lives of the related contracts in the portfolio. An intangible asset is also recognised in respect of acquired investment management contracts, representing the fair value of contractual rights acquired under those contracts. The purchased value of in-force business is expressed as a gross figure in the Statement of Financial Position, with the associated tax included within deferred tax liabilities. It is assessed for impairment at each reporting date and any movement is charged to the Statement of Comprehensive Income.

The estimated useful economic life of acquired in-force business is 20 years.

(ii) Computer software and other specific software developments

Computer software is stated at cost less accumulated amortisation and any recognised impairment loss. The carrying value is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Computer software, including cloud customisation costs are recognised as an intangible asset during development, with amortisation commencing when the software is operational. Amortisation is charged to the Statement of Comprehensive Income to expenses on a straight-line basis over four years, being the estimated useful life of the intangible asset, except for software development additions which are estimated to have a useful life of five years.

(m) Property and equipment

Property and equipment comprises those assets which are owned and those which are leased.

(i) Initial and subsequent measurement of owned assets

Owned items of property and equipment are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is charged to expenses within the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of the property and equipment, which are as follows:

Fixtures, fittings and office equipment:	5 to 15 years
Computer equipment:	3 years

(ii) Initial and subsequent measurement of leased assets

A right-of-use asset is recognised within property and equipment for leased items which are not subject to the short-term or low-value lease exemptions set out in IFRS 16. This comprises the Group's leased property portfolio. The right-of-use asset recognised on the commencement date of the lease is the value of the lease liability (refer to the other payables accounting policy on page 189), plus expected dilapidation costs, initial direct costs (that is, incremental costs that would not have been incurred if the lease had not been obtained, such as legal fees) and lease payments made before or at the commencement date of the lease. Following initial recognition, depreciation is charged to expenses within the Statement of Comprehensive Income on a straight-line basis over the lease term.

(iii) Impairment of owned and leased assets

The carrying value of owned and leased assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Any assets that may have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(n) Reinsurance assets

Reinsurance assets represent amounts recoverable from reinsurers in respect of non-unit-linked insurance contract liabilities, net of any future reinsurance premiums.

(o) Other receivables

Other receivables held within unit-linked and unit trust funds are classified at fair value through profit and loss (FVTPL), as management has made an irrevocable decision to designate them as such in order to align the measurement of these financial assets with the measurement of their associated unit-linked liabilities. Therefore, these other receivables are initially and subsequently recognised at FVTPL.

Most shareholder other receivables are initially recognised at fair value and subsequently held at amortised cost less impairment losses, as the business model for these assets is to hold to collect contractual cash flows, which consistent solely of payments of principal and interest. The exception to this is renewal income assets which are classified as FVTPL and are initially, and subsequently, recognised at fair value. The value of any impairment recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. See accounting policy (ad) for information relating to the treatment of impaired amounts.

Other receivables include prepayments, which are recognised where services are paid for in advance of being received. The prepayment reduces, and an expense is recognised in the Statement of Comprehensive Income, as the service is received.

Commission and advice fees in respect of some insurance and investment business may be paid to Partners in advance on renewal premiums and accelerated by up to five years. The unearned element of this accelerated remuneration is recognised as advanced payments to Partners within other receivables. Should the contributions reduce or stop within the initial period, any unearned amount is recovered.

(p) Investment property

Investment properties, which are all held within the unit-linked funds, are properties which are held to earn rental income and/or for capital appreciation. They are stated at fair value. An external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio every month.

The fair values are based on open market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Any gain or loss arising from a change in fair value is recognised in the Statement of Comprehensive Income within investment income. Rental return from investment property is accounted for as described in accounting policy (e).

(q) Equities, fixed income securities and investment in Collective Investment Schemes

These financial assets are initially and subsequently recognised at FVTPL, with all gains and losses recognised within investment income in the Statement of Comprehensive Income. The vast majority of these financial assets are quoted, and so the fair value is based on the value within the bid-ask spread that is most representative of fair value. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques such as recent arm's-length transactions, reference to similar listed investments, discounted cash flow models or option pricing models.

Subsequent measurement of these financial assets at FVTPL is required by IFRS 9 for debt instruments for which the objectives of the Group's business model are not met by either holding the instrument to collect contractual cash flows or selling the instruments, or where the contractual terms of the instrument do not give rise to cash flows which are solely payments of principal and interest. Where both the 'business model' and 'solely payments of principal and interest' tests are met, management has made an irrevocable decision to designate the debt instruments at FVTPL as doing so aligns the measurement of the financial assets with the measurement of their associated unit-linked liabilities.

Management has not made the irrevocable election to present changes in the fair value of equity instruments in other comprehensive income, and so all equity instruments are also designated at FVTPL.

The Group recognises purchases and sales of investments on trade date. The costs associated with investment transactions are included within expenses in the Statement of Comprehensive Income.

(r) Derivative financial instruments

The Group uses derivative financial instruments within some unit-linked funds, with each contract initially and subsequently recognised at fair value, based on observable market prices. All changes in value are recognised within investment income in the Statement of Comprehensive Income.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

1. Accounting policies continued

(s) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments, and bank overdrafts to the extent that they are an integral part of the Group's cash management.

Cash and cash equivalents held within unit-linked and unit trust funds are classified at FVTPL, as management has made an irrevocable decision to designate them as such in order to align the measurement of these financial assets with the measurement of their associated unit-linked liabilities. Therefore, these cash and cash equivalents are initially and subsequently recognised at FVTPL, with gains and losses recognised within investment return in the Statement of Comprehensive Income.

All other cash and cash equivalents are classified as amortised cost, as the business model for these assets is to hold to collect contractual cash flows, which consist solely of payments of principal and interest. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less impairment losses.

(t) Insurance contract liabilities

Insurance contract liability provisions are determined following an annual actuarial investigation of the long-term fund in accordance with regulatory requirements. The provisions are calculated on the basis of current information and using the gross premium valuation method. The Group's accounting policies for insurance contracts meet the minimum specified requirements for liability adequacy testing under IFRS 4, as they consider current estimates of all contractual cash flows, and of related cash flow such as claims handling costs.

Insurance contract liabilities can never be definitive as to their timing nor the amount of claims and are, therefore, subject to subsequent reassessment on a regular basis.

(u) Investment contract benefits

All of the Group's investment contracts are unit-linked. Unit-linked liabilities are measured at fair value by reference to the value of the underlying net asset value of the Group's unitised investment funds, on a bid valuation basis, at the reporting date. An allowance for deductions due to (or from) the Group in respect of policyholder tax on capital gains (and losses) in the life assurance funds is also reflected in the measurement of unit-linked liabilities. Investment contract benefits are recognised when units are first allocated to the policyholder; they are derecognised when units allocated to the policyholder have been cancelled.

The decision by the Group to designate its unit-linked liabilities at FVTPL reflects the fact that the matching investment portfolio, which underpins the unit-linked liabilities, is recognised at FVTPL.

(v) Deferred income

The initial margin on financial instruments (including dealing margins from unit trusts) is deferred and recognised on a straight-line basis over the expected lifetime of the financial instrument, which is between six and 14 years.

(w) Net asset value attributable to unit holders

The Group consolidates unit trusts in which it holds more than 30% of the units and exercises control. The third-party interests in these unit trusts are termed the net asset value attributable to unit holders and are presented in the Statement of Financial Position. They are classified at FVTPL, hence are initially and subsequently measured at fair value. The decision by the Group to designate the net asset value attributable to unit holders at FVTPL reflects the fact that the underlying investment portfolios are recognised at FVTPL.

Income attributable to the third-party interests is accounted for within investment return, offset by a corresponding change in investment contract benefits.

(x) Provisions

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

(y) Borrowings

Borrowings are measured initially at fair value, net of directly attributable transaction costs, and subsequently stated at amortised cost. The difference between the proceeds and the redemption value is recognised in the Statement of Comprehensive Income over the borrowing period on an effective interest rate basis. Borrowings are recognised on drawdown and derecognised on repayment.

(z) Other payables

Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Other payables include lease liabilities calculated in accordance with IFRS 16. On the commencement date of the lease the lease liability is measured as the present value of the future lease payments to be made over the lease term. For the Group, future lease payments include those which are fixed and those which vary depending on an index or rate. The future lease payments are discounted at the Group's incremental borrowing rate at the commencement date of the lease, which varies depending on the lease term. The lease term includes the non-cancellable period for which the Group has the right to use the leased asset, plus periods covered by extension options where the option is reasonably certain to be taken. Conversely, the non-cancellable period is reduced if it is reasonably certain that a termination option will be taken.

The incremental borrowing rate is management's judgement as to the rate of interest that the Group would have to pay to borrow, over a similar term and with similar security, the funds necessary to obtain an asset of a similar value to the cost of the right-of-use asset. This has been determined with reference to the rate of interest of existing borrowings held by the Group and market rates adjusted to take into account the security and term associated with the lease.

The Group applied the practical expedient on transition to IFRS 16 on 1 January 2019 of applying a single discount rate to a portfolio of leases with reasonably similar characteristics by grouping leases by asset type and remaining lease term on the date of transition. Similarly, the Group periodically determines standard discount rates to apply for leases entered into since 1 January 2019 by asset type and lease term.

(aa) Employee benefits

(i) Pension obligations

The Group operates a defined contribution personal pension plan for its employees. Contributions to this plan are recognised as an expense in the Statement of Comprehensive Income as incurred. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(ii) Share-based payments

The Group operates a number of share-based payment plans for employees, Partners and advisers. The fair value of share-based payment awards granted is recognised as an expense spread over the vesting period of the instrument, which accords with the period for which related services are provided, with a corresponding increase in equity in the case of equity-settled plans and the recognition of a liability for cash-settled plans.

The total amount to be expensed is determined by reference to the fair value of the awards, which are measured using standard option pricing models as the fair value of the services provided by employees, Partners and advisers cannot be reliably measured. For equity-settled plans, the fair value is determined at grant date and not subsequently remeasured.

For cash-settled plans, the fair value is remeasured at each reporting date and at the date of settlement, with any changes in fair value recognised in the Statement of Comprehensive Income for the period.

At each reporting date, the Group revises its estimate of the number of awards that are expected to vest and it recognises the impact of the revision of original estimates, if any, in the Statement of Comprehensive Income, such that the amount recognised for employee, Partner and adviser services are based on the number of awards that actually vest. The charge to the Statement of Comprehensive Income is not revised for any changes in market vesting conditions.

(ab) Share capital

Ordinary shares are classified as equity. Where any Group entity purchases the Company's equity share capital (shares held in trust), the consideration paid is deducted from equity attributable to shareholders, as disclosed in the Shares in trust reserve. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to shareholders, net of any directly attributable incremental transaction costs and the related income tax effects.

(ac) Product classification

The Group's products are classified for accounting purposes as either insurance contracts or investment contracts.

(i) Insurance contracts

Insurance contracts are contracts that transfer significant insurance risk. The Group's historic product range includes a variety of term assurance and whole-of-life protection contracts involving significant insurance risk transfer.

(ii) Investment contracts

Contracts that do not transfer significant insurance risk are treated as investment contracts. The majority of the business written by the Group is unit-linked investment business and is classified as investment contracts.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

1. Accounting policies continued

(ad) Impairment

(i) Non-financial assets

Assets that are subject to amortisation are reviewed for impairment when circumstances or events indicate there may be uncertainty over this value. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or its value in use. Refer to accounting policy (j) for the Group's impairment policy for goodwill.

(ii) Financial assets

Financial assets held at amortised cost are impaired using an expected credit loss model. The model splits financial assets into those which are performing, underperforming and non-performing based on changes in credit quality since initial recognition. At initial recognition financial assets are considered to be performing. They become underperforming where there has been a significant increase in credit risk since initial recognition, and non-performing when there is objective evidence of impairment. 12 months of expected credit losses are recognised within expenses in the Statement of Comprehensive Income and netted against the financial asset in the Statement of Financial Position for all performing financial assets, with lifetime expected credit losses recognised for underperforming and non-performing financial assets.

Expected credit losses are based on the historic levels of loss experienced for the relevant financial assets, with due consideration given to forward-looking information.

The most significant category of financial assets held at amortised cost for the Group are business loans to Partners, which are explained in more detail on page 208. The significant increase in credit risk which triggers the move from performing to underperforming for these assets is when they are more than 30 days past due, in line with the presumption set out in IFRS 9 Financial Instruments, or when the loan facility has expired and is in the process of being renegotiated. Business loans to Partners are classified as non-performing when the loan is to a Partner who has left the St. James's Place Partnership, or when the loan is to a Partner whom management considers to be at significant risk of leaving the Partnership and where an orderly settlement of debt is considered to be in question. The definition of non-performing loans in this context is a critical accounting judgement, about which more information is set out in Note 2.

(ae) Foreign currency translation

The Group's presentation and the Company's functional currency is pounds Sterling. The Statement of Comprehensive Income and Statement of Cash Flows for foreign subsidiaries are translated into the Group's presentation currency using exchange rates prevailing at the date of the transaction. The Statement of Financial Position for foreign subsidiaries is translated at the year-end exchange rate. Exchange rate differences arising from these translations are taken to the Statement of Comprehensive Income.

Foreign currency transactions are translated into Sterling using the exchange rate prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the reporting date and the gain or losses on translation are recognised in the Statement of Comprehensive Income.

Non-monetary assets and liabilities which are held at historical cost are translated using exchange rates prevailing at the date of the transaction; those held at fair value are translated using exchange rates ruling at the date on which the fair value was determined.

(af) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Chief Operating Decision Maker, responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Board.

(ag) Current and non-current disclosure

Assets which are expected to be recovered or settled no more than 12 months after the reporting date are disclosed as current within the Notes to the Financial Statements. Those expected to be recovered or settled more than 12 months after the reporting date are disclosed as non-current.

Liabilities which are expected or due to be settled no more than 12 months after the reporting date are disclosed as current within the Notes to the Financial Statements. Those liabilities which are expected or due to be settled more than 12 months after the reporting date are disclosed as non-current.

(ah) Alternative performance measures

Within the Financial Statements, a number of alternative performance measures (APMs) are disclosed. An APM is a measure of financial performance, financial position or cash flows which is not defined by the relevant financial reporting framework, which for the Group is International Financial Reporting Standards as adopted by the UK Endorsement Board. APMs are used to provide greater insight into the performance of the Group and the way it is managed by the Directors. The Glossary of Alternative Performance Measures on pages 260 to 262 defines each APM, explains why it is used and, where applicable, explains how the measure can be reconciled to the IFRS Financial Statements.

2. Critical accounting estimates and judgements in applying accounting policies

Judgements

The primary areas in which the Group has applied judgement are as follows:

Consolidation

Entities are consolidated within the Group Financial Statements if they are controlled by the Group. Control exists if the Group is exposed to, or has rights to, variable returns from its involvement with the entity and the Group has the ability to affect those returns through its power over the entity. Significant judgement can be involved in determining whether the Group controls an entity, such as in the case of the structured entity set up for the Group's securitisation transaction, SJP Partner Loans No.1 Limited, and for the Group's unit trusts.

A structured entity is one that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. As a result, factors such as whether a Group entity is able to direct the relevant activities of the entity and the extent to which the Group is exposed to variability of returns are considered. In the case of SJP Partner Loans No.1 Limited, it was determined that the Group does control the entity and hence it is consolidated. This is due to an entity in the Group holding the junior tranche of loan notes, hence being subject to variability of returns, and the same entity being able to direct the relevant activities of the structured entity through its role of servicer to the securitised portfolio.

Unit trusts are consolidated when the Group holds more than 30% of the units in that unit trust. This is the threshold at which the Group is considered to achieve control, having regard for factors such as:

- the scope of decision-making authority held by St. James's Place Unit Trust Group Limited, the unit trust manager;
- rights held by external parties to remove the unit trust manager; and
- the Group's exposure to variable returns through its holdings in the unit trusts and its ability to influence the unit trust manager's remuneration.

Determining non-performing business loans to Partners

Business loans to Partners are considered to be non-performing, in the context of the definition prescribed within IFRS 9, if they are in default. This is defined as a loan to either:

- a Partner who has left the St. James's Place Partnership; or
- a Partner whom management considers to be at significant risk of leaving the Partnership and where an orderly settlement of debt is considered to be in question.

Estimates

Critical accounting estimates are those which give rise to a significant risk of material adjustment to the balances recognised in the Financial Statements within the next 12 months. The Group's critical accounting estimates are:

- determining the value of insurance contract liabilities;
- determining the fair value of investment property; and
- determining the fair value of Level 3 fixed income securities and equities.

Estimates are also applied in other assets of the Financial Statements, including determining the value of deferred tax assets, investment contract benefits, the operational readiness prepayment and other provisions.

Measurement of insurance contract liabilities

The assumptions used in the calculation of insurance contract liabilities that have an effect on the Statement of Comprehensive Income of the Group are:

- the lapse assumption, which is set prudently based on an investigation of experience during the year;
- the level of expenses, which is based on actual expenses in 2021 and expected rates in 2022 and over the long term;
- the mortality and morbidity rates, which are based on the results of an investigation of experience during the year; and
- the assumed rate of investment return, which is based on current gilt yields.

Greater detail on the assumptions applied, and sensitivity analysis, is shown in Note 14.

Whilst the measurement of insurance contract liabilities is considered to be a critical accounting estimate for the Group, the vast majority of non-unit-linked insurance business written is reinsured. As a result, the impact of a change in estimate in determining the value of insurance contract liabilities would be mitigated to a significant degree by the impact of the change in estimate in determining the value of reinsurance assets.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

2. Critical accounting estimates and judgements in applying accounting policies continued

Determining the fair value of investment property

In accordance with IAS 40, the Group initially recognises investment properties at cost, and subsequently remeasures its portfolio to fair value in the Statement of Financial Position. Fair value is determined monthly by professional external valuers. It is based on anticipated market values for the properties in accordance with the guidance issued by the Royal Institution of Chartered Surveyors (RICS), being the estimated amount that would be received from a sale of the assets in an orderly transaction between market participants.

The valuation of investment property is inherently subjective as it requires, among other factors, assumptions to be made regarding the ability of existing tenants to meet their rental obligations over the entire life of their leases, the estimation of the expected rental income into the future, the assessment of a property's potential to remain as an attractive technical configuration to existing and prospective tenants in a changing market and a judgement on the attractiveness of a building, its location and the surrounding environment. Wherever appropriate, sustainability and environmental matters are an integral part of the valuation approach. In a valuation context, sustainability encompasses a wide range of physical, social, environmental, and economic factors that can affect value. The range of issues includes key environmental risks, such as flooding, energy efficiency and climate, as well as matters of design, configuration, accessibility, legislation, management and fiscal considerations – and current and historic land use. As such, investment properties are classified as Level 3 in the IFRS 13 fair value hierarchy because they are valued using techniques which are not based on observable inputs.

During 2020 COVID-19 impacted investment property valuations, particularly retail and leisure assets which fell in value. During 2021 the pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. However, during the year property markets have continued to function, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists on which to base opinions of value.

Further details of the valuation of investment properties, including sensitivity analysis, are set out in Note 17.

Determining the fair value of Level 3 fixed income securities and equities

In accordance with IFRS 9, the Group elects to classify its portfolio of policyholder fixed income securities at fair value through profit and loss to match the accounting for policyholder liabilities. Its portfolio of equities is required to be held at fair value through profit and loss. As a result, all fixed income securities and equities are initially held at cost and are subsequently remeasured to fair value at the reporting date.

During 2020 and 2021, a number of investments were made into private credit and private equity assets, which are recognised within fixed income securities and within equities, respectively, on the Consolidated Statement of Financial Position. The fair value of these assets is determined following a monthly valuation process which uses two different valuation models and includes verification by professional external valuers. The models use suitable market comparatives and an estimate of future cash flows expected to flow from the issuing entity.

The valuations are inherently subjective as they require a number of assumptions to be made, such as determining which entities provide suitable market comparatives and their relevant performance metrics (for example earnings before interest, tax, depreciation and amortisation), determining appropriate discount rates and cash flow forecasts to use in models, the weighting to apply to each valuation methodology and the point in the range of valuations to select as the fair value. As the inputs to the valuation models are unobservable, the investments in private credit and private equity assets are classified as Level 3 in the IFRS 13 fair value hierarchy.

Further detail about the valuation models, including sensitivity analysis, are set out in Note 17.

3. Segment reporting

IFRS 8 Operating Segments requires operating segments to be identified, on the basis of internal reports about components of the Group that are regularly reviewed by the Board, in order to allocate resources to each segment and assess its performance.

The Group's only reportable segment under IFRS 8 is a 'wealth management' business – which is a vertically-integrated business providing support to our clients through the provision of financial advice and assistance through our Partner network, and financial solutions including (but not limited to) wealth management products manufactured in the Group, such as insurance bonds, pensions, unit trust and ISA investments, and a DFM service.

Separate geographical segmental information is not presented since the Group does not segment its business geographically. Most of its customers are based in the United Kingdom, as is management of the assets. In particular, the operation based in south-east Asia is not yet sufficiently material for separate consideration.

Segment revenue

Revenue received from fee and commission income is set out in Note 4, which details the different types of revenue received from our wealth management business.

Segment profit

Two separate measures of profit are monitored on a monthly basis by the Board. These are the post-tax Underlying cash result and pre-tax European Embedded Value (EEV).

Underlying cash result

The measure of cash profit monitored on a monthly basis by the Board is the post-tax Underlying cash result. This reflects emergence of cash available for paying a dividend during the year. Underlying cash is based on the IFRS result excluding the impact of intangibles, principally DAC, DIR, PVIF, goodwill, deferred tax, and strategic expenses. As the cost associated with non-cash-settled share options is reflected in changes in shareholder equity, they are also not included in the Underlying cash result.

More detail is provided on pages 71 to 76 of the Financial Review.

The Cash result should not be confused with the IFRS Consolidated Statement of Cash Flows, which is prepared in accordance with IAS 7.

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Underlying cash result after tax	401.2	264.7
Non-cash-settled share-based payments	(20.4)	(10.6)
Impacts of deferred tax	0.5	(8.2)
Back-office infrastructure	–	(10.0)
Restructuring ¹	(9.7)	–
Impact in the year of DAC/DIR/PVIF	(28.0)	(29.6)
Policyholder tax asymmetry (see Note 4) ²	(52.9)	61.7
Other	(3.1)	(6.0)
IFRS profit after tax	287.6	262.0
Shareholder tax	66.2	65.6
Profit before tax attributable to shareholders returns	353.8	327.6
Tax attributable to policyholder returns	488.6	98.8
IFRS profit before tax	842.4	426.4

¹ Further information on restructuring can be found on page 74.

² Further information on policyholder tax asymmetry can be found on page 69.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

3. Segment reporting continued

EEV operating profit

EEV operating profit is monitored on a monthly basis by the Board. The components of the EEV operating profit are included in more detail in the Financial Review within the Annual Report and Accounts.

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
EEV operating profit before tax	1,545.4	919.0
Investment return variance	894.5	304.4
Economic assumption changes	4.2	(47.4)
EEV profit before tax	2,444.1	1,176.0
Adjustments to IFRS basis		
Deduct: amortisation of purchased value of in-force business	(3.2)	(3.2)
Movement of balance sheet life value of in-force business (net of tax)	(824.5)	(465.7)
Movement of balance sheet unit trust and DFM value of in-force business (net of tax)	(337.3)	(91.9)
Corporation tax rate change	(412.7)	(126.9)
Tax on movement in value of in-force business	(512.6)	(160.7)
Profit before tax attributable to shareholders' returns	353.8	327.6
Tax attributable to policyholder returns	488.6	98.8
IFRS profit before tax	842.4	426.4

The movement in life, unit trust and DFM value of in-force business is the difference between the opening and closing discounted value of the profits that will emerge from the in-force book over time, after adjusting for DAC and DIR impacts which are already included under IFRS.

Segment assets

Funds under management (FUM)

FUM, as reported in Section 1 of the Financial Review on page 67, is the measure of segment assets which is monitored on a monthly basis by the Board.

	31 December 2021	31 December 2020
	£'Million	£'Million
Investment	35,950.0	32,220.0
Pension	74,830.0	61,310.0
UT/ISA and DFM	43,210.0	35,810.0
Total FUM	153,990.0	129,340.0
Exclude client and third-party holdings in non-consolidated unit trusts and DFM	(4,811.5)	(4,864.4)
Other	2,392.5	1,551.9
Gross assets held to cover unit liabilities	151,571.0	126,027.5
IFRS intangible assets (see page 76 adjustment 2)	551.6	605.4
Shareholder gross assets (see page 76)	3,607.3	3,248.4
Total assets	155,729.9	129,881.3

4. Fee and commission income

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Advice charges (post-RDR)	946.7	767.4
Third-party fee and commission income	135.8	112.2
Wealth management fees	974.5	812.4
Investment management fees	63.4	70.4
Fund tax deductions	486.9	98.8
Policyholder tax asymmetry	(52.9)	61.7
Discretionary fund management fees	22.4	17.5
Fee and commission income before DIR amortisation	2,576.8	1,940.4
Amortisation of DIR	160.4	156.0
Total fee and commission income	2,737.2	2,096.4

For all post-Retail Distribution Review (RDR) business, advice charges are received from clients for the provision of initial and ongoing advice in relation to an investment into a St. James's Place or third-party product.

Where an investment has been made into a third-party product, third-party fee and commission income is received from the product provider.

Where an investment has been made into a St. James's Place product, the initial product charge and any dealing margin is deferred and recognised as a deferred income liability. This liability is extinguished, and income recognised, over the expected life of the investment. The income is the amortisation of DIR in the table above. Ongoing product charges for St. James's Place products are recognised within wealth management fees. This line also includes advice charges on pre-RDR business, for which an explicit advice charge was not made.

Investment management fees are received from clients for the provision of all aspects of investment management. Broadly, investment management fees match investment management expenses.

Fund tax deductions represent amounts credited to, or deducted from, the life insurance business to match policyholder tax credits or charges.

Wealth management fees recognises charges levied on manufactured business. These include some temporary effects relating to life insurance tax. Life insurance tax incorporates a policyholder tax element, and the Financial Statements of a life insurance group need to reflect the liability to HMRC, and the corresponding deductions incorporated into policy charges (Fund tax deductions above). In particular, the tax liability to HMRC is assessed using IAS 12 Income Taxes, which does not allow discounting, whereas the policy charges are designed to ensure fair outcomes between clients and so reflect a wide range of possible outcomes. This gives rise to different assessments of the current value of future cash flows and hence an asymmetry in the Consolidated Statement of Financial Position between the deferred tax position and the offsetting client balance. The net tax asymmetry balance reflects a temporary position, and in the absence of market volatility we expect it will unwind as future cash flows become less uncertain and are ultimately realised.

Market conditions will impact the level of asymmetry experienced in a year and may be significant where there is market volatility. Market improvement in 2021 has resulted in a significant negative movement, impacting both profit before shareholder tax and profit after tax. Most of this 2021 asymmetry movement is an unwind of prior year positive effects which arose from prior year market falls.

Discretionary fund management fees are received from clients for the provision of DFM services.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

5. Expenses

The following items are included within the expenses disclosed in the Statement of Comprehensive Income:

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Payments to Partners	988.0	827.0
Fees payable to the Company's auditors and its associates For the audit of the Company and Consolidated Financial Statements For other services:	0.3	0.3
– Audit of the Company's subsidiaries (excluding unit trusts)	0.6	0.5
– Audit of the Company's unit trusts	0.6	0.5
– Audit-related assurance services	0.5	0.4
– Other assurance services	0.1	–
Total fees payable to the Company's auditors and its associates	2.1	1.7
Employee costs		
Wages and salaries	186.5	151.9
Social security costs	26.8	16.3
Other pension costs	14.8	15.0
Cost of employee share awards and options	23.0	10.0
Restructuring costs	11.8	–
Total employee costs	262.9	193.2
Average monthly number of persons employed by the Group during the year	2,695	2,746

Included within fees payable to the Company's auditors and its associates for audit-related assurance services is £0.1 million (2020: £0.1 million) for non-audit services as defined by the Group's Policy on Auditor Independence, which is available on our website at: www.sjp.co.uk.

The above employee costs information includes Directors' remuneration. Full details of the Directors' remuneration, share options, pension entitlements and interests in shares are disclosed in the Directors' Remuneration Report on pages 140 to 163, and further information is provided below.

All pension costs related to defined contribution schemes and cash supplements in lieu of contributions to defined contribution pension schemes. At 31 December 2021, the number of Directors to whom retirement benefits are accruing, including those receiving a cash supplement in lieu of contributions to defined contribution pension schemes is three (2020: three), with the total cost being £0.3 million (2020: £0.3 million). Retirement benefits are accruing in defined contribution pension schemes for one (2020: one) Director at the year-end.

The number of Directors who exercised options over shares in the Company during the year is three (2020: two). The number of Directors in respect of whose qualifying services shares were receivable under long-term incentive schemes is three (2020: three), and the total amount receivable by the Directors under long-term incentive schemes is £1.2 million (2020: £2.0 million). The aggregate gains made by Directors on the exercise of share options and the receipt of deferred bonus scheme shares during the year was £3.6 million (2020: £1.2 million).

In 2021 we recognised the one off cost of a restructuring exercise associated with an employee redundancy programme.

6. Investment return and movement in investment contract benefits

The majority of the business written by the Group is unit-linked investment business, and so investment contract benefits are measured by reference to the underlying net asset value of the Group's unitised investment funds. As a result, investment return on the unitised investment funds and the movement in investment contract benefits are linked.

Investment return

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Investment return on net assets held to cover unit liabilities		
Rental income	74.7	86.3
Gain/(loss) on revaluation of investment properties	181.4	(109.7)
Net investment return on financial instruments classified as fair value through profit and loss	11,400.2	4,832.4
	11,656.3	4,809.0
<i>Attributable to unit-linked insurance contract liabilities</i>	52.8	25.4
<i>Attributable to unit-linked investment contract benefits</i>	11,603.5	4,783.6
	11,656.3	4,809.0
Income attributable to third-party holdings in unit trusts	3,583.2	1,127.1
	15,239.5	5,936.1
Investment return on shareholder assets		
Net investment return on financial instruments classified as fair value through profit and loss	17.7	(4.2)
Interest income on financial instruments held at amortised cost	18.2	17.7
	35.9	13.5
Total investment return	15,275.4	5,949.6

Included in the net investment return on financial instruments classified as fair value through profit and loss within investment return on net assets held to cover unit liabilities is dividend income of £985.1 million (2020: £1,017.4 million).

Movement in investment contract benefits

	2021	2020
	£'Million	£'Million
Balance at 1 January	93,132.7	83,558.5
Deposits	12,438.1	10,215.4
Withdrawals	(5,607.5)	(4,586.4)
Movement in unit-linked investment contract benefits	11,603.5	4,783.6
Fees and other adjustments	(1,217.0)	(838.4)
Balance at 31 December	110,349.8	93,132.7
Current	5,585.4	4,841.0
Non-current	104,764.4	88,291.7
	110,349.8	93,132.7
Movement in unit liabilities		
Unit-linked investment contract benefits	11,603.5	4,783.6
Third-party unit trust holdings	3,583.2	1,127.1
Movement in investment contract benefits in the Consolidated Statement of Comprehensive Income	15,186.7	5,910.7

See accounting policy (ag) for further information on the current and non-current disclosure.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

7. Income and deferred taxes

Tax for the year

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Current tax		
UK corporation tax		
– Current year charge	294.1	157.9
– Adjustment in respect of prior year	(6.7)	(1.0)
Overseas taxes		
– Current year charge	6.1	8.5
– Adjustment in respect of prior year	0.1	–
	293.6	165.4
Deferred tax		
Unrealised capital (losses)/gains in unit-linked funds	266.7	(4.0)
<i>Unrelieved expenses</i>		
– Additional expenses recognised in the year	(10.8)	(10.4)
– Utilisation in the year	11.6	11.8
<i>Capital losses</i>		
– Revaluation in the year	(1.4)	–
– Utilisation in the year	9.2	13.7
– Adjustment in respect of prior year	4.0	0.8
DAC, DIR and PVIF	(8.9)	(10.0)
Share-based payments	(8.7)	–
Other items	(0.5)	(1.9)
Overseas losses	(1.1)	(0.5)
Adjustment for change in tax rate	0.4	(1.4)
Adjustments in respect of prior periods	0.7	0.9
	261.2	(1.0)
Total tax charge for the year	554.8	164.4
Attributable to:		
– policyholders	488.6	98.8
– shareholders	66.2	65.6
	554.8	164.4

The prior year adjustment of £6.7 million in current tax above represents a credit of £6.0 million in respect of policyholder tax (2020: £1.4 million credit) and a credit of £0.7 million in respect of shareholder tax (2020: £0.4 million charge). The prior year adjustment of £4.7 million in deferred tax above represents a credit of £nil in respect of policyholder tax and a charge of £4.7 million in respect of shareholder tax (2020: deferred tax relates entirely to shareholder tax).

In arriving at the profit before tax attributable to shareholders' return, it is necessary to estimate the analysis of the total tax charge between that payable in respect of policyholders and that payable by shareholders. Shareholder tax is estimated by making an assessment of the effective rate of tax that is applicable to the shareholders on the profits attributable to shareholders. This is calculated by applying the appropriate effective corporate tax rates to the shareholder profits. The remainder of the tax charge represents tax on policyholders' investment returns. This calculation method is consistent with the legislation relating to the calculation of tax on shareholder profits.

Reconciliation of tax charge to expected tax

	Year ended 31 December 2021		Year ended 31 December 2020	
	£'Million		£'Million	
Profit before tax	842.4		426.4	
Tax attributable to policyholders' returns	(488.6)		(98.8)	
Profit before tax attributable to shareholders' return	353.8		327.6	
Shareholder tax charge at corporate tax rate of 19% (2020: 19%)	67.2	19%	62.2	19%
Adjustments:				
Lower rates of corporation tax in overseas subsidiaries	(1.2)	(0.3%)	(1.3)	(0.4%)
Expected shareholder tax	66.0	18.6%	60.9	18.6%
Effects of:				
Non-taxable income	(0.9)		(0.9)	
Revaluation of historic capital losses in the Group	(1.4)		–	
Adjustment for change in tax rates	0.4		(1.4)	
Adjustment in respect of prior year				
– Current tax	(0.7)		0.4	
– Deferred tax	4.7		0.4	
Differences in accounting and tax bases in relation to employee share schemes	(4.6)		(0.3)	
Impact of difference in tax rates between current and deferred tax	(2.4)		–	
Disallowable expenses	4.0		3.8	
Provision for future liabilities	0.3		1.7	
Tax losses not recognised	1.2		0.8	
Other	(0.4)		0.2	
	0.2	0.1%	4.7	1.4%
Shareholder tax charge	66.2	18.7%	65.6	20.0%
Policyholder tax charge	488.6		98.8	
Total tax charge for the year	554.8		164.4	

Tax calculated on profit before tax at 19% (2020: 19%) would amount to £160.1 million (2020: £81.0 million). The difference of £394.7 million (2020: £83.4 million) between this number and the total tax of £554.8 million (2020: £164.4 million) is made up of the reconciling items above which total (£1.0) million (2020: £3.4 million) and the effect of the apportionment methodology on tax applicable to policyholder returns of £395.7 million (2020: £80.0 million).

Tax paid in the year

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Current tax charge for the year	293.6	165.4
(Payments to be made) in future years in respect of current year	(3.6)	(30.3)
Payments made in current year in respect of prior years	27.3	113.6
Other	1.8	(0.6)
Tax paid	319.1	248.1
Tax paid can be analysed as:		
– Taxes paid in UK	306.0	233.1
– Taxes paid in overseas jurisdictions	4.7	2.4
– Withholding taxes suffered on investment income received	8.4	12.6
Total	319.1	248.1

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

7. Income and deferred taxes continued

Deferred tax balances

Deferred tax assets

	Deferred acquisition costs (DAC)	Deferred income (DIR)	Renewal income assets	Share-based payments	Fixed asset temporary differences	Other temporary differences	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
At 1 January 2020	(19.5)	32.6	(10.9)	6.5	4.9	0.6	14.2
Credit to the Statement of Comprehensive Income							
– Utilised and created in year	2.3	(3.0)	2.3	(0.1)	0.1	0.1	1.7
– Impact of tax rate change	(2.2)	3.5	(1.6)	0.4	0.6	(0.1)	0.6
Total credit	0.1	0.5	0.7	0.3	0.7	–	2.3
Impact of acquisition	–	–	(2.1)	–	–	–	(2.1)
At 31 December 2020	(19.4)	33.1	(12.3)	6.8	5.6	0.6	14.4
(Charge)/credit to the Statement of Comprehensive Income							
– Utilised and created in year	1.4	(1.5)	(0.8)	8.8	1.5	(0.5)	8.9
– Impact of tax rate change	(3.6)	6.2	(2.0)	0.6	0.7	(0.3)	1.6
Total (charge)/credit	(2.2)	4.7	(2.8)	9.4	2.2	(0.8)	10.5
Impact of acquisition	–	–	(4.3)	–	–	–	(4.3)
At 31 December 2021	(21.6)	37.8	(19.4)	16.2	7.8	(0.2)	20.6

Expected utilisation period

As at 31 December 2020	14 years	14 years	20 years	3 years	6 years
As at 31 December 2021	14 years	14 years	20 years	3 years	6 years

Deferred tax liabilities

	Unrelieved expenses on life insurance business	Deferred acquisition costs (DAC)	Capital losses (available for future relief)	Unrealised capital gains on life insurance assets backing unit liabilities (BLAGAB)	Purchased value of in-force business (PVIF)	Other temporary differences	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
At 1 January 2020	(41.2)	38.0	(44.6)	420.1	3.5	1.0	376.8
Charge/(credit) to the Statement of Comprehensive Income							
– Utilised and created in year	1.4	(10.1)	14.5	(2.8)	(0.6)	(0.3)	2.1
– Impact of tax rate change	–	4.2	(5.4)	–	0.4	–	(0.8)
Total charge/(credit)	1.4	(5.9)	9.1	(2.8)	(0.2)	(0.3)	1.3
At 31 December 2020	(39.8)	32.1	(35.5)	417.3	3.3	0.7	378.1
Charge/(credit) to the Statement of Comprehensive Income							
– Utilised and created in year	0.7	(8.4)	11.7	266.8	(0.6)	(0.5)	269.7
– Impact of tax rate change	–	4.3	(3.0)	–	0.7	–	2.0
Total charge/(credit)	0.7	(4.1)	8.7	266.8	0.1	(0.5)	271.7
At 31 December 2021	(39.1)	28.0	(26.8)	684.1	3.4	0.2	649.8

Expected utilisation period

As at 31 December 2020	6 years	14 years	6 years	6 years	5 years
As at 31 December 2021	6 years	14 years	5 years	5 years	4 years

Appropriate investment income, gains or profits are expected to arise against which the tax assets can be utilised. Whilst the actual rates of utilisation will depend on business growth and external factors, particularly investment market conditions, they have been tested for sensitivity to experience and are resilient to a range of reasonably foreseeable scenarios.

At the reporting date there were unrecognised deferred tax assets of £14.0 million (2020: £16.3 million) in respect of £82.2 million (2020: £96.5 million) of losses in companies where appropriate profits are not considered probable in the forecast period. These losses primarily relate to our Asia-based businesses and can be carried forward indefinitely.

In the UK budget of 3 March 2021, it was announced that the main rate of corporation tax will increase from 19% to 25% with effect from 1 April 2023. This change was substantively enacted on 24 May 2021 within the Finance Bill 2021 and as a result the relevant deferred tax balances have been remeasured. The total impact of this remeasurement in the deferred tax shown on the previous page is a £0.4 million charge.

8. Goodwill, intangible assets, deferred acquisition costs and deferred income

	Goodwill	Purchased value of in-force business	Computer software and other specific software developments	DAC	DIR
	£'Million	£'Million	£'Million	£'Million	£'Million
Cost					
At 1 January 2020	15.6	73.4	25.0	1,309.8	(1,538.6)
Additions	15.4	–	18.8	27.1	(121.2)
Disposals	–	–	–	(103.0)	90.6
At 31 December 2020	31.0	73.4	43.8	1,233.9	(1,569.2)
Additions	0.5	–	19.2	41.2	(143.1)
Disposals	(0.4)	–	–	(130.9)	113.2
Change in capitalisation policy ¹	–	–	(7.7)	–	–
At 31 December 2021	31.1	73.4	55.3	1,144.2	(1,599.1)

Accumulated amortisation and impairment

At 1 January 2020	–	52.6	16.1	819.8	(923.9)
Charge for the year	–	3.2	4.2	92.6	(156.0)
Eliminated on disposal	–	–	–	(103.0)	90.6
At 31 December 2020	–	55.8	20.3	809.4	(989.3)
Charge for the year	1.5	3.2	10.6	86.1	(160.4)
Eliminated on disposal	–	–	–	(130.9)	113.2
Change in capitalisation policy ¹	–	–	(2.6)	–	–
At 31 December 2021	1.5	59.0	28.3	764.6	(1,036.5)

Carrying value

At 1 January 2020	15.6	20.8	8.9	490.0	(614.7)
At 31 December 2020	31.0	17.6	23.5	424.5	(579.9)
At 31 December 2021	29.6	14.4	27.0	379.6	(562.6)
Current	–	3.2	7.0	79.1	(162.0)
Non-current	29.6	11.2	20.0	300.5	(400.6)
	29.6	14.4	27.0	379.6	(562.6)

Outstanding amortisation period

At 31 December 2020	n/a	5 years	5 years	14 years	6 to 14 years
At 31 December 2021	n/a	4 years	5 years	14 years	6 to 14 years

¹ The March 2021 IFRS Interpretations Committee update included an agenda decision on 'Configuration and Customisation costs in a Cloud Computing arrangement' which was ratified by the IASB in April 2021. As a result of the decision the carrying value of computer software assets has been reassessed, and the impact of the revised capitalisation policy has been charged to the Statement of Comprehensive Income.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

8. Goodwill, intangible assets, deferred acquisition costs and deferred income continued

Goodwill

The carrying value of goodwill split by acquisition is as follows:

	31 December 2021	31 December 2020
	£'Million	£'Million
Jeremy Barrett businesses	–	0.4
Lewington Wealth Management Ltd (formerly Jamie Lewington & Co Limited) (see Note 24)	0.5	–
Policy Services companies	7.7	7.7
Rowan Dartington companies	1.8	1.8
SJP Asia companies	10.1	10.1
Technical Connection Limited	3.7	3.7
Willson Grange businesses	5.8	7.3
Balance at 31 December	29.6	31.0

Goodwill is reviewed at least annually for impairment, or when circumstances or events indicate there may be uncertainty over its value. The recoverable amount has been based on value-in-use calculations using pre-tax cash flows. Details of the assumptions made in these calculations are provided below:

Key assumptions based on experience:	Value of new business and expenses
Projection period:	Five years extrapolated into perpetuity/10 years
Pre-tax discount rate based on a risk-free rate plus a risk margin:	3.4% to 9.2% (2020: 3.4% to 8.4%)

It is considered that no reasonably possible levels of change in the key assumptions, including the impacts of COVID-19, would result in impairment of the goodwill.

Purchased value of in-force business/DAC/computer software

Amortisation is charged to expenses in the Statement of Comprehensive Income. Amortisation profiles are reassessed annually.

DIR

Amortisation is credited within fee and commission income in the Statement of Comprehensive Income. Amortisation profiles are reassessed annually.

9. Property and equipment, including leased assets

	Fixtures, fittings and office equipment	Computer equipment	Leased assets: properties	Total
	£'Million	£'Million	£'Million	£'Million
Cost				
At 1 January 2020	68.1	8.4	141.5	218.0
Additions	6.6	1.4	26.1	34.1
Disposals	(2.3)	(4.3)	(3.6)	(10.2)
At 31 December 2020	72.4	5.5	164.0	241.9
Additions	2.2	1.2	1.5	4.9
Disposals	(18.5)	–	(6.9)	(25.4)
At 31 December 2021	56.1	6.7	158.6	221.4
Accumulated depreciation				
At 1 January 2020	30.6	6.2	14.9	51.7
Charge for the year	5.5	1.4	17.2	24.1
Eliminated on disposal	(2.2)	(4.3)	(1.8)	(8.3)
At 31 December 2020	33.9	3.3	30.3	67.5
Charge for the year	5.8	1.4	14.9	22.1
Eliminated on disposal	(15.8)	–	(6.9)	(22.7)
At 31 December 2021	23.9	4.7	38.3	66.9
Net book value				
At 1 January 2020	37.5	2.2	126.6	166.3
At 31 December 2020	38.5	2.2	133.7	174.4
At 31 December 2021	32.2	2.0	120.3	154.5
Depreciation period (estimated useful life)				
At 31 December 2020	5 to 15 years	3 years	1 to 22 years	
At 31 December 2021	5 to 15 years	3 years	1 to 21 years	

10. Leases

This note provides information on leases where the Group is a lessee. For information on leases where the Group is a lessor, refer to Note 11.

The Group's leasing activities and how these are accounted for

The Group leases a portfolio of office properties, equipment and vehicles. The exemptions available under IFRS 16 for low-value or short-term leases have been applied to all leased equipment and vehicles, and so the leased assets and lease liabilities on the Consolidated Statement of Financial Position, and the depreciation charge for leased assets and interest expense on lease liabilities in the Consolidated Statement of Comprehensive Income, relate to the Group's portfolio of office properties only.

Leases are negotiated on an individual basis and hence contain a variety of different terms and conditions. They contain covenants and restrictions but generally these are standard and to be expected in a modern, commercial lease created under open-market terms. Typical covenants include paying the annual rent, insurance premiums, service charge, rates and VAT and keeping the property in good repair and condition throughout the lease. Typical restrictions include permitting office use only and not transferring or assigning the lease to a third party without the lessor's consent. There are no residual value guarantees.

The Group is exposed to variability in lease payments, as a number of leases include rent reviews during the lease term which are linked to an index or market rates. In accordance with IFRS 16, these variable lease payments are initially measured based on the index or rate at the commencement date of the lease. Estimates of future rent changes are not made; these changes are taken into account in the lease liabilities and leased assets only when the lease payments change and so the variability is resolved. There are no variable lease payments which are not linked to an index or market rates.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

10. Leases continued

The Group has not entered into any sale and leaseback transactions.

Details regarding the accounting policies applied to leases are set out in Note 1, refer to policies (f)(ii) Lease expenses, (m) Property and equipment and (z) Other payables.

Amounts recognised in the Consolidated Statement of Financial Position

The following amounts are recognised in the Consolidated Statement of Financial Position.

	31 December 2021	31 December 2020
	£'Million	£'Million
Within the property and equipment balance – refer to Note 9		
Leased assets – properties	120.3	133.7
Within the other payables balance – refer to Note 13		
Lease liabilities – properties	124.1	132.7

A movement schedule for leased assets, setting out additions during the year and depreciation charged, is presented in Note 9. A movement schedule for lease liabilities is presented below.

Amounts recognised in the Consolidated Statement of Comprehensive Income

The following amounts are recognised within expenses in the Consolidated Statement of Comprehensive Income.

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Depreciation charge for leased assets – properties	14.9	17.2
Interest expense on lease liabilities – properties	3.2	3.3
Lease expense relating to short-term leases	0.1	–
Lease expense relating to low-value assets	1.1	1.2
Total lease expense for the year	19.3	21.7
Total cash outflow for leases during the year	13.9	13.3

Reconciliation of lease liabilities

The following movement schedule reconciles the opening and closing lease liabilities in the Consolidated Statement of Financial Position.

	2021	2020
	£'Million	£'Million
Opening lease liabilities	132.7	118.6
Additions	2.2	25.4
Disposals	(0.1)	(1.3)
Interest charged	3.2	3.3
Lease payments made	(13.9)	(13.3)
Closing lease liabilities	124.1	132.7

The lease payments disclosed in the table above link to the principal lease payments as set out in the Consolidated Statement of Cash Flows as follows.

	2021	2020
	£'Million	£'Million
Interest payments	3.2	3.3
Principal lease payments	10.7	10.0
Lease payments made	13.9	13.3

11. Investments, investment property and cash and cash equivalents

Net assets held to cover unit liabilities

Included within the Statement of Financial Position are the following assets and liabilities comprising the net assets held to cover unit liabilities. The assets held to cover unit liabilities are set out in adjustment 1 of the IFRS to Solvency II Net Assets Balance Sheet reconciliation on page 76.

	31 December 2021	31 December 2020
	£'Million	£'Million
Assets		
Investment property	1,568.5	1,526.7
Equities	106,782.3	83,359.2
Fixed income securities	29,298.1	27,694.0
Investment in Collective Investment Schemes	3,907.9	4,625.4
Cash and cash equivalents	7,587.2	6,405.2
Other receivables	1,332.4	1,030.2
Derivative financial instruments		
– Currency forwards	806.8	999.9
– Interest rate swaps	39.5	58.5
– Index options	2.7	49.7
– Contracts for differences	15.5	11.8
– Equity rate swaps	4.7	6.1
– Foreign currency options	2.1	0.1
– Total return swaps	149.8	135.5
– Fixed income options	0.2	79.5
– Credit default swaps	73.3	45.7
Total derivative financial assets	1,094.6	1,386.8
Total assets	151,571.0	126,027.5
Liabilities		
Other payables	1,344.9	759.7
Derivative financial instruments		
– Currency forwards	750.0	472.9
– Interest rate swaps	106.7	79.5
– Index options	2.7	43.6
– Contracts for differences	3.5	7.2
– Equity rate swaps	13.4	11.2
– Foreign currency options	1.2	–
– Total return swaps	109.7	87.3
– Fixed income options	0.6	33.2
– Credit default swaps	31.7	15.0
Total derivative financial liabilities	1,019.5	749.9
Total liabilities	2,364.4	1,509.6
Net assets held to cover linked liabilities	149,206.6	124,517.9
Investment contract benefits	110,349.8	93,132.7
Net asset value attributable to unit holders	38,369.0	30,919.1
Unit-linked insurance contract liabilities	487.8	466.1
Net unit-linked liabilities	149,206.6	124,517.9

Net assets held to cover linked liabilities, and third-party holdings in unit trusts, are considered to have a maturity of up to one year since the corresponding unit liabilities are repayable and transferable on demand. See accounting policy (ag) for further information on current and non-current disclosure.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

11. Investments, investment property and cash and cash equivalents continued

Investment property

	2021	2020
	£'Million	£'Million
Balance at 1 January	1,526.7	1,750.9
Capitalised expenditure on existing properties	19.2	27.5
Disposals	(158.8)	(142.0)
Changes in fair value	181.4	(109.7)
Balance at 31 December	1,568.5	1,526.7

The Group is the lessor for a portfolio of properties which meet the definition of investment property. The portfolio is held within unit-linked funds, leased out under operating leases, and is considered current. However, since investment properties are not traded in an organised public market they are relatively illiquid compared with many other asset classes. There are no restrictions on the realisability of the Group's individual properties, or on the remittance of income or proceeds of disposal.

The Group follows various strategies to minimise the risks associated with any rights the Group retains in the investment properties. These strategies include:

- actively reviewing and monitoring the condition of the properties and undertaking appropriate repairs, capital works projects and investments;
- engaging professional legal advisers in drafting prudent lease terms governing the use of the properties and engaging specialist asset managers to oversee adherence to these terms on an ongoing basis;
- actively reviewing and monitoring lessee financial covenant positions;
- maintaining appropriate and prudent insurance for the properties; and
- senior management regularly reviewing the investment property portfolio to oversee diversification and performance, and to maximise value and occupancy rates.

Investment property is valued monthly by external chartered surveyors in accordance with the guidance issued by the Royal Institution of Chartered Surveyors. The investment property valuation has been prepared using the 'market approach' valuation technique: that is, using prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets.

The historical cost of investment properties held at 31 December 2021 is £1,557.0 million (2020: £1,655.0 million). This represents the price paid for investment properties, prior to any subsequent revaluation.

The rental income and direct operating expenses recognised in the Consolidated Statement of Comprehensive Income in respect of investment properties are set out below. All expenses relate to property generating rental income.

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Rental income	74.7	86.3
Direct operating expenses	10.0	21.1

At the year-end contractual obligations to purchase, construct or develop investment property amounted to £4.3 million (2020: £10.6 million). The most significant contractual obligations at 31 December 2021 were for the ongoing refurbishments of central London offices totalling £3.2 million.

Contractual obligations to dispose of investment property amounted to £1.4 million (2020: £39.0 million).

A maturity analysis of undiscounted contractual rental income to be received on an annual basis for the next five years, and the total to be received thereafter, is set out below.

	31 December 2021	31 December 2020
	£'Million	£'Million
Undiscounted contractual rental income to be received in:		
Year 1	66.9	76.0
Year 2	64.2	72.3
Year 3	59.8	67.1
Year 4	51.7	61.8
Year 5	42.8	53.2
Year 6 onwards	265.2	276.6
Total undiscounted contractual rental income to be received	550.6	607.0

Cash and cash equivalents

	31 December 2021	31 December 2020
	£'Million	£'Million
Cash and cash equivalents not held to cover unit liabilities	245.7	254.9
Balances held to cover unit liabilities	7,587.2	6,405.2
Total cash and cash equivalents	7,832.9	6,660.1

All cash and cash equivalents are considered current.

12. Other receivables

	31 December 2021	31 December 2020
	£'Million	£'Million
Receivables in relation to unit liabilities excluding policyholder interests	433.6	479.3
Other receivables in relation to insurance and unit trust business	71.7	64.3
Operational readiness prepayment	296.3	313.9
Advanced payments to Partners	71.0	54.2
Other prepayments	84.3	70.3
Business loans to Partners	521.6	476.7
Renewal income assets	102.5	87.4
Miscellaneous	6.6	0.1
Total other receivables on the Solvency II Net Assets Balance Sheet	1,587.6	1,546.2
Policyholder interests in other receivables (see Note 11)	1,332.4	1,030.2
Policyholder – other (see adjustment 2 on page 76)	3.0	2.8
Total other receivables	2,923.0	2,579.2
Current	2,106.1	1,804.8
Non-current	816.9	774.4
	2,923.0	2,579.2

All items within other receivables meet the definition of financial assets with the exception of prepayments and advanced payments to Partners. The fair value of those financial assets held at amortised cost is not materially different from amortised cost.

Receivables in relation to unit liabilities and policyholder interests in other receivables primarily relate to outstanding market trade settlements (sales) in the life unit-linked funds and the consolidated unit trusts. Other receivables in relation to insurance and unit trust business primarily relate to outstanding policy-related settlement timings. Both of these categories of receivables are short-term, typically settled within three days.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

12. Other receivables continued

The operational readiness prepayment relates to the Bluedoor administration platform which has been developed by our key outsourced back-office administration provider. Management has assessed the recoverability of this prepayment against the expected cost saving benefit of lower future tariff costs arising from the platform. It is believed that no reasonably possible change in the assumptions applied within this assessment, notably levels of future business, the anticipated future service tariffs and the discount rate, would have an impact on the carrying value of the asset.

Renewal income assets represent the present value of future cash flows associated with books of business acquired by the Group. Typically, they arise through business combinations, where the asset represents the value of non-Group-related business on the date of acquisition.

Business loans to Partners

	31 December 2021	31 December 2020
	£'Million	£'Million
Business loans to Partners directly funded by the Group	307.6	319.6
Securitised business loans to Partners	214.0	157.1
Total business loans to Partners	521.6	476.7

Business loans to Partners are interest-bearing (linked to Bank of England base rate plus a margin), repayable in line with the terms of the loan contract and secured against the future income streams of the Partner.

The Group has securitised £214.0 million (2020: £157.1 million) of the business loans to Partners portfolio. Legal ownership of the securitised business loans to Partners has been transferred to a structured entity, SJP Partner Loans No.1 Limited, which has issued loan notes secured upon them. Note 16 provides information on these loan notes. The securitised business loans to Partners are ring-fenced from the other assets of the Group, which means that the cash flows associated with these business loans to Partners can only be used to purchase new loans into the structure or repay the note holders, plus associated issuance fees and costs. Holders of the loan notes have no recourse to the Group's other assets.

The securitised business loans to Partners remain recognised on the Group Statement of Financial Position as the Group controls SJP Partner Loans No.1 Limited: refer to the Consolidation section within Note 2 for further information.

Reconciliation of the business loans to Partners opening and closing gross loan balances

	Stage 1 performing	Stage 2 under-performing	Stage 3 non-performing	Total
	£'Million	£'Million	£'Million	£'Million
Gross balance at 1 January 2021	450.8	22.3	7.6	480.7
Business loans to Partners classification changes:				
– Transfer to underperforming	(10.7)	10.8	(0.1)	–
– Transfer to non-performing	(0.4)	(0.2)	0.6	–
– Transfer to performing	6.7	(6.7)	–	–
New lending activity during the year	265.8	6.6	0.4	272.8
Interest charged during the year	16.3	1.5	0.2	18.0
Repayments activity during the year	(228.0)	(13.3)	(4.6)	(245.9)
Gross balance at 31 December 2021	500.5	21.0	4.1	525.6

	Stage 1 performing	Stage 2 under-performing	Stage 3 non-performing	Total
	£'Million	£'Million	£'Million	£'Million
Gross balance at 1 January 2020	459.7	12.9	7.5	480.1
Business loans to Partners classification changes:				
– Transfer to underperforming	(16.5)	17.1	(0.6)	–
– Transfer to non-performing	(2.7)	–	2.7	–
– Transfer to performing	5.4	(4.5)	(0.9)	–
New lending activity during the year	166.6	2.9	1.4	170.9
Interest charged during the year	12.8	0.8	0.2	13.8
Repayments activity during the year	(174.5)	(6.9)	(2.7)	(184.1)
Gross balance at 31 December 2020	450.8	22.3	7.6	480.7

Business loans to Partners: provision

The expected loss impairment model for business loans to Partners is based on the levels of loss experienced in the portfolio, with due consideration given to forward-looking information.

The provision held against business loans to Partners as at 31 December 2021 was £4.0 million (2020: £4.0 million). During the year, £nil of the provision was released (2020: £1.3 million), £0.5 million was utilised (2020: £0.3 million) and new provisions and adjustments to existing provisions increased the total by £0.5 million (2020: £2.0 million).

There is no provision held against any other receivables held at amortised cost.

Business loans to Partners as recognised on the Statement of Financial Position

	31 December 2021	31 December 2020
	£'Million	£'Million
Gross business loans to Partners	525.6	480.7
Provision	(4.0)	(4.0)
Net business loans to Partners	521.6	476.7

Renewal income assets

Movement in renewal income assets

	2021	2020
	£'Million	£'Million
At 1 January	87.4	85.7
Additions	34.6	16.5
Disposals	(10.5)	–
Revaluation	(9.0)	(14.8)
Total renewal income assets at 31 December	102.5	87.4

The key assumptions used for the assessment of the fair value of the renewal income are as follows:

	31 December 2021	31 December 2020
Lapse rate – SJP Partner renewal income ¹	5.0% to 15.0%	5.0% to 15.0%
Lapse rate – non-SJP renewal income ¹	15.0% to 25.0%	15.0% to 25.0%
Discount rate	3.4% to 10.1%	5.8% to 10.1%

¹ Future income streams are projected making use of retention assumptions derived from the Group's experience of the business or, where insufficient data exists, from external industry experience. These assumptions are reviewed on an annual basis.

These assumptions have been used for the analysis of each business combination classified within renewal income.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

13. Other payables

	31 December 2021	31 December 2020
	£'Million	£'Million
Payables in relation to unit liabilities excluding policyholder interests	178.9	233.6
Other payables in relation to insurance and unit trust business	448.9	488.1
Accrual for ongoing advice fees	141.2	124.0
Other accruals	103.6	66.8
Contract payment	107.1	118.1
Lease liabilities (see Note 10)	124.1	132.7
Miscellaneous	150.6	79.6
Total other payables on the Solvency II Net Assets Balance Sheet	1,254.4	1,242.9
Policyholder interests in other payables (see Note 11)	1,344.9	759.7
Policyholder other (see adjustment 2 on page 76)	5.2	35.4
Total other payables	2,604.5	2,038.0
Current	2,405.2	1,800.7
Non-current	199.3	237.3
	2,604.5	2,038.0

Payables in relation to unit liabilities and policyholder interests in other payables primarily relate to outstanding market trade settlements (purchases) in the life unit-linked funds and the consolidated unit trusts. Other payables in relation to insurance and unit trust business primarily relate to outstanding policy-related settlement timings. Both of these categories of payables are short-term, typically settled within three days.

The contract payment of £107.1 million (2020: £118.1 million) represents payments made by a third-party service provider to the Group as part of a service agreement, which are non-interest-bearing and repayable over the life of the service agreement. The contract payment received prior to 2020 is repayable on a straight-line basis over the original 12-year term, with repayments commencing on 1 January 2017. The contract payment received in 2020 is repayable on a straight-line basis over 13 years and 4 months, with repayments commencing on 1 September 2020.

Lease liabilities represent the present value of future cash flows associated with the Group's portfolio of property leases. They were initially recognised on 1 January 2019, upon adoption of IFRS 16 Leases.

Included within Miscellaneous is £86.7 million (2020: £72.5 million) relating to the monthly Partner payment paid in arrears.

The fair value of financial instruments held at amortised cost within other payables is not materially different from amortised cost.

14. Insurance contract liabilities and reinsurance assets

Risk

Insurance risk arises from inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. The Group assumes insurance risk by issuing insurance contracts under which the Group agrees to compensate the client (or other beneficiary) if a specified future event (the insured event) occurs. The Group insures mortality and morbidity risks but has no longevity risk as we have never written any annuity business. The Group has a low appetite for insurance risk, only actively pursuing it where financially beneficial, or in support of strategic objectives.

Risk	Description	Management
Underwriting	Failure to price appropriately for a risk, or the impact of anti-selection.	The Group ceased writing new protection business in April 2011. Experience is monitored regularly. For most business the premium or deduction rates can be re-set. The Group has fully reinsured the UK insurance risk.
Epidemic/disaster	An unusually large number of claims arising from a single incident or event.	Protection is provided through reinsurance. The Group has fully reinsured the UK insurance risk.
Expense	Administration costs exceed expense allowance.	Administration is outsourced and a tariff of costs is agreed. The contract is monitored regularly to rationalise costs incurred. Internal overhead expenses are monitored and closely managed.
Retention	Unexpected movement in future profit due to more (or fewer) clients than anticipated withdrawing their funds.	Retention of insurance contracts is closely monitored and unexpected experience is investigated. Retention experience has continued in line with assumptions.

Insurance contract liabilities

	2021	2020
	£'Million	£'Million
Balance at 1 January	562.6	556.6
Movement in unit-linked liabilities	21.7	1.9
Movement in liabilities		
– Existing business	(1.3)	(1.8)
– Other assumption changes	(6.0)	4.8
– Experience variance	(4.7)	1.1
Total movement in liabilities	(12.0)	4.1
Balance at 31 December	572.3	562.6
Unit-linked	487.8	466.1
Non-unit-linked	84.5	96.5
	572.3	562.6
Current	124.0	108.8
Non-current	448.3	453.8
	572.3	562.6

See accounting policy (ag) for further information on the current and non-current disclosure.

As the Group closed to new insurance business in 2011, the movement in insurance contract liabilities in relation to new business represents the change in insurance contract liabilities for incremental business written during the year for existing policies.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

14. Insurance contract liabilities and reinsurance assets continued

Reinsurance assets

	2021	2020
	£'Million	£'Million
Reconciliation of the movement in the net reinsurance balance		
Reinsurance assets at 1 January	92.3	88.6
Reinsurance component of change in insurance liabilities	(9.9)	3.7
Reinsurance assets at 31 December	82.4	92.3
Current	15.9	17.8
Non-current	66.5	74.5
	82.4	92.3

The overall impact of reinsurance on the profit for the year was a net expense of £16.2 million (2020: net expense of £1.1 million).

Assumptions used in the calculation of insurance liabilities and reinsurance assets

The principal assumptions used in the calculation of the liabilities are:

Assumption	Description
Interest rate	The valuation interest rate is calculated by reference to the long-term gilt yield at 31 December 2021. The specific rates used are between 0.5% and 0.8% depending on the tax regime (0.1% and 0.4% at 31 December 2020).
Mortality	Mortality is based on Group experience and is set at 72% of the TM/F92 tables with an additional loading for smokers. There has been no change since 2006.
Morbidity – Critical Illness	Morbidity is based on Group experience. There was no change during 2021. Sample annual rates per £ for a male non-smoker are:
	Rate – 2020 and 2021
	Age
	25
	35
	45
	0.000760
	0.001334
	0.003189
Morbidity – Permanent Health Insurance	Morbidity is based on Group experience. There was no change during 2021. Sample annual rates per £ income benefit for a male non-smoker are:
	Rate – 2020 and 2021
	Age
	25
	35
	45
	0.00274
	0.00723
	0.01569
Expenses	Contract liabilities are calculated allowing for the actual costs of administration of the business. The assumption has been amended to allow for changes to the underlying administration costs.
	Annual cost
	Product
	2021
	2020
	£34.40
	£40.56
Persistency	Allowance is made for a prudent level of lapses within the calculation of the liabilities. During 2021 the rates relating to the Life Cover Plan (LCP) and Lifetime Cover (LTC) business written by St. James's Place International plc were updated, reflecting recent experience. During 2021 the rates for some small portfolios of business have been updated, to reflect increased persistency, but sample annual lapse rates remain consistent:
	Lapses
	2020 and 2021
	Year 1
	Year 5
	Year 10
	7%
	9%
	8%

Sensitivity analysis

The table below sets out the sensitivity of the profit on insurance business and net assets to changes in key assumptions. The levels of sensitivity tested are consistent with those proposed in the EEV principles and reflect reasonably possible levels of change in the assumptions. The analysis reflects the change in the variable/assumption shown while all other variables/assumptions are left unchanged. In practice variables/assumptions may change at the same time, as some may be correlated (for example, an increase in interest rates may also result in an increase in expenses if the increase reflects higher inflation). It should also be noted that in some instances sensitivities are non-linear. The sensitivity percentage has been applied in proportion to the assumption: for example, application of a 10% sensitivity to a withdrawal assumption of 8% will reduce it to 7.2%.

Sensitivity analysis	Change in assumption	Change in profit/(loss) before tax 2021	Change in profit/(loss) before tax 2020	Change in net assets 2021	Change in net assets 2020
	Percentage	£'Million	£'Million	£'Million	£'Million
Withdrawal rates	10%	0.9	0.9	0.9	0.9
Expense assumptions	10%	(0.2)	(0.2)	(0.2)	(0.2)
Mortality/morbidity	5%	0.0	0.0	0.0	0.0

A change in interest rates will have no material impact on insurance profit or net assets.

15. Other provisions and contingent liabilities

	Complaints provision	Lease provision	Clawback provision	Total provisions
	£'Million	£'Million	£'Million	£'Million
At 1 January 2020	25.7	11.2	3.7	40.6
Additional provisions	19.2	0.5	–	19.7
Utilised during the year	(21.3)	(0.1)	(0.2)	(21.6)
Release of provision	(3.2)	(1.2)	–	(4.4)
At 31 December 2020	20.4	10.4	3.5	34.3
Additional provisions	34.1	–	–	34.1
Utilised during the year	(15.6)	(0.1)	(0.3)	(16.0)
Release of provision	(8.0)	(0.3)	–	(8.3)
At 31 December 2021	30.9	10.0	3.2	44.1
Current	21.8	0.2	1.1	23.1
Non-current	9.1	9.8	2.1	21.0
	30.9	10.0	3.2	44.1

The provision for the cost of redress for complaints is based on estimates of the total number of complaints expected to be upheld, the estimated cost of redress and the expected timing of settlement. The lease provision is based on the square footage of leased properties and typical costs per square foot for restoring similar buildings to their original state. The clawback provision is based on estimates of the indemnity commission that may be repaid. It is considered that any reasonably possible level of changes in estimates would not have a material impact on the value of the best estimate of the provision.

As more fully set out in the principal risks and uncertainties section on pages 90 to 92, the Group could in the course of its business be subject to legal proceedings and/or regulatory activity. Should such an event arise, the Board would consider its best estimate of the amount required to settle the obligation and, where appropriate and material, establish a provision. While there can be no assurances that circumstances will not change, based upon information currently available to them, the Directors do not believe there is any possible activity or event that could have a material adverse effect on the Group's financial position.

During the normal course of business, the Group may from time to time provide guarantees to Partners, clients or other third parties. However, based upon the information currently available to them the Directors do not believe there are any guarantees which would have a material adverse effect on the Group's financial position, and so the fair value of any guarantees has been assessed as £nil (2020: £nil).

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

16. Borrowings and financial commitments

Borrowings

Borrowings are a liability arising from financing activities. The Group has two different types of borrowings:

- senior unsecured corporate borrowings which are used to manage working capital, bridge intra-group cash flows and to fund investment in the business; and
- securitisation loan notes which are secured only on a legally segregated pool of the Group's business loans to Partners, and hence are non-recourse to the Group's other assets. Further information about business loans to Partners is provided in Note 12 to the Consolidated Financial Statements.

Senior unsecured corporate borrowings

	31 December 2021	31 December 2020
	£'Million	£'Million
Corporate borrowings: bank loans	106.8	112.7
Corporate borrowings: loan notes	163.8	113.8
Senior unsecured corporate borrowings	270.6	226.5

The primary senior unsecured corporate borrowings are:

- a £340 million revolving credit facility which is repayable at maturity in the second half of 2023 with a variable interest rate. At 31 December 2021 the undrawn credit available under this facility was £233 million (2020: £230 million);
- a Note Purchase Agreement for £64 million. The notes are repayable in instalments over ten years, ending in 2027, with variable interest rates; and
- a Note Purchase Agreement for £100 million. The notes are repayable in one amount in 2031, with variable interest rates.

The Group has a number of covenants within the terms of its senior unsecured corporate borrowing facilities. These covenants are monitored on a regular basis and reported to lenders on a bi-annual basis. During the course of the year all covenants were complied with and the Group did not require waivers or alteration of covenant terms as a result of the economic conditions arising from the COVID-19 pandemic.

As at the 31 December 2021 and 31 December 2020 the Group had sufficient headroom available under its covenants to fully draw the remaining commitment under its senior unsecured corporate borrowing facilities. As a result of the Group's business model and cash-flow profile, no additional borrowing facilities were required due to the economic conditions arising from the pandemic.

Total borrowings

	31 December 2021	31 December 2020
	£'Million	£'Million
Senior unsecured corporate borrowings	270.6	226.5
Senior tranche of non-recourse securitisation loan notes	162.4	115.3
Total borrowings	433.0	341.8
Current	–	11.0
Non-current	433.0	330.8
	433.0	341.8

The senior tranche of securitisation loan notes are AAA-rated and repayable over the expected life of the securitisation (estimated to be five years) with a variable interest rate. They are held by third-party investors and are secured on a legally segregated portfolio of £214.0 million business loans to Partners, and the other net assets of the securitisation entity SJP Partner Loans No.1 Limited. For further information on business loans to Partners, including those that have been securitised, refer to Note 12 to the Consolidated Financial Statements. Holders of the securitisation loan notes have no recourse to the assets held by any other entity within the Group.

In addition to the senior tranche of securitisation loan notes, a junior tranche has been issued to another entity within the Group. The junior notes are eliminated on consolidation in the preparation of the Group Financial Statements and so do not form part of Group borrowings.

	31 December 2021	31 December 2020
	£'Million	£'Million
Junior tranche of non-recourse securitisation loan notes	61.2	48.1
Senior tranche of non-recourse securitisation loan notes	162.4	115.3
Total non-recourse securitisation loan notes	223.6	163.4
Backed by		
Securitized business loans to Partners (see Note 12)	214.0	157.1
Other net assets of SJP Partner Loans No.1 Limited	9.6	6.3
Total net assets held by SJP Partner Loans No.1 Limited	223.6	163.4

Movement in borrowings

Borrowings are liabilities arising from financing activities. The cash and non-cash movements in borrowings over the year are set out below, with the cash movements also set out in the Consolidated Statement of Cash Flows on page 181.

	Senior unsecured corporate borrowings	Senior tranche of securitisation loan notes	Total borrowings	Senior unsecured corporate borrowings	Senior tranche of securitisation loan notes	Total borrowings
	2021	2021	2021	2020	2020	2020
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
Borrowings at 1 January	226.5	115.3	341.8	287.1	116.6	403.7
Additional borrowing during the year	487.0	89.4	576.4	270.0	–	270.0
Repayment of borrowings during the year	(443.4)	(42.7)	(486.1)	(331.1)	(1.0)	(332.1)
Costs on additional borrowings during the year	(0.1)	(0.1)	(0.2)	–	(0.8)	(0.8)
Unwind of borrowing costs (non-cash movement)	0.6	0.5	1.1	0.5	0.5	1.0
Borrowings at 31 December	270.6	162.4	433.0	226.5	115.3	341.8

The fair value of the outstanding borrowings is not materially different from amortised cost. Interest expense on borrowings is recognised within expenses in the Consolidated Statement of Comprehensive Income.

Financial commitments

Guarantees

The Group guarantees loans provided by third parties to Partners. In the event of default of any individual Partner loan, the Group guarantees to repay the full amount of the loan, with the exception of Metro Bank. For this third party the Group guarantees to cover losses up to 50% of the value to the total loans drawn. These loans are secured against the future income streams of the Partner. The value of the loans guaranteed is as follows:

	Loans drawn		Facility	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	£'Million	£'Million	£'Million	£'Million
Bank of Scotland	51.9	63.3	70.0	70.0
Clydesdale Bank	–	–	–	25.0
Investec	33.1	25.9	50.0	50.0
Metro Bank	37.0	39.8	61.0	61.0
NatWest	28.8	22.1	50.0	50.0
Santander	119.9	49.6	169.9	50.0
Total loans	270.7	200.7	400.9	306.0

The fair value of these guarantees has been assessed as £nil (2020: £nil).

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

17. Financial risk

Risk management objectives and risk policies

The Group's financial risk can usefully be considered by looking at two categories of assets:

- assets backing unit liabilities (see Note 11); and
- shareholder assets.

In general, the policyholder bears the financial risk on assets backing the unitised business, and risk from shareholder assets is minimised through investment in liquid assets with a strong credit rating.

Exposure to the following risks for the two categories of assets is analysed separately in the following sections, in line with the requirements of IFRS 7:

- credit risk;
- liquidity risk;
- market risk; and
- currency risk.

Credit risk is the risk of loss due to a debtor's non-payment of a loan or other line of credit. Credit risk also arises from holdings of cash and cash equivalents, deposits and formal loans with banks and financial institutions. The Group has adopted a risk-averse approach to such risk and has a stated policy of not actively pursuing or accepting credit risk except when necessary to support other objectives.

Risk	Description	Management
Shareholders' assets	Loss of assets or reduction in value.	Shareholder funds are predominantly invested in AAA-rated unitised money market funds, which are classified as investments in Collective Investment Schemes (CIS), and deposits with approved banks, but may be invested in sovereign fixed interest securities such as UK gilts where regulatory constraints on other assets apply. Maximum counterparty limits are set for each company within the Group and aggregate limits are also set at a Group level.
Reinsurance	Failure of counterparty, or counterparty unable to meet liabilities.	Credit ratings of potential reinsurers must meet or exceed AA-. Consideration is also given to size, risk concentrations/exposures and ownership in the selection of reinsurers. The Group also seeks to diversify its reinsurance credit risk through the use of a spread of reinsurers.
Business loans to Partners	Inability of Partners to repay loans or advances from the Group.	Loans and advances are managed in line with the Group's secured lending policy. Loans are secured on the future renewal income stream expected from a Partner's portfolio and loan advances vary in relation to the projected future income of the relevant Partner. Outstanding balances are regularly reviewed and assessed on a conservative basis. Support is provided to help Partners manage their businesses appropriately. Expected credit losses are recognised as provisions against the loans.

Liquidity risk is the risk that the Group, although solvent, either 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. The Group is averse to liquidity risk and seeks to minimise this risk by not actively pursuing it except where necessary to support other objectives.

Risk	Description	Management
Cash or expense requirement	A significant cash or expense requirement needs to be met at short notice.	The majority of free assets are invested in cash or cash equivalents and the cash position and forecast are monitored on a monthly basis. The Group also maintains a margin of free assets in excess of the minimum required solvency capital within its regulated entities. Further, the Group has established committed borrowing facilities (see Note 16) intended to further mitigate liquidity risk

Market risk is the impact a fall in the value of equity or other asset markets may have on the business. The Group adopts a risk-averse approach to market risk, with a stated solvency policy of not actively pursuing or accepting market risk except where necessary to support other objectives. However, the Group accepts the risk that a fall in equity or other asset markets will reduce the level of annual management charge income derived from policyholder assets and the consequent risk of lower future profits.

The table below summarises the main market risks that the business is exposed to and the methods by which the Group seeks to mitigate them.

Risk	Description	Management
Client liabilities	As a result of a reduction in equity values, the Group may be unable to meet client liabilities.	This risk is substantially mitigated by the Group's strategic focus on unitised business, by not providing guarantees to clients on policy values and by the matching of assets and liabilities.
Retention	Loss of future profit on investment contracts due to more clients than anticipated withdrawing their funds, particularly as a result of poor investment performance.	Retention of investment contracts is closely monitored and unexpected experience variances are investigated. Retention has remained consistently strong throughout 2021 despite the volatile market conditions experienced.
New business	Poor performance in the financial markets in absolute terms, and relative to inflation, leads to existing and future clients rejecting investment in longer-term assets.	The benefit to clients of longer-term equity investment as part of a diversified portfolio of assets is fundamental to our philosophy. Advice and marketing become even more important when market values fall, and greater attention is required to support and give confidence to existing and future clients in such circumstances. This is taken account of by the Group in its activities.

The Group is not subject to any significant direct currency risk, since all material shareholder financial assets and financial liabilities are denominated in Sterling. However, since future profits are dependent on charges based on FUM, changes in FUM as a result of currency movements will impact future profits.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

17. Financial risk continued

Shareholder assets

Categories of financial assets and financial liabilities

The categories and carrying values of the shareholder financial assets and financial liabilities held in the Group's Statement of Financial Position are summarised in the table below. The impact of climate change does not have a material impact on the fair values of the assets summarised below.

	Financial assets at fair value through profit and loss	Financial liabilities at fair value through profit and loss	Financial assets measured at amortised cost	Financial liabilities measured at amortised cost	Total
	£'Million		£'Million	£'Million	£'Million
31 December 2021					
Financial assets					
Fixed income securities	7.8	–	–	–	7.8
Investment in Collective Investment Schemes ¹	1,605.3	–	–	–	1,605.3
Other receivables ²					
– Business loans to Partners	–	–	521.6	–	521.6
– Renewal income assets	102.5	–	–	–	102.5
– Other	–	–	514.8	–	514.8
<i>Total other receivables</i>	<i>102.5</i>	<i>–</i>	<i>1,036.4</i>	<i>–</i>	<i>1,138.9</i>
Cash and cash equivalents	–	–	245.7	–	245.7
Total financial assets	1,715.6	–	1,282.1	–	2,997.7
Financial liabilities					
Borrowings	–	–	–	433.0	433.0
Other payables					
– Lease liabilities	–	–	–	124.1	124.1
– Contingent consideration	–	8.3	–	–	8.3
– Other	–	–	–	1,127.2	1,127.2
<i>Total other payables</i>	<i>–</i>	<i>8.3</i>	<i>–</i>	<i>1,251.3</i>	<i>1,259.6</i>
Total financial liabilities	–	8.3	–	1,684.3	1,692.6

	Financial assets at fair value through profit and loss	Financial assets measured at amortised cost	Financial liabilities measured at amortised cost	Total
	£'Million	£'Million	£'Million	£'Million
31 December 2020				
Financial assets				
Fixed income securities	7.4	–	–	7.4
Investment in Collective Investment Schemes ¹	1,264.8	–	–	1,264.8
Other receivables ²				
– Business loans to Partners	–	476.7	–	476.7
– Renewal income assets	87.4	–	–	87.4
– Other	–	546.5	–	546.5
<i>Total other receivables</i>	<i>87.4</i>	<i>1,023.2</i>	<i>–</i>	<i>1,110.6</i>
Cash and cash equivalents	–	254.9	–	254.9
Total financial assets	1,359.6	1,278.1	–	2,637.7
Financial liabilities				
Borrowings	–	–	341.8	341.8
Other payables				
– Lease liabilities	–	–	132.7	132.7
– Other	–	–	1,145.6	1,145.6
<i>Total other payables</i>	<i>–</i>	<i>–</i>	<i>1,278.3</i>	<i>1,278.3</i>
Total financial liabilities	–	–	1,620.1	1,620.1

¹ All assets included as shareholder investment in Collective Investment Schemes are holdings of high-quality, highly liquid money market funds, containing assets which are cash and cash equivalents.

² Other receivables exclude prepayments and advanced payments to Partners, which are not considered financial assets.

Income, expense, gains and losses arising from financial assets and financial liabilities

The income, expense, gains and losses arising from shareholder financial assets and financial liabilities are summarised in the table below:

	Financial assets at fair value through profit and loss	Financial assets measured at amortised cost	Financial liabilities measured at amortised cost	Total
	£'Million	£'Million	£'Million	£'Million
Year ended 31 December 2021				
Financial assets				
Fixed income securities	0.5	–	–	0.5
Investment in Collective Investment Schemes	0.2	–	–	0.2
Other receivables				
– Business loans to Partners	–	14.3	–	14.3
– Renewal income assets	(9.0)	–	–	(9.0)
<i>Total other receivables</i>	<i>(9.0)</i>	<i>14.3</i>	<i>–</i>	<i>5.3</i>
Cash and cash equivalents	–	–	–	–
Total financial assets	(8.3)	14.3	–	6.0
Financial liabilities				
Borrowings	–	–	(7.0)	(7.0)
Other payables				
– Lease liabilities	–	–	(3.2)	(3.2)
<i>Total other payables</i>	<i>–</i>	<i>–</i>	<i>(3.2)</i>	<i>(3.2)</i>
Total financial liabilities	–	–	(10.2)	(10.2)

	Financial assets at fair value through profit and loss	Financial assets measured at amortised cost	Financial liabilities measured at amortised cost	Total
	£'Million	£'Million	£'Million	£'Million
Year ended 31 December 2020				
Financial assets				
Fixed income securities	0.4	–	–	0.4
Investment in Collective Investment Schemes	3.5	–	–	3.5
Other receivables				
– Business loans to Partners	–	11.8	–	11.8
– Renewal income assets	(14.8)	–	–	(14.8)
<i>Total other receivables</i>	<i>(14.8)</i>	<i>11.8</i>	<i>–</i>	<i>(3.0)</i>
Cash and cash equivalents	–	0.8	–	0.8
Total financial assets	(10.9)	12.6	–	1.7
Financial liabilities				
Borrowings	–	–	(8.3)	(8.3)
Other payables				
– Lease liabilities	–	–	(3.3)	(3.3)
<i>Total other payables</i>	<i>–</i>	<i>–</i>	<i>(3.3)</i>	<i>(3.3)</i>
Total financial liabilities	–	–	(11.6)	(11.6)

Losses on renewal income assets have been recognised within the investment return line in the Statement of Comprehensive Income.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

17. Financial risk continued

Fair value estimation

Financial assets and liabilities which are held at fair value in the Financial Statements are required to have disclosed their fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's shareholder assets and liabilities measured at fair value.

31 December 2021	Level 1	Level 2	Level 3	Total balance
	£'Million	£'Million	£'Million	£'Million
Financial assets				
Fixed income securities	7.8	–	–	7.8
Investment in Collective Investment Schemes ¹	1,605.3	–	–	1,605.3
Renewal income assets	–	–	102.5	102.5
Total financial assets	1,613.1	–	102.5	1,715.6
Financial liabilities				
Contingent consideration	–	–	8.3	8.3
Total financial liabilities	–	–	8.3	8.3

31 December 2020	Level 1	Level 2	Level 3	Total balance
	£'Million	£'Million	£'Million	£'Million
Financial assets				
Fixed income securities	7.4	–	–	7.4
Investment in Collective Investment Schemes ¹	1,264.8	–	–	1,264.8
Renewal income assets	–	–	87.4	87.4
Total financial assets	1,272.2	–	87.4	1,359.6

¹ All assets included as shareholder investment in Collective Investment Schemes are holdings of high-quality, highly liquid unitised money market funds, containing assets which are cash and cash equivalents.

The fair value of financial instruments traded in active markets is based on quoted bid prices at the reporting date. These instruments are included in Level 1. Level 2 financial assets and liabilities are valued using observable prices for identical current arm's-length transactions.

The renewal income assets are Level 3 and are valued using a discounted cash flow technique and the assumptions outlined in Note 12. The effect of applying reasonably possible alternative assumptions of a movement of 100bps on the discount rate and a 10% movement in the lapse rate would result in an unfavourable change in valuation of £8.9 million and a favourable change in valuation of £9.9 million, respectively.

The contingent consideration liability is classified as Level 3 and is valued based on the terms set out in the various sale and purchase agreements. Given the nature of the valuation basis the effect of applying reasonably possible alternative assumptions would result in an unfavourable change of £nil and favourable change of £8.3 million.

There were no transfers between Level 1 and Level 2 during the year, nor into or out of Level 3.

Movement in Level 3 portfolios

	2021	2020
	£'Million	£'Million
Renewal income assets		
Opening balance	87.4	85.7
Additions during the year	34.6	16.5
Disposals during the year	(10.5)	–
Unrealised losses recognised in the Statement of Comprehensive Income	(9.0)	(14.8)
Closing balance	102.5	87.4

Unrealised losses on renewal income assets are recognised within investment return in the Consolidated Statement of Comprehensive Income.

	2021	2020
	£'Million	£'Million
Contingent consideration		
Opening balance	–	–
Additions during the year	8.3	–
Closing balance	8.3	–

Credit risk

The following table sets out the maximum credit risk exposure and ratings of shareholder financial and other assets which are susceptible to credit risk:

31 December 2021	AAA	AA	A	BB	Unrated	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
Fixed income securities	–	7.8	–	–	–	7.8
Investment in Collective Investment Schemes ¹	1,605.3	–	–	–	–	1,605.3
Reinsurance assets	–	82.4	–	–	–	82.4
Other receivables	–	9.9	–	–	1,129.0	1,138.9
Cash and cash equivalents	–	47.8	196.0	1.9	–	245.7
Total	1,605.3	147.9	196.0	1.9	1,129.0	3,080.1

31 December 2020	AAA	AA	A	BB	Unrated	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
Fixed income securities	–	7.4	–	–	–	7.4
Investment in Collective Investment Schemes ¹	1,264.8	–	–	–	–	1,264.8
Reinsurance assets	–	92.3	–	–	–	92.3
Other receivables	–	6.0	–	–	1,104.6	1,110.6
Cash and cash equivalents	–	44.0	210.8	0.1	–	254.9
Total	1,264.8	149.7	210.8	0.1	1,104.6	2,730.0

¹ Investment of shareholder assets in Collective Investment Schemes refers to investment in unitised money market funds, containing assets which are cash and cash equivalents.

Other receivables includes £521.6 million (2020 £476.7 million) of business loans to Partners, which are interest-bearing (linked to Bank of England base rate plus a margin), repayable on demand and secured against the future renewal income streams of the respective Partner.

Impairment of these loans is determined using the expected loss model set out in IFRS 9. Expected credit losses are based on the historic levels of loss experienced on business loans to Partners, with due consideration given to forward-looking information. A range of factors, including the nature or type of the loan and the security held, are taken into account in calculating the provision.

The loan balance is presented net of a £4.0 million provision (2020: £4.0 million); see Note 12. The movement in the impairment provision will reflect utilisation of the existing provision during the year, but the overall cost of business loans to Partners (including new provisions) recognised within administration expenses in the Statement of Comprehensive Income during the year was a charge of £3.9 million (2020: £6.0 million).

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

17. Financial risk continued

Contractual maturity and liquidity analysis

The following table sets out the contractual maturity analysis of the Group's financial assets and financial liabilities. All balances are undiscounted:

	Up to 1 year	1 to 5 years	Over 5 years	Total
	£'Million	£'Million	£'Million	£'Million
31 December 2021				
Financial assets				
Fixed income securities	7.8	–	–	7.8
Investment in Collective Investment Schemes	1,605.3	–	–	1,605.3
Other receivables				
– Business loans to Partners	117.4	301.6	102.6	521.6
– Renewal income	18.2	43.6	40.7	102.5
– Other	514.8	–	–	514.8
<i>Total other receivables</i>	<i>650.4</i>	<i>345.2</i>	<i>143.3</i>	<i>1,138.9</i>
Cash and cash equivalents	245.7	–	–	245.7
Total financial assets	2,509.2	345.2	143.3	2,997.7
Financial liabilities				
Borrowings	–	320.2	112.8	433.0
Other payables				
– Lease liabilities	17.2	54.2	52.7	124.1
– Contingent consideration	6.4	1.9	–	8.3
– Other	1,034.6	58.4	34.2	1,127.2
<i>Total other payables</i>	<i>1,058.2</i>	<i>114.5</i>	<i>86.9</i>	<i>1,259.6</i>
Total financial liabilities	1,058.2	434.7	199.7	1,692.6
31 December 2020				
Financial assets				
Fixed income securities	7.4	–	–	7.4
Investment in Collective Investment Schemes	1,264.8	–	–	1,264.8
Other receivables				
– Business loans to Partners	106.6	271.1	99.0	476.7
– Renewal income	16.2	41.5	29.7	87.4
– Other	546.5	–	–	546.5
<i>Total other receivables</i>	<i>669.3</i>	<i>312.6</i>	<i>128.7</i>	<i>1,110.6</i>
Cash and cash equivalents	254.9	–	–	254.9
Total financial assets	2,196.4	312.6	128.7	2,637.7
Financial liabilities				
Borrowings	11.0	305.2	25.6	341.8
Other payables				
– Lease liabilities	9.1	14.9	157.9	181.9
– Other	927.5	61.9	107.0	1,096.4
<i>Total other payables</i>	<i>936.6</i>	<i>76.8</i>	<i>264.9</i>	<i>1,278.3</i>
Total financial liabilities	947.6	382.0	290.5	1,620.1

Sensitivity analysis to market risks

Financial assets and liabilities held outside unitised funds primarily consist of fixed interest securities, units in money market funds, cash and cash equivalents, and other accounting assets and liabilities. The fixed interest securities are short-term and are held as an alternative to cash. Similarly, cash held in unitised money market funds and at bank is valued at par and is unaffected by movement in interest rates. Other assets and liabilities are similarly unaffected by market movements.

As a result of these combined factors, the Group's financial assets and liabilities held outside unitised funds are not materially subject to market risk, and movements at the reporting date in interest rates and equity values have an immaterial impact on the Group's profit after tax and equity. Future profits from annual management charges may be affected by movements in interest rates and equity values.

Unit liabilities and associated assets

Categories of financial assets and financial liabilities

Assets held to cover unit liabilities are summarised in Note 11, and all are held at fair value through profit or loss. Equities, investments in unit trusts which sit within investment in Collective Investment Schemes, and derivative financial assets are required to be held at fair value through profit or loss by IFRS 9, as they are equity instruments or derivatives. All other assets held to cover unit liabilities are elected to be held at fair value through profit or loss to match the fair value through profit or loss classification which is required for unit liabilities. They are designated as such upon initial recognition.

Income, expense, gains and losses arising from financial assets, investment properties and financial liabilities

The income, expense, gains and losses arising from financial assets, investment properties and financial liabilities are summarised in the table below:

	31 December 2021	31 December 2020
	£'Million	£'Million
Financial assets and investment properties		
Investment properties	246.1	(44.4)
Other assets backing unit liabilities	11,400.2	4,832.4
Total financial assets and investment properties	11,646.3	4,788.0
Financial liabilities¹		
Unit liabilities	(10,384.0)	(3,945.3)
Total financial liabilities	(10,384.0)	(3,945.3)

¹ None of the change in the fair value of financial liabilities at fair value through profit or loss is attributable to changes in their credit risk.

Losses have been recognised within the investment return line in the Statement of Comprehensive Income.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

17. Financial risk continued

Fair value estimation

As set out on page 220, financial assets and liabilities which are held at fair value in the Financial Statements are required to have disclosed their fair value measurements, split by level in the fair value measurement hierarchy. The following table presents the Group's unit liabilities and associated assets measured at fair value:

31 December 2021	Level 1	Level 2	Level 3	Total balance
	£'Million	£'Million	£'Million	£'Million
Financial assets and investment properties				
Investment property	–	–	1,568.5	1,568.5
Equities	105,735.2	–	1,047.1	106,782.3
Fixed income securities	7,712.1	21,277.9	308.1	29,298.1
Investment in Collective Investment Schemes	3,904.0	–	3.9	3,907.9
Derivative financial instruments	–	1,094.6	–	1,094.6
Cash and cash equivalents	7,587.2	–	–	7,587.2
Total financial assets and investment properties	124,938.5	22,372.5	2,927.6	150,238.6
Financial liabilities				
Investment contract benefits	–	110,349.8	–	110,349.8
Derivative financial instruments	–	1,019.5	–	1,019.5
Net asset value attributable to unit holders	38,369.0	–	–	38,369.0
Total financial liabilities	38,369.0	111,369.3	–	149,738.3

31 December 2020	Level 1	Level 2	Level 3	Total balance
	£'Million	£'Million	£'Million	£'Million
Financial assets and investment properties				
Investment property	–	–	1,526.7	1,526.7
Equities	82,893.4	–	465.8	83,359.2
Fixed income securities	7,348.7	20,035.9	309.4	27,694.0
Investment in Collective Investment Schemes	4,623.6	–	1.8	4,625.4
Derivative financial instruments	–	1,386.8	–	1,386.8
Cash and cash equivalents	6,405.2	–	–	6,405.2
Total financial assets and investment properties	101,270.9	21,422.7	2,303.7	124,997.3
Financial liabilities				
Investment contract benefits	–	93,132.7	–	93,132.7
Derivative financial instruments	–	749.9	–	749.9
Net asset value attributable to unit holders	30,919.1	–	–	30,919.1
Total financial liabilities	30,919.1	93,882.6	–	124,801.7

In respect of the derivative financial liabilities, £192.7 million of collateral has been posted as at 31 December 2021 (2020: £123.6 million), comprising cash and treasury bills, in accordance with the terms and conditions of the derivative contracts.

The fair value of financial instruments traded in active markets is based on quoted bid prices at the reporting date. These instruments are included in Level 1.

The Group closely monitors the valuation of assets in markets that have become less liquid. Determining whether a market is active requires the exercise of judgement and is determined based upon the facts and circumstances of the market for the instrument being measured. Where it is determined that there is no active market, fair value is established using a valuation technique. The techniques applied incorporate relevant information available and reflect appropriate adjustments for credit and liquidity risks. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. The relative weightings given to differing sources of information and the determination of non-observable inputs to valuation models can require the exercise of significant judgement.

If all significant inputs required to fair-value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Note that all of the resulting fair value estimates are included in Level 2, except for certain equities, fixed income securities, investments in Collective Investment Schemes and investment properties as detailed below.

Specific valuation techniques used to value Level 2 financial assets and liabilities include the use of observable prices for identical current arm's length transactions, specifically:

- the fair value of unit-linked liabilities is assessed by reference to the value of the underlying net asset value of the Group's unitised investment funds, determined on a bid value basis, at the reporting date; and
- the Group's derivative financial instruments are valued using valuation techniques commonly used by market participants. These consist of discounted cash flow and option pricing models, which typically incorporate observable market data, principally interest rates, basis spreads, foreign exchange rates, equity prices and counterparty credit.

Specific valuation techniques used to value Level 3 financial assets and liabilities include:

- the use of unobservable inputs, such as expected rental values and equivalent yields; and
- other techniques, such as discounted cash flow and historic lapse rates, which are used to determine fair value for the remaining financial instruments.

There were no transfers between Level 1 and Level 2 during the year.

Transfers into and out of Level 3 portfolios

Transfers out of Level 3 portfolios arise when inputs that could have a significant impact on the instrument's valuation become market-observable; conversely, transfers into the portfolios arise when consistent sources of data cease to be available.

Transfers in of certain investments in Collective Investment Schemes occur when asset valuations can no longer be obtained from an observable market price; e.g. where they have become illiquid, in liquidation, suspended etc. The converse is true if an observable market price becomes available.

The following table presents the changes in Level 3 financial assets and liabilities at fair value through the profit and loss:

2021	Investment property	Fixed income securities	Equities	Collective Investment Schemes
	£'Million	£'Million	£'Million	£'Million
Opening balance	1,526.7	309.4	465.8	1.8
Transfer into Level 3	–	–	–	2.3
Additions during the year	19.2	135.0	568.2	–
Disposed during the year	(158.8)	(132.5)	(142.8)	(0.2)
(Losses)/gains recognised in the income statement	181.4	(3.8)	155.9	–
Closing balance	1,568.5	308.1	1,047.1	3.9
Unrealised gains	41.5	1.4	25.2	–
Realised (losses)/gains	(139.9)	6.9	149.9	–
(Losses)/gains recognised in the income statement	(98.4)	8.3	175.1	–

2020	Investment property	Fixed income securities	Equities	Collective Investment Schemes
	£'Million	£'Million	£'Million	£'Million
Opening balance	1,750.9	81.7	169.4	1.5
Transfer into Level 3	–	–	–	0.4
Additions during the year	27.5	225.9	363.4	–
Disposed during the year	(142.0)	(5.2)	(123.8)	(0.1)
(Losses)/gains recognised in the income statement	(109.7)	7.0	56.8	–
Closing balance	1,526.7	309.4	465.8	1.8
Unrealised gains	42.8	7.6	41.7	–
Realised (losses)/gains	(152.5)	(0.6)	15.1	–
(Losses)/gains recognised in the income statement	(109.7)	7.0	56.8	–

Unrealised and realised gains/(losses) for all Level 3 assets are recognised within investment return in the Statement of Comprehensive Income.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

17. Financial risk continued

Level 3 valuations

Investment property

At 31 December 2021 the Group held £1,568.5 million (2020: £1,526.7 million) of investment property, all of which is classified as Level 3 in the fair value hierarchy. It is initially measured at cost including related acquisition costs and subsequently valued monthly by professional external valuers at the properties' respective fair values at each reporting date. The fair values derived are based on anticipated market values for the properties in accordance with the guidance issued by the Royal Institution of Chartered Surveyors, being the estimated amount that would be received from a sale of the assets in an orderly transaction between market participants. The valuation of investment property is inherently subjective as it requires, among other factors, assumptions to be made regarding the ability of existing tenants to meet their rental obligations over the entire life of their leases, the estimation of the expected rental income into the future; the assessment of a property's potential to remain as an attractive technical configuration to existing and prospective tenants in a changing market and a judgement on the attractiveness of a building, its location and the surrounding environment.

31 December 2021	Investment property classification			
	Office	Industrial	Retail and leisure	All
Gross ERV (per sq ft)¹				
Range	£15.00 to £95.06	£4.75 to £19.00	£2.50 to £99.98	£2.50 to £99.98
Weighted average	£42.19	£11.10	£13.18	£16.58
True equivalent yield				
Range	4.2% to 11.5%	3.1% to 5.2%	5.1% to 20.3%	3.1% to 20.3%
Weighted average	5.4%	3.7%	6.7%	5.1%

31 December 2020	Investment property classification			
	Office	Industrial	Retail and leisure	All
Gross ERV (per sq ft)¹				
Range	£15.00 to £96.04	£4.13 to £17.50	£2.50 to £105.01	£2.50 to £105.01
Weighted average	£42.19	£9.16	£13.56	£15.20
True equivalent yield				
Range	4.2% to 9.4%	3.8% to 5.7%	4.0% to 15.1%	3.8% to 15.1%
Weighted average	5.4%	4.5%	7.1%	5.6%

¹ Equivalent rental value (per square foot).

Fixed income securities and equities

At 31 December 2021 the Group held £308.1 million (2020: £309.4 million) in private credit investments, and £1,047.1 million (2020: £465.8 million) in private market investments through the St. James's Place Diversified Assets (FAIF) Unit Trust. These are recognised within fixed income securities and equities, respectively, in the Consolidated Statement of Financial Position. They are initially measured at cost and are subsequently remeasured to fair value following a monthly valuation process which includes verification by suitably qualified professional external valuers, who are members of various industry bodies including the British Private Equity and Venture Capital Association.

The fair values of the private credit investments are principally determined using two valuation methods:

- the shadow rating method, which assigns a shadow credit rating to the debt-issuing entity and determines an expected yield with reference to observable yields for comparable companies with a public credit rating in the loan market; and
- the weighted average cost of capital (WACC) method, which determines the debt-issuing entity's WACC with reference to observable market comparatives.

The expected yield and WACC are used as the discount rates to calculate the present value of the expected future cash flows under the shadow rating and WACC methods respectively, which is taken to be the fair value.

The fair values of the private market investments are principally determined using two valuation methods:

- a market approach with reference to suitable market comparatives; and
- an income approach using discounted cash flow analysis which assesses the fair value of each asset based on its expected future cash flows.

The output of each method for both the private credit and private market investments is a range of values, from which the mid-point is selected to be the fair value in the majority of cases. The mid-point would not be selected if further information is known about an investment which cannot be factored into the valuation method used. A weighting is assigned to the values determined following each method to determine the final valuation.

The valuations are inherently subjective as they require a number of assumptions to be made, such as determining which entities provide suitable market comparatives and their relevant performance metrics (for example earnings before interest, tax, depreciation and amortisation), determining appropriate discount rates and cash flow forecasts to use in models, the weighting to apply to each valuation methodology and the point in the range of valuations to select as the fair value.

Sensitivity of Level 3 valuations

Investment in Collective Investment Schemes

The valuation of certain investments in Collective Investment Schemes are based on the latest observable price available. Whilst such valuations are sensitive to estimates, it is believed that changing the price applied to a reasonably possible alternative would not change the fair value significantly.

Investment property

As set out on the previous page, investment property is initially measured at cost including related acquisition costs and subsequently valued monthly by professional external valuers at the properties' respective fair values at each reporting date. The following table sets out the effect of applying reasonably possible alternative assumptions, being a 10% movement in estimated rental value and a 50-bps movement in relative yield, to the valuation of the investment properties. Any change in the value of investment property is matched by an associated movement in the policyholder liability, and therefore would not impact on the shareholder net assets.

	Investment property significant unobservable inputs	Effect of reasonable possible alternative assumptions		
		Carrying value	Favourable changes	Unfavourable changes
		£'Million	£'Million	£'Million
31 December 2021	Expected rental value/Relative yield	1,568.5	1,921.0	1,292.3
31 December 2020	Expected rental value/Relative yield	1,526.7	1,839.5	1,277.4

Fixed income securities and equities

As set out on the previous page and above, the fair values of the Level 3 fixed income securities and equities are selected from the valuation range determined through the monthly valuation process. The following table sets out the effect of valuing each of the assets at the high and low point of the range. As for investment property, any change in the value of these fixed income securities or equities is matched by an associated movement in the policyholder liability, and therefore would not impact on the shareholder net assets.

		Effect of reasonable possible alternative assumptions		
		Carrying value	Favourable changes	Unfavourable changes
		£'Million	£'Million	£'Million
31 December 2021	Fixed income securities	308.1	311.5	304.5
	Equities	1,047.1	1,193.4	943.4
31 December 2020	Fixed income securities	309.3	314.9	304.8
	Equities	465.8	559.2	408.4

Credit risk

Credit risk relating to unit liabilities is borne by the unit holders.

Contractual maturity and liquidity analysis

Unit liabilities (and the associated assets) are deemed to have a maturity of up to one year since they are repayable and transferable on demand. In practice the contractual maturities of the assets may be longer than one year, but the majority of assets held within the unit-linked and unit trust funds are highly liquid and the Group also actively monitors fund liquidity.

Sensitivity analysis to market risks

The majority of the Group's business is utilised and the direct associated market risk is therefore borne by unit holders. For completeness, we note that there is an indirect risk associated with market performance as future shareholder income is dependent upon markets; however, the direct risk has been mitigated through the Group's approach to matching assets and liabilities.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

18. Cash generated from operations

	Note	Year ended	Year ended
		31 December 2021	31 December 2020
		£'Million	£'Million
Cash flows from operating activities			
Profit before tax for the year		842.4	426.4
Adjustments for:			
Amortisation of purchased value of in-force business	8	3.2	3.2
Amortisation of computer software	8	10.6	4.2
Change in capitalisation policy	8	5.1	-
Depreciation	9	22.1	24.1
Impairment of goodwill	8	1.5	-
Loss on disposal of property and equipment, including leased assets	9	2.7	1.9
Share-based payment charge	20	22.9	10.6
Interest income		(19.2)	(33.1)
Interest expense		10.2	11.6
Increase/(decrease) in provisions	15	9.8	(6.3)
Exchange rate losses		0.1	-
Changes in operating assets and liabilities			
Decrease in deferred acquisition costs	8	44.9	65.5
(Increase)/decrease in investment property		(41.8)	224.2
Increase in other investments		(24,358.4)	(12,858.5)
Increase in investment in associates		(1.4)	-
Decrease/(increase) in reinsurance assets		9.9	(3.7)
Increase in other receivables		(326.9)	(443.0)
Increase in insurance contract liabilities		9.7	6.0
Increase in financial liabilities (excluding borrowings)		17,486.7	9,375.3
Decrease in deferred income	8	(17.3)	(34.8)
Increase in other payables		574.3	239.8
Increase in net assets attributable to unit holders		7,449.9	3,089.1
Cash generated from operations		1,741.0	102.5

19. Capital management and allocation

The Group's capital management policy, set by the Board, is to maintain a strong capital base in order to:

- protect clients' interests;
- meet regulatory requirements;
- protect creditors' interests; and
- create shareholder value through support for business development.

The policy requires that each subsidiary manages its own capital, in particular to maintain regulatory solvency, in the context of a Group capital plan. Any capital in excess of planned requirements is returned to the Group's Parent Company, St. James's Place plc, normally by way of dividends. The Group capital position is monitored by the Audit Committee on behalf of the St. James's Place plc Board.

Regulatory capital

The Group's capital management policy is, for each subsidiary, to hold the higher of:

- the capital required by any relevant supervisory body, uplifted by a specified margin to absorb changes; or
- the capital required based on the Company's internal assessment.

For our insurance companies, we hold capital based on our own internal assessment, recognising the regulatory requirement. For other regulated companies we generally hold capital based on the regulatory requirement uplifted by a specified margin.

The following entities are subject to regulatory supervision and have to maintain a minimum level of regulatory capital:

Entity	Regulatory body and jurisdiction
Capstone Financial (HK) Limited	Securities and Futures Commission (Hong Kong) A Member of the Hong Kong Confederation of Insurance Brokers
Perennial Financial Management Limited	FCA: Personal Investment Firm
Policy Services Limited	FCA: Personal Investment Firm
Rowan Dartington & Co Limited	FCA: Investment Firm
St. James's Place (Hong Kong) Limited	Securities and Futures Commission (Hong Kong): A Member of The Hong Kong Confederation of Insurance Brokers
St. James's Place International (Hong Kong) Limited	Insurance Authority (Hong Kong)
St. James's Place International plc	Central Bank of Ireland: Life insurance business
St. James's Place Investment Administration Limited	FCA: Investment Firm
St. James's Place Partnership Services Limited	FCA: Consumer Credit Firm
St. James's Place (Singapore) Private Limited	Monetary Authority of Singapore: Member of the Association of Financial Advisers
St. James's Place UK plc	PRA and FCA: Long-term insurance business
St. James's Place Unit Trust Group Limited	FCA: UCITS Management Company
St. James's Place Wealth Management plc	FCA: Personal Investment Firm

In addition, the St. James's Place Group is regulated as an insurance group under Solvency II, with the PRA as the lead regulator. More information about the capital position of the Group under Solvency II regulations is set out in the separate Solvency and Financial Condition Report document. The overall capital position for the Group at 31 December 2021, assessed on the standard formula basis, is presented in the following table:

	31 December 2021	31 December 2020
	£'Million	£'Million
IFRS total assets	155,729.9	129,897.0
Less Solvency II valuation adjustments and unit-linked liabilities	(154,484.6)	(128,678.4)
Solvency II net assets	1,245.3	1,218.6
Solvency II VIF	5,640.1	4,756.3
Risk margin	(1,622.9)	(1,357.5)
Own funds (A)	5,262.5	4,617.4
Standard formula SCR (B)	3,939.1	3,506.6
Solvency II free assets (A-B)	1,323.4	1,110.8
Solvency II ratio (A/B)	134%	132%

	31 December 2021	31 December 2020
	£'Million	£'Million
Solvency II net assets	1,245.3	1,218.6
Less: management solvency buffer (MSB)	(518.0)	(501.3)
Excess of free assets over MSB	727.3	717.3

An overall internal capital assessment is required for insurance groups. This is known as an ORSA (Own Risk and Solvency Assessment) and is described in more detail in the ORSA section of the Risk and Risk Management report; refer to page 88.

The regulatory capital requirements of companies within the Group, and the associated solvency of the Group, are assessed and monitored by the Finance Oversight Group, a committee of the Executive Board, with oversight by the Audit Committee on behalf of the Group Board. Ultimate responsibility for individual companies' regulatory capital lies with the relevant subsidiary boards.

For the year ended 31 December 2021, we reviewed the level of our MSB and increased the MSB for the Life businesses to £355 million (31 December 2020: £345 million). There has been no other material change in the level of capital requirements of individual companies during the year, nor in the Group's management of capital. All regulated entities exceeded the minimum solvency requirements at the reporting date and during the year.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

19. Capital management and allocation continued

IFRS capital composition

The principal forms of capital are included in the following balances on the Consolidated Statement of Financial Position.

	31 December 2021	31 December 2020
	£'Million	£'Million
Share capital	81.1	80.6
Share premium	213.8	185.3
Shares in trust reserve	(8.5)	(14.8)
Miscellaneous reserves	2.5	2.5
Retained earnings	830.3	859.4
Shareholders' equity	1,119.2	1,113.0
Non-controlling interests	–	(0.9)
Total equity	1,119.2	1,112.1

The above assets do not all qualify as regulatory capital. The required minimum regulatory capital, and analysis of the assets that qualify as regulatory capital, are outlined in section 3 of the Financial Review on page 84, which demonstrates that the Group has met its internal capital objectives. The Group and its individually regulated operations have complied with all externally and internally imposed capital requirements throughout the year.

20. Share capital, earnings per share and dividends

Share capital

	Number of ordinary shares	Called-up share capital £'Million
At 1 January 2020	534,800,626	80.2
– Exercise of options	2,542,840	0.4
At 31 December 2020	537,343,466	80.6
– Issue of shares	850,985	0.1
– Exercise of options	2,336,078	0.4
At 31 December 2021	540,530,529	81.1

Ordinary shares have a par value of 15 pence per share (2020: 15 pence per share) and are fully paid.

Included in the issued share capital are 1,685,250 (2020: 2,913,822) shares held in the Shares in trust reserve with a nominal value of £0.3 million (2020: £0.4 million). The shares are held by the SJP Employee Share Trust and the St. James's Place 2010 SIP Trust to satisfy certain share-based payment schemes. The Trustees of the SJP Employee Share Trust retain the right to dividends on the shares held by the Trust but have chosen to waive their entitlement to the dividends on 285,033 shares at 31 December 2021 and 663,769 shares at 31 December 2020. No dividends have been waived on shares held in the St. James's Place 2010 SIP Trust in 2021 or 2020.

Share capital increases are included within the 'exercise of options' line of the table above where they relate to the Group's share-based payment schemes. Other share capital increases are included within the 'issue of shares' line.

The number of shares reserved for issue under options and contracts for sale of shares, including terms and conditions, is included within Note 21.

Earnings per share

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Earnings		
Profit after tax attributable to equity shareholders (for both basic and diluted EPS)	286.7	262.0
	Million	Million
Weighted average number of shares		
Weighted average number of ordinary shares in issue (for basic EPS)	537.7	533.5
Adjustments for outstanding share options	8.5	5.8
Weighted average number of ordinary shares (for diluted EPS)	546.2	539.3
	Pence	Pence
Earnings per share (EPS)		
Basic earnings per share	53.3	49.1
Diluted earnings per share	52.5	48.6

Dividends

The following dividends have been paid by the Group:

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2021	Year ended 31 December 2020
	Pence per share	Pence per share	£'Million	£'Million
Second interim dividend in respect of 2019	–	20.00	–	107.1
Withheld 2019 dividend	11.22	–	60.3	–
Final dividend in respect of 2020	38.49	–	207.2	–
Interim dividend in respect of 2021	11.55	–	62.4	–
Total dividends	61.26	20.00	329.9	107.1

In respect of 2021 the Directors have recommended a 2021 final dividend of 40.41 pence per share. This amounts to £218.4 million and will, subject to shareholder approval at the Annual General Meeting, be paid on 27 May 2022 to those shareholders on the register as at 29 April 2022.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

21. Share-based payments

During the year ended 31 December 2021, the Group operated a number of different equity and cash-settled share-based payment arrangements, which are aggregated as follows:

Share option schemes

- Save As You Earn (SAYE) Plan – this is an equity-settled scheme that is available to all employees where individuals may contribute up to £300 per month over the three-year vesting period to purchase shares at a price not less than 80% of the market price at the date of the invitation to participate. 413,468 (2020: 583,171) SAYE options were granted on 25 March 2021 and 24 September 2021 (2020: 25 March 2020). There are no other vesting conditions.
- Partner Performance Share Plan – this is an equity-settled plan under which Partners are entitled to purchase shares in the future at nominal value (15 pence). The number of shares the Partners are entitled to purchase will depend on their personal business volumes in a specified 12-month period and validation over the following three years. The first award under the scheme was made on 29 July 2016, when 3,456,281 shares were granted. No further awards were granted in either 2020 or 2021 in relation to the original grants made in 2016.
- Partner and Adviser Chartered Plan – this is an equity-settled scheme that was launched during 2015 as part of the Partner Performance Share Plan, whereby Partners and advisers are entitled to purchase shares in the future at nominal value (15 pence). The number of shares the Partners are entitled to purchase will depend upon achieving specific professional qualifications and a threshold new business level in a specified 12-month period and validation over the following three years. The first award under the scheme was made on 29 July 2016, when 2,019,000 shares were granted. No grants were made in 2021 (2020: nil).
- Associate Partner Plan – this is an equity-settled scheme that was launched during 2017 whereby Partners and advisers are entitled to purchase a set number of shares in the future at the market price at the date of the invitation if they meet the required business volumes over the following three years. No grants were made in 2021 (2020: nil).

Share awards

- Share Incentive Plan (SIP) – this is an equity-settled scheme, available to all employees, where individuals may invest up to an annual limit of £1,800 of pre-tax salary in St. James's Place plc shares, to which the Group will add a further 10%. The vesting period is three years; however, if the shares are held for five years they may be sold free of income tax or capital gains tax. There are no other vesting conditions. 4,472 (2020: 9,890) shares were granted under the SIP on 25 March 2021 (2020: 25 March 2020).
- Executive Deferred Bonus Schemes – under these plans the deferred element of the annual bonus is used to purchase shares at market value in the Company. The shares are held in trust over the three-year vesting period and may be subject to further non-market-based performance conditions. The plans are predominantly equity-settled. No (2020: 477,702) shares were granted under the deferred bonus schemes in 2021 (2020: 25 March 2020).
- Executive Performance Share Plan – the Remuneration Committee of the Group Board may make awards of performance shares to the Executive Directors and other senior managers. Two-thirds of shares awarded to Directors are subject to an earnings growth condition of the Group and one-third of shares awarded to Directors are subject to a comparative total shareholder return condition, both measured over a three-year vesting period. Further information regarding the vesting conditions of the earnings growth and total shareholder return dependent portions of the award is given in the Directors' Remuneration Report on page 149. Awards made to senior managers are largely only subject to the earnings growth condition of the Group. This is predominantly an equity-settled scheme. 1,277,152 (2020: 3,398,502) shares were granted under the Executive Performance Share Plan across three grants made on 25 March 2021, 29 April 2021 and 24 September 2021 (2020: two grants made on 25 March 2020 and 25 September 2020).
- Restricted Share Plan – under this plan employees are awarded performance related shares with the vesting condition being linked to Group Funds under Management. The plan is predominantly equity-settled. 45,853 (2020: nil) awards were granted under the Restricted Share Plan on 24 September 2021 (2020: none).

Share options and awards outstanding under the various share-based payment schemes set out above at 31 December 2021 amount to 13.8 million shares (2020: 17.6 million). Of these, 3.9 million (2020: 6.4 million) are under option to Partners and advisers of the St. James's Place Partnership, 8.5 million (2020: 9.8 million) are under option to executives and senior management (including 1.1 million (2020: 1.3 million) under option to Directors as disclosed in the Directors' Remuneration Report on pages 150 and 151) and 1.4 million (2020: 1.4 million) are under option through the SAYE and SIP schemes. These are exercisable on a range of future dates.

Financial assumptions underlying the calculation of fair value

The fair value expense has been based on the fair value of the instruments granted, as calculated using appropriate derivative pricing models. The table below shows the weighted average assumptions and models used to calculate the grant-date fair value of each award:

Valuation model	SAYE Plan ³	Share Incentive Plan	Executive Deferred Bonus ⁴	Executive Performance Share Plan ^{3,5,6}	Restricted Share Plan
	Black-Scholes	Black-Scholes	Black-Scholes	Monte Carlo	Monte-Carlo
Awards in 2021					
Fair value (pence)	372.8			879.3/1,272.5	
	396.1	1,272.5	N/A	1,221.3/1,578.0 ^{3,5}	1,439.1
Share price (pence)	1,272.5			1,272.5	
	1,578.0	1,272.5	N/A	1,578.0	1,578.0
Exercise price (pence)	940.0				
	1,281.0	–	–	–	–
Expected volatility (% pa) ¹	31			31	
	32	N/A	N/A	32	32
Expected dividends (% pa) ²	2.4			2.4	
	3.1	–	–	3.1	3.1
Risk-free interest rate (% pa)	0.11	N/A	N/A	N/A	N/A
Expected life (years)	3.5	3	N/A	3	3
Volatility of competitors (% pa)	N/A	N/A	N/A	22–67	N/A
				22–68	
Correlation with competitors (%)	N/A	N/A	N/A	20	N/A
Awards in 2020					
Fair value (pence)	54.9	751.4	751.4	374.9/751.4 ⁵	N/A
Share price (pence)	751.4	751.4	751.4	751.4	N/A
Exercise price (pence)	813.0	–	–	–	N/A
Expected volatility (% pa) ¹	26	N/A	N/A	26	N/A
Expected dividends (% pa) ²	6.7	–	–	6.7	N/A
Risk-free interest rate (% pa)	0.1	N/A	N/A	N/A	N/A
Expected life (years)	3.5	3	3	3	N/A
Volatility of competitors (% pa)	N/A	N/A	N/A	15–84	N/A
Correlation with competitors (%)	N/A	N/A	N/A	20.0	N/A

1 Expected volatility is based on an analysis of the Company's historic share price volatility over a period which is commensurate with the expected term of the options or the awards.

2 For schemes where dividends are payable on the shares during the vesting period, the dividend yield assumption in the Black-Scholes option pricing model is set at zero.

3 Two SAYE awards were made during 2021 on 25 March and 24 September and three Executive Performance Share Plan awards were made during 2021 on 25 March, 29 April and 24 September, the assumptions for which are shown in the table above as the first and second figures (with the same assumptions for 25 March and 29 April Executive Performance Share Plan awards), respectively.

4 There were no awards made under the Executive Deferred Bonus scheme in 2021.

5 The awards made under the Executive Performance Share Plan are dependent upon earnings growth in the Company (two-thirds of the award) and a total shareholder return of a comparator group of companies (one-third of the award). This results in having two fair values for each of the awards made in the table above, the first being in relation to the comparator total shareholder return which is a market-based performance condition and so valued using a Monte Carlo simulation, and the second relating to the Company's earnings growth, which is a non-market-based performance condition and so valued using the Black-Scholes model.

6 The awards made under the Executive Performance Share Plan for members of the Executive Board Committee (ExBo) are subject to a two-year holding period once the award has vested. This results in discounted fair values for the ExBo population of 794.0/1,272.5 (2020: 347.1/751.4) to reflect the reduced marketability of the awards.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

21. Share-based payments continued

Share option schemes

	Year ended 31 December 2021	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2020
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
SAYE Plan				
Outstanding at start of year	1,400,927	£7.38	1,280,599	£8.33
Granted	413,468	£10.89	583,171	£6.01
Forfeited	(156,205)	£8.19	(209,121)	£8.34
Exercised	(252,715)	£8.85	(253,722)	£8.50
Outstanding at end of year	1,405,475	£8.18	1,400,927	£7.38
Exercisable at end of year	19,158	£9.06	3,704	£8.44
Partner Performance Share Plan				
Outstanding at start of year	896,052	£0.15	2,126,365	£0.15
Granted	–	–	–	–
Forfeited	(7,948)	£0.15	(10,124)	£0.15
Exercised	(447,402)	£0.15	(1,220,189)	£0.15
Outstanding at end of year	440,702	£0.15	896,052	£0.15
Exercisable at end of year	440,702	£0.15	896,052	£0.15
Partner and Adviser Chartered Plan				
Outstanding at start of year	314,944	£0.15	499,389	£0.15
Granted	–	–	–	–
Forfeited	(500)	£0.15	–	–
Exercised	(138,066)	£0.15	(184,445)	£0.15
Outstanding at end of year	176,378	£0.15	314,944	£0.15
Exercisable at end of year	176,378	£0.15	314,944	£0.15
Associate Partner Plan				
Outstanding at start of year	5,206,250	£10.95	5,797,500	£10.95
Granted	–	–	–	–
Forfeited	(539,525)	£11.34	(578,750)	£10.95
Exercised	(1,392,692)	£10.93	(12,500)	£10.83
Outstanding at end of year	3,274,033	£10.91	5,206,250	£10.95
Exercisable at end of year	3,274,033	£10.91	4,415,000	£10.83

The average share price during the year was 1,437.5 pence (2020: 973.2 pence).

The SAYE Plan options outstanding at 31 December 2021 had exercise prices of 911 pence (1,480 options), 906 pence (17,678 options), 771 pence (512,959 options), 813 pence (477,495 options), 940 pence (276,020 options) and 1,281 pence (119,843 options) and a weighted average remaining contractual life of 0.6 years.

The options outstanding under the Partner Performance Share Plan and the Partner and Adviser Chartered Plan at 31 December 2021 were all exercisable with an exercise price of 15 pence, hence their weighted average remaining contractual life was nil.

The options outstanding under the Associate Partner Plan at 31 December 2021 had an exercise price of 1,083 pence (2,783,708 options) and 1,135 pence (490,325 options) and a weighted average remaining contractual life of nil years.

Share awards

All shares awards under the below schemes have exercise prices of nil.

	Year ended 31 December 2021	Year ended 31 December 2020
	Number of options	Number of options
Share Incentive Plan		
Outstanding at start of year	46,963	37,073
Granted	4,472	9,890
Forfeited	–	–
Exercised	(13,396)	–
Outstanding at end of year	38,039	46,963
Exercisable at end of year	11,061	9,476
Executive Deferred Bonus Scheme		
Outstanding at start of year	1,801,549	2,021,702
Granted	–	477,702
Forfeited	(10,869)	(30,618)
Exercised	(763,695)	(667,237)
Outstanding at end of year	1,026,985	1,801,549
Exercisable at end of year	–	–
Executive Performance Share Plan		
Outstanding at start of year	7,964,846	5,691,754
Granted	1,277,152	3,398,502
Forfeited	(1,402,339)	(536,321)
Exercised	(415,549)	(589,089)
Outstanding at end of year	7,424,110	7,964,846
Exercisable at end of year	227,687	599,447
Restricted Share Plan		
Outstanding at start of year	–	–
Granted	45,853	–
Forfeited	–	–
Exercised	–	–
Outstanding at end of year	45,853	–
Exercisable at end of year	–	–

Early exercise assumptions

An allowance has been made for the impact of early exercise once options have vested in the SAYE Plan where all option holders are assumed to exercise half-way through the six-month exercise window.

Allowance for performance conditions

The Executive Performance Share Plan includes a market-based performance condition based on the Company's total shareholder return relative to an index of comparator companies. The impact of this performance condition has been modelled using the Monte Carlo simulation techniques, which involve running many thousands of simulations of future share price movements for both the Company and the comparator index. For the purpose of these simulations it is assumed that the share price of the Company and the comparator index are 20% (2020: 20%) correlated and that the comparator index has volatilities ranging between 22% p.a. and 68% p.a. (2020: 15% p.a. and 84% p.a.).

The performance condition is based on the Company's performance relative to the comparator index over a three-year period commencing on 1 January each year. The fair-value calculations for the awards that were made in 2021 therefore include an allowance for the actual performance of the Company's share price relative to the index over the period between 1 January 2021 and the various award dates.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

21. Share-based payments continued

Charge to the Consolidated Statement of Comprehensive Income

The table below sets out the charge to the Consolidated Statement of Comprehensive Income in respect of the share-based payment awards:

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Equity-settled share-based payment expense	20.4	10.6
Cash-settled share-based payment expense	2.5	–
Total share-based payment expense	22.9	10.6

Liabilities recognised in the Statement of Financial Position

The liabilities recognised in the Statement of Financial Position in respect of the cash-settled share-based payment awards, and National Insurance obligations arising from share-based payment awards, are as follows. These liabilities are included within other payables on the face of the Statement of Financial Position. None of the liability in respect of cash-settled share-based payment awards at 31 December 2021 or 31 December 2020 is in respect of vested cash-settled share-based payments.

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Liability for cash-settled share-based payments	2.9	0.9
Liability for employer National Insurance contributions on cash-settled and equity-settled share-based payments	9.2	4.9

22. Interests in unconsolidated entities

Unconsolidated structured entities

The Group operates investment vehicles, such as unit trusts. Clients are able to invest in these directly, but also indirectly through products offered by SJPUK and SJPI. As a result, the Group's insurance companies can be significant investors in the unit trusts. Note 2 sets out the judgements inherent in determining when the Group controls, and therefore consolidates, the relevant investment vehicles.

The majority of the risk from a change in the value of the Group's investment in unconsolidated unit trusts is matched by a change in unit holder liabilities. The maximum exposure to loss, prior to considering unit holder liabilities, is equal to the carrying value of the investment. This is recognised within investments in Collective Investment Schemes.

The following unit trusts are not consolidated within the Group Financial Statements; however, the Group does act as the fund manager of these unit trusts.

	Percentage of ownership interest		Nature of relationship	Measurement method	Net asset value as at 31 December	
	2021	2020			2021	2020
	£'Million	£'Million			£'Million	£'Million
St. James's Place Property Unit Trust	0.00%	0.00%	Manager of unit trust	N/A	1,174.9	1,161.4
St. James's Place UK Equity Unit Trust	N/A	11.21%	Manager of unit trust	Fair value through profit or loss	N/A	917.8
					1,174.9	2,079.2

During the year the St James's Place UK Equity Unit Trust was merged into the St. James's Place UK & General Progressive Unit Trust, which was subsequently renamed the St. James's Place UK Unit Trust. As at 31 December 2021 the value of the Group's interests in the individual unconsolidated unit trusts were £nil (2020: £nil) in St. James's Place Property Unit Trust and £nil (2020: £102.9 million) in St. James's Place UK Equity Unit Trust.

23. Subsidiary undertakings

Principal subsidiaries

Investment Holding Companies	St. James's Place Wealth Management Group Limited ¹ St. James's Place DFM Holdings Limited ¹
Life Assurance	St. James's Place UK plc St. James's Place International plc (incorporated in Ireland) ²
Unit Trust Management	St. James's Place Unit Trust Group Limited
Unit Trust Administration and ISA Management	St. James's Place Investment Administration Limited
Distribution	St. James's Place Wealth Management plc
Management Services	St. James's Place Management Services Limited ³
Treasury Company	St. James's Place Partnership Services Limited
IFA Acquisitions	St. James's Place Acquisition Services Limited
Asia Distribution	St. James's Place International Distribution Limited
Discretionary Fund Management	Rowan Dartington & Co. Limited

1 Directly held by St. James's Place plc.

2 The Company also operates a branch in Singapore.

3 The Company also operates a branch in the Republic of Ireland.

The Company owns either directly or indirectly 100% of the voting ordinary equity share capital of the subsidiaries listed above; as such they have been appropriately consolidated. Ongoing solvency requirements within the life assurance, unit trust and financial services companies of the Group restrict their ability to distribute all their distributable reserves.

Included below is a full list of the entities within the St. James's Place plc Group at 31 December 2021:

Entity	Company number	Registered office	Country of incorporation	Principal activity	Audit exemption
Arbor Wealth Management Limited	10735786	*	England and Wales	Non-trading	Yes
Baxter Holding Company Limited	09805128	*	England and Wales	Financial Advice	Yes
Baxter & Lindley Financial Services Limited	02307706	*	England and Wales	Financial Advice	Yes
Cabot Portfolio Nominees Limited	03636010	Temple Point, Redcliffe Way, Bristol, BS1 6NL, United Kingdom	England and Wales	Nominee Company	Yes
Capstone Financial (HK) Limited	1256431	Level 8, Kailey Tower, 16 Stanley Street, Central, Hong Kong	Hong Kong	Financial Advice	No
CGA Financial & Investment Services Limited	02666180	*	England and Wales	Financial Advice	Yes
Cirencio Limited	01773177	*	England and Wales	Holding Company	Yes
Dartington Portfolio Nominees Limited	01489542	Temple Point, Redcliffe Way, Bristol, BS1 6NL, United Kingdom	England and Wales	Nominee Company	Yes
Future Proof Limited	07608319	*	England and Wales	Financial Advice	Yes
Lewington Wealth Management Ltd (formerly Jamie Lewington & Co Limited)	4290504	*	England and Wales	Financial Advice	Yes
Linden House Financial Services Limited	02990295	*	England and Wales	Financial Advice	Yes
Linden House Group Limited	08464570	*	England and Wales	Holding Company	Yes
M.H.S. (Holdings) Limited	00559995	*	England and Wales	Non-trading	Yes
M.S. Estates and Financial Services Limited	02224813	*	England and Wales	Financial Advice	Yes
Perennial Financial Management Limited	04609753	*	England and Wales	Financial Advice	Yes

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

23. Subsidiary undertakings continued

Entity	Company number	Registered office	Country of incorporation	Principal activity	Audit exemption
Policy Services Limited	SC230167	Oracle Campus, Blackness Road, Linlithgow, West Lothian, EH49 7BF	Scotland	Financial Advice	No
Reflect Financial Limited	04373946	*	England and Wales	Financial Advice	Yes
Richard Barnes Wealth Management Limited	06320112	*	England and Wales	Financial Advice	Yes
Rowan Dartington & Co. Limited	02752304	*	England and Wales	Stockbroker and Investment Manager	No
Rowan Dartington Holdings Limited	07470226	*	England and Wales	Holding Company	Yes
SJP AESOP Trustees Limited	04089795	*	England and Wales	Non-trading	Yes
SJP Legacy Holdings Ltd	SC492906	Oracle Campus, Blackness Road, Linlithgow, West Lothian, EH49 7BF	Scotland	Holding Company	Yes
SJP Partner Loans No.1 Limited	11390901	100th Floor, 5 Churchill Place, London, E14 5HU United Kingdom	England and Wales	Securitisation	No
St. James's Place (Hong Kong) Limited	275275	1st Floor, Henley Building, 5 Queen's Road Central, Hong Kong	Hong Kong	Overseas Distribution	No
St. James's Place (PCP) Limited	02706684	*	England and Wales	Transacts and Services SJP Income Streams	Yes
St. James's Place (Shanghai) Limited	91310000566573326L	Unit 101-102, Building 9, Yuejie Shankangli, No. 358, Kangding Road, Jing'an District, Shanghai, China	China	Overseas Distribution	No
St. James's Place (Singapore) Private Limited	200406398R	1 Raffles Place, #15-61 One Raffles Place, Singapore 048616, Singapore	Singapore	Financial Advice	No
St. James's Place Acquisition Services Limited	07730835	*	England and Wales	IFA Acquisitions	Yes
St. James's Place Corporate Secretary Limited	09131866	*	England and Wales	Corporate Secretary	Yes
St. James's Place DFM Holdings Limited	09687687	*	England and Wales	Non-trading	Yes
St. James's Place International (Hong Kong) Limited	2207694	Unit 201, 2nd Floor Henley Building, 5 Queen's Road Central, Hong Kong	Hong Kong	Life Assurance	No
St. James's Place International Distribution Limited	08798683	*	England and Wales	Holding Company	Yes
St. James's Place International plc	185345	Fleming Court, Flemings Place, Dublin 4, Ireland	Ireland	Life Assurance	No
St. James's Place Investment Administration Limited	08764231	*	England and Wales	Unit Trust Administration and ISA Manager	No
St. James's Place Management Services Limited	02661044	*	England and Wales	Management Services	No
St. James's Place Nominees Limited	08764214	*	England and Wales	Nominee Company	Yes
St. James's Place Partnership Services Limited	08201211	*	England and Wales	Treasury Company	No

Entity	Company number	Registered office	Country of incorporation	Principal activity	Audit exemption
St. James's Place UK plc	02628062	*	England and Wales	Life Assurance	No
St. James's Place Unit Trust Group Limited	00947644	*	England and Wales	Unit Trust Management	No
St. James's Place Wealth Management (Shanghai) Limited	1511517	1st Floor, Henley Building, 5 Queen's Road Central, Hong Kong	Hong Kong	Overseas Distribution	No
St. James's Place Wealth Management Group Limited	02627518	*	England and Wales	Holding Company	No
St. James's Place Wealth Management International Pte. Ltd	201323453N	1 Raffles Place, #15-61 One Raffles Place, Singapore 048616, Singapore	Singapore	Holding Company	No
St. James's Place Wealth Management plc	04113955	*	England and Wales	UK Distribution	No
Stafford House Investments Limited	03866935	*	England and Wales	Financial Advice	Yes
Technical Connection Limited	03178474	*	England and Wales	Tax and Advisory Services	Yes
Tring Financial Management Limited	05487108	*	England and Wales	Policy Administration	Yes
Virtue Money Limited	SC346827	Oracle Campus, Blackness Road, Linlithgow, West Lothian, EH49 7BF	Scotland	Holding Company	Yes

* Indicates that the registered office is St. James's Place House, 1 Tetbury Road, Cirencester, Gloucestershire GL7 1FP, United Kingdom.

The Group acquired Lewington Wealth Management Limited (04290504, formerly Jamie Lewington & Co Limited) on 4 January 2021, Richard Barnes Wealth Management Limited (06320112) on 4 March 2021 and Capstone Financial (HK) Limited (1256431) on 14 May 2021.

The following subsidiary companies were sold during the year:

- Jeremy Barrett Limited (on 7 May 2021)
- LP Holdco Limited (on 26 November 2021)
- Lansdown Place Group Holdings Limited (on 26 November 2021)
- Lansdown Place Wealth Management Limited (on 26 November 2021)
- LP Financial Management Limited (on 26 November 2021)
- LP Auto Enrolment Solutions Limited (on 26 November 2021)
- Lifestyle Financial Solutions Limited (on 26 November 2021)

Where indicated on the previous pages, subsidiaries of St. James's Place plc have taken advantage, or are expected to take advantage, of the exemption from statutory audit granted by section 479A of the Companies Act 2006. In accordance with section 479C, St. James's Place plc has guaranteed all the outstanding liabilities as at 31 December 2021 of these companies.

All Group companies have an accounting reference date of 31 December. Unless otherwise stated, the tax residency of each subsidiary is the same as the country of incorporation.

100% of the equity share capital is held for the subsidiaries listed on the previous pages with the exception of SJP Partner Loans No.1 Limited (11390901), where 100% of the equity share capital is held by a third-party entity outside of the Group. Despite this, following an assessment of control in accordance with IFRS 10 it was determined that SJP Partner Loans No.1 Limited is controlled by the Group and thus is consolidated. For further information, refer to Note 2. Note that all assets and liabilities of SJP Partner Loans No.1 Limited are restricted and ring-fenced from the other assets and liabilities of the Group.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

23. Subsidiary undertakings continued

In addition, the Group Financial Statements consolidate the following unit trusts, all of which are registered in England and Wales. The registered address of the unit trust manager, St. James's Place Unit Trust Group Limited, is St. James's Place House, 1 Tetbury Road, Cirencester, Gloucestershire GL7 1FP.

St. James's Place Adventurous Growth Unit Trust	St. James's Place Global Quality Unit Trust
St. James's Place Adventurous International Growth Unit Trust	St. James's Place Global Smaller Companies Unit Trust
St. James's Place Allshare Income Unit Trust	St. James's Place Global Unit Trust
St. James's Place Alternative Assets Unit Trust	St. James's Place Global Value Unit Trust
St. James's Place Asia Pacific Unit Trust	St. James's Place Greater European Progressive Unit Trust
St. James's Place Balance InRetirement Unit Trust	St. James's Place Growth InRetirement Unit Trust
St. James's Place Balanced Growth Unit Trust	St. James's Place Index Linked Gilts Unit Trust
St. James's Place Balanced International Growth Unit Trust	St. James's Place International Equity Unit Trust
St. James's Place Balanced Managed Unit Trust	St. James's Place Investment Grade Corporate Bond Unit Trust
St. James's Place Conservative Growth Unit Trust	St. James's Place Japan Unit Trust
St. James's Place Conservative International Growth Unit Trust	St. James's Place Managed Growth Unit Trust
St. James's Place Continental European Unit Trust	St. James's Place Money Market Unit Trust
St. James's Place Corporate Bond Unit Trust	St. James's Place Multi Asset Unit Trust
St. James's Place Diversified Assets (FAIF) Unit Trust	St. James's Place North American Unit Trust
St. James's Place Diversified Bond Unit Trust	St. James's Place Prudence InRetirement Unit Trust
St. James's Place Emerging Markets Equity Unit Trust	St. James's Place Strategic Income Unit Trust
St. James's Place Equity Income Unit Trust	St. James's Place Strategic Managed Unit Trust
St. James's Place Equity A Unit Trust	St. James's Place Sustainable & Responsible Equity Unit Trust
St. James's Place Equity B Unit Trust	St. James's Place UK Unit Trust (known as the St. James's Place UK General & Progressive Unit Trust until 12 July 2021)
St. James's Place Equity C Unit Trust	St. James's Place UK & International Income Unit Trust
St. James's Place Gilts Unit Trust	St. James's Place UK Absolute Return Unit Trust
St. James's Place Global Emerging Markets Unit Trust	St. James's Place UK Income Unit Trust
St. James's Place Global Equity Unit Trust	St. James's Place Worldwide Income Unit Trust
St. James's Place Global Growth Unit Trust	
St. James's Place Global High Yield Bond Unit Trust	

24. Business combinations

During the year the Group acquired the following subsidiaries and businesses in line with the Group's strategic objective of growing and supporting the Partnership:

Business acquired	Principal activity	% shareholding	Date of acquisition
Lewington Wealth Management Limited (formerly Jamie Lewington & Co. Limited)	Provision of financial services	100%	4 January 2021

Acquisition-related costs of £0.1 million have been charged to administration expenses in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2021.

Lewington Wealth Management Limited

The acquisition contributed £nil to fee and commission income and £4.5 million profit before tax for the period between the acquisition date and 31 December 2021. Had the acquisition been consolidated from 1 January 2021, there would have been no change to the contribution.

The net assets, fair value adjustments and consideration for the acquisition are summarised below (all values shown as at their acquisition dates):

	Book value £'Million	Fair value adjustment £'Million	Total £'Million
Financial assets	1.1	21.1	22.2
Cash and cash equivalents	3.2	–	3.2
Financial liabilities	(2.3)	(4.0)	(6.3)
Total	2.0	17.1	19.1
Consideration			
Cash consideration on completion			7.2
Cash consideration due on agreement of net assets			8.3
Contingent consideration			4.1
Total consideration			19.6
Goodwill			0.5

Goodwill comprises the future value generated from new business opportunities.

It is expected that the deferred contingent consideration will be paid in full with no changes to the amount initially recognised. Of the remaining balance to be settled the Group expects that £4.1 million will be settled by 18 July 2022.

25. Related party transactions

Transactions with St. James's Place unit trusts

In respect of the non-consolidated St. James's Place managed unit trusts that are held as investments in the St. James's Place life and pension funds, there were gains recognised of £11.0 million (2020: losses of £18.2 million) and the total value of transactions with those non-consolidated unit trusts was £14.1 million (2020: £35.1 million). Net management fees receivable from these unit trusts amounted to £1.8 million (2020: £8.0 million). The value of the investment into the non-consolidated unit trusts at 31 December 2021 was £nil (2020: £101.1 million).

Transactions with key management personnel

Key management personnel have been defined as the Board of Directors and members of the Executive Board. The remuneration paid to the Board of Directors of St. James's Place plc is set out in the Directors' Remuneration Report on pages 140 to 163, in addition to the disclosure overleaf.

The Remuneration Report also sets out transactions with the Directors under the Group's share-based payment schemes, together with details of the Directors' interests in the share capital of the Company.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards *continued*

25. Related party transactions *continued*

Compensation of key management personnel is as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Short-term employee benefits	6.1	4.3
Post-employment benefits	0.5	0.5
Share-based payment	5.7	2.0
Total	12.3	6.8

The total value of Group FUM held by related parties of the Group as at 31 December 2021 was £35.3 million (2020: £31.9 million). The total value of St. James's Place plc dividends paid to related parties of the Group during the year was £0.9 million (2020: £0.4 million).

Commission, advice fees and remuneration of £6.2 million (2020: £4.7 million) was paid, under normal commercial terms, to St. James's Place advisers and employees who were related parties by virtue of being connected persons with key management personnel. The outstanding amount payable at 31 December 2021 was £0.8 million (2020: £0.3 million).

Outstanding at the year-end were Partner loans of £3.3 million (2020: £4.0 million) due from St. James's Place advisers who were related parties by virtue of being connected persons with key management personnel. The Group either advanced, or guaranteed, these loans. During the year £nil (2020: £nil) was advanced and £0.8 million (2020: £1.0 million) was repaid by advisers who were related parties.

Business loans to Partners are interest-bearing (linked to Bank of England base rate plus a margin), repayable on demand and secured against the future renewal income streams of the respective Partner. Interest of £0.1 million was received during 2021 (2020: £0.2 million).

At the start of the year, related parties of key management personnel held 28,517 (2020: 31,017) shares and options under various St. James's Place plc share option schemes. During the year nil (2020: nil) shares and options were granted, nil (2020: 2,500) options lapsed and 28,517 (2020: nil) options were exercised.

Parent Company Financial Statements under Financial Reporting Standard 101

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◆		

Parent Company Statement of Financial Position

Registered number: 03183415

		As at 31 December 2021	As at 31 December 2020
	Note	£'Million	£'Million
Investment in subsidiaries	2	1,212.8	404.4
Current assets			
Amounts owed by Group undertakings	6	281.1	1,051.6
Cash and cash equivalents		0.1	0.1
Current liabilities			
Corporation tax liabilities		(2.2)	(2.2)
Other payables		(0.1)	-
Net current assets		278.9	1,049.5
Net assets		1,491.7	1,453.9
Equity			
Share capital	3	81.1	80.6
Share premium		213.8	185.3
Share option reserve		253.6	233.2
Miscellaneous reserves		0.1	0.1
Retained earnings		943.1	954.7
Total shareholders' funds		1,491.7	1,453.9

In publishing the Parent Company Financial Statements, the Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of these Parent Company Financial Statements. The Company is not required to present a Statement of Comprehensive Income. The Company's profit after tax for the financial year was £318.3 million (2020: £319.2 million) which can be seen in the Statement of Changes in Equity on page 245.

The Parent Company Financial Statements on pages 244 to 249 were approved by the Board of Directors on 23 February 2022 and signed on its behalf by:

Andrew Croft, Chief Executive

Craig Gentle, Chief Financial Officer

The Notes and information on pages 246 to 249 form part of these Parent Company Financial Statements.

Parent Company Statement of Changes in Equity

		Share capital	Share premium	Share option reserve	Miscellaneous reserves	Retained earnings	Total Shareholders' funds
	Note	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
At 1 January 2020		80.2	182.4	222.6	0.1	742.6	1,227.9
Profit and total comprehensive income for the year		-	-	-	-	319.2	319.2
Dividends	5	-	-	-	-	(107.1)	(107.1)
Exercise of options	3	0.4	2.9	-	-	-	3.3
Cost of share options expensed in subsidiaries		-	-	10.6	-	-	10.6
At 31 December 2020		80.6	185.3	233.2	0.1	954.7	1,453.9
Profit and total comprehensive income for the year		-	-	-	-	318.3	318.3
Dividends	5	-	-	-	-	(329.9)	(329.9)
Issue of share capital		0.1	10.2	-	-	-	10.3
Exercise of options	3	0.4	18.3	-	-	-	18.7
Cost of share options expensed in subsidiaries		-	-	20.4	-	-	20.4
At 31 December 2021		81.1	213.8	253.6	0.1	943.1	1,491.7

The Notes and information on pages 246 to 249 form part of these Parent Company Financial Statements.

Notes to the Parent Company Financial Statements

1. Accounting policies

Basis of preparation

St. James's Place plc (the Company) is a public company limited by shares which is incorporated and registered in England and Wales, domiciled in the United Kingdom and whose shares are publicly traded. The Company offers a range of insurance, investment and other wealth management services through its subsidiaries, which are incorporated in the UK, Ireland and Asia.

The Financial Statements have been prepared under the historical cost convention, on a going concern basis and in accordance with Financial Reporting Standard 101 (FRS 101) Reduced Disclosure Framework and the Companies Act 2006 as applicable to companies using FRS 101.

The preparation of these Financial Statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. No significant accounting judgements have been made.

Adoption of new and amended accounting standards

There were no new or amended accounting standards adopted as of 1 January 2021.

FRS 101 – Reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134–136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets, provided that equivalent disclosures are included in the Consolidated Financial Statements of the group in which the entity is consolidated.

Going concern

The Company is a non-trading investment holding company which has positive net assets. Going concern has been evaluated by the Directors of the Company. As part of this the Directors have reviewed and take comfort from the Group's assessment of going concern as set out in Note 1 to the Consolidated Financial Statements. The Board believes the Company will continue to be in business, with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations for a period of at least 12 months from the date of approval of the Company Financial Statements. As a result, the Company continues to adopt the going concern basis in preparing these Financial Statements.

Significant accounting policies

The following principal accounting policies have been applied consistently to all the years presented.

(a) Investment return

Investment return comprises dividends from subsidiaries, which are accounted for when received.

(b) Taxation

Taxation is based on profits and income for the year as determined in accordance with the relevant tax legislation, together with adjustments to provisions for prior years.

(c) Investment in subsidiaries

Investments in subsidiaries are carried at cost stated after any impairment losses, plus the cost of equity-settled share awards granted by the Company of its own shares.

(d) Receivables

Receivables are initially recognised at fair value and subsequently held at amortised cost less impairment losses.

Financial assets held at amortised cost are impaired using an expected credit loss model. Expected credit losses are based on the historic levels of loss experienced for the relevant financial assets, with due consideration given to forward-looking information.

The most significant category of financial assets held at amortised cost for the Company are amounts owed by Group undertakings. The significant increase in credit risk which triggers the move from performing to underperforming for these assets is when they are more than 30 days past due, in line with the presumption set out in IFRS 9 Financial Instruments.

(e) Amounts owed by Group undertakings

Amounts owed to Group undertakings initially are recognised at fair value and subsequently held at amortised cost, as the business model for these assets is hold to collect contractual cash flows, which consist solely of payments of principal and interest.

2. Investment in subsidiaries

	Cost £'Million	Share awards £'Million	Impairment provision £'Million	Net book value £'Million
At 1 January 2020	344.0	222.6	(181.8)	384.8
Share awards granted	–	10.6	–	10.6
Share capital injection	9.0	–	–	9.0
At 31 December 2020	353.0	233.2	(181.8)	404.4
Share awards granted	–	20.4	–	20.4
Share capital injection	8.0	–	–	8.0
Capital contribution	780.0	–	–	780.0
At 31 December 2021	1,141.0	253.6	(181.8)	1,212.8

The investment in subsidiaries net book value is broken down as follows:

	31 December 2021 £'Million	31 December 2020 £'Million
St. James's Place Wealth Management Group Limited	867.6	87.6
Cirencio Limited	–	–
St. James's Place DFM Holdings Limited	91.6	83.6
Directly held investments	959.2	171.2
St. James's Place Management Services Limited	186.7	166.5
St. James's Place Wealth Management plc	62.2	62.5
St. James's Place International plc	0.2	0.2
Rowan Dartington & Co Limited	4.3	3.8
Stafford House Investments Limited	0.2	0.2
Investments held due to share awards granted	253.6	233.2
Total	1,212.8	404.4

During the year the Company made a capital contribution of £780.0 million to St. James's Place Wealth Management Group Limited.

The carrying value is reviewed at least annually for impairment, or when circumstances or events indicate there may be uncertainty over its value. The investments are supported by the value in use of the subsidiaries. The key assumptions used are the in-force business together with a discount rate of 3.4% (2020: 4.0%). It is considered that any reasonably possible levels of change in the key assumptions; including the impacts of COVID-19 would not result in an impairment.

Notes to the Parent Company Financial Statements continued

3. Share capital

	Number of ordinary shares	Called-up share capital £'Million
At 1 January 2020	534,800,626	80.2
– Exercise of options	2,542,840	0.4
At 31 December 2020	537,343,466	80.6
– Issue of shares	850,985	0.1
– Exercise of options	2,336,078	0.4
At 31 December 2021	540,530,529	81.1

Ordinary shares have a par value of 15 pence per share (2020: 15 pence per share) and are fully paid. The Company received consideration of £18.7 million (2020: £3.3 million) for the shares issued during the year, including those issued to satisfy the exercise of options.

4. Auditors' remuneration

The total audit fee in respect of the Group is set out in Note 5 to the Consolidated Financial Statements on page 196. The audit fee charged to the Company for the year ended 31 December 2021 is £25,512 (2020: £23,193), which is borne by another entity within the Group.

5. Dividends

The following dividends have been paid by the Company:

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2021	Year ended 31 December 2020
	Pence per share	Pence per share	£'Million	£'Million
Second interim dividend in respect of 2019	–	20.00	–	107.1
Withheld 2019 dividend	11.22	–	60.3	–
Final dividend in respect of 2020	38.49	–	207.2	–
Interim dividend in respect of 2021	11.55	–	62.4	–
Total dividends	61.26	20.00	329.9	107.1

In respect of 2021 the Directors have recommended a 2021 final dividend of 40.41 pence per share. This amounts to £218.4 million and will, subject to shareholder approval at the Annual General Meeting, be paid on 27 May 2022 to those shareholders on the register as at 29 April 2022.

6. Related party transactions and balances

At the year-end the following related party balances existed, in addition to the investments in subsidiaries which are set out in Note 2 to the Parent Company Financial Statements.

	31 December 2021	31 December 2020
	£'Million	£'Million
Amounts owed by Group undertakings		
St. James's Place Partnership Services Limited	281.1	1,051.6
Total	281.1	1,051.6

The amounts owed by Group undertakings are loans granted by the Company which are unsecured and repayable on demand. The loans incur interest at an agreed rate above the Bank of England's base rate, as stated in the loan agreements.

Amounts owed by Group undertakings continue to be classified as performing; see accounting policy (d).

The large movement in the amount owing by Group undertakings during the year is a result of a Group wide corporate review of the intra-Group commercial funding arrangement.

During the year, the Company received £309.0 million (2020: £310.0 million) of dividends from subsidiary undertakings. The total value of St. James's Place FUM held by related parties of the Company as at 31 December 2021 was £35.4 million (2020: £31.9 million). The total value of dividends paid to related parties of the Company during the year was £0.9 million (2020: £0.4 million).

The following wholly-owned subsidiaries of St. James's Place plc have taken advantage of the exemption from statutory audit granted by section 479A of the Companies Act 2006. In accordance with section 479C, St. James's Place plc has therefore guaranteed all the outstanding liabilities as at 31 December 2021 of:

Arbor Wealth Management Limited	10735786
Baxter Holding Company Limited	09805128
Baxter & Lindley Financial Services Limited	02307706
Cabot Portfolio Nominees Limited	03636010
CGA Financial & Investment Services Limited	02666180
Cirenco Limited	01773177
Dartington Portfolio Nominees Limited	01489542
Future Proof Limited	07608319
Linden House Financial Services Limited	02990295
Lewington Wealth Management Limited	04290504
Linden House Group Limited	08464570
M.H.S. (Holdings) Limited	00559995
M.S. Estates and Financial Services Limited	02224813
Perennial Financial Management Limited	04609753
Reflect Financial Limited	04373946
Richard Barnes Wealth Management Limited	06320112
Rowan Dartington Holdings Limited	07470226
SJP AESOP Trustees Limited	04089795
SJP Legacy Holdings Ltd	SC492906
St. James's Place (PCP) Limited	02706684
St. James's Place Acquisition Services Limited	07730835
St. James's Place Corporate Secretary Limited	09131866
St. James's Place DFM Holdings Limited	09687687
St. James's Place International Distribution Limited	08798683
St. James's Place Nominees Limited	08764214
Stafford House Investments Limited	03866935
Technical Connection Limited	03178474
Tring Financial Management Limited	05487108
Virtue Money Limited	SC346827

7. Directors' emoluments

The Directors' responsibilities relate primarily to the trading companies of the Group and accordingly their costs are charged to those companies and none are met by the Parent Company. Disclosure of the Directors' emoluments is made within the Directors' Remuneration Report on pages 140 to 163.

8. Company information

In the opinion of the Directors there is not considered to be any ultimate controlling party. Copies of the Consolidated Financial Statements of St. James's Place plc may be obtained from the Company Secretary, St. James's Place plc, St. James's Place House, 1 Tetbury Road, Cirencester, Gloucestershire, GL7 1FP.

Supplementary Information: Consolidated Financial Statements on a Cash Result Basis *(unaudited)*

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Consolidated Statement of Comprehensive Income on a Cash Result Basis (unaudited)

		Year ended 31 December 2021	Year ended 31 December 2020
	Note	£'Million	£'Million
Fee and commission income		2,771.4	2,011.3
Investment return	6	35.9	13.5
Net income		2,807.3	2,024.8
Expenses		(1,858.1)	(1,601.3)
Profit before tax		949.2	423.5
Tax attributable to policyholders' returns		(488.6)	(98.8)
Tax attributable to shareholders' returns		(73.2)	(70.0)
Total Cash result for the year		387.4	254.7
		Pence	Pence
Cash result basic earnings per share	III	72.0	47.7
Cash result diluted earnings per share	III	70.9	47.2

The Note references above cross-refer to the Notes to the Consolidated Financial Statements under IFRS on pages 182 to 242, except where denoted in roman numerals.

Consolidated Statement of Changes in Equity on a Cash Result Basis (unaudited)

	Note	Equity attributable to owners of the Parent Company						Non-interests	Total equity
		Share capital	Share premium	Shares in trust reserve	Misc. reserves	Retained earnings	Total controlling		
		£'Million	£'Million	£'Million	£'Million	£'Million	£'Million		
At 1 January 2020		80.2	182.4	(16.4)	2.5	809.0	1,057.7	(0.9)	1,056.8
Cash result for the year		–	–	–	–	254.7	254.7	–	254.7
Dividends	20	–	–	–	–	(107.1)	(107.1)	–	(107.1)
Exercise of options	20	0.4	2.9	–	–	–	3.3	–	3.3
Consideration paid for own shares		–	–	(3.9)	–	–	(3.9)	–	(3.9)
Shares sold during the year		–	–	5.5	–	(5.5)	–	–	–
Change in deferred tax		–	–	–	–	(8.2)	(8.2)	–	(8.2)
Impact of policyholder tax asymmetry		–	–	–	–	61.7	61.7	–	61.7
Change in goodwill, intangibles and other non-cash movements		–	–	–	–	(38.7)	(38.7)	–	(38.7)
At 31 December 2020		80.6	185.3	(14.8)	2.5	965.9	1,219.5	(0.9)	1,218.6
Cash result for the year		–	–	–	–	386.5	386.5	0.9	387.4
Dividends	20	–	–	–	–	(329.9)	(329.9)	–	(329.9)
Issue of share capital		0.1	10.2	–	–	–	10.3	–	10.3
Exercise of options	20	0.4	18.3	–	–	–	18.7	–	18.7
Shares sold during the year		–	–	6.3	–	(6.3)	–	–	–
Change in deferred tax		–	–	–	–	0.5	0.5	–	0.5
Impact of policyholder tax asymmetry		–	–	–	–	(52.9)	(52.9)	–	(52.9)
Change in goodwill, intangibles and other non-cash movements		–	–	–	–	(7.4)	(7.4)	–	(7.4)
At 31 December 2021		81.1	213.8	(8.5)	2.5	956.4	1,245.3	–	1,245.3

The Note references above cross-refer to the Notes to the Consolidated Financial Statements under IFRS on pages 182 to 242, except where denoted in roman numerals.

Consolidated Statement of Financial Position on a Cash Result Basis (unaudited)

	Note	31 December 2021	31 December 2020
		£'Million	£'Million
Assets			
Property and equipment	9	154.5	174.4
Deferred tax assets		5.0	0.7
Investment in associates		1.4	–
Other receivables		1,587.6	1,546.2
Fixed income securities	17	7.8	7.4
Investment in Collective Investment Schemes	17	1,605.3	1,264.8
Cash and cash equivalents	17	245.7	254.9
Total assets		3,607.3	3,248.4
Liabilities			
Borrowings	16	433.0	341.8
Deferred tax liabilities		624.4	378.0
Other provisions	15	44.1	34.3
Other payables		1,254.4	1,242.9
Income tax liabilities		6.1	32.7
Preference shares		–	0.1
Total liabilities		2,362.0	2,029.8
Net assets		1,245.3	1,218.6
Shareholders' equity			
Share capital	20	81.1	80.6
Share premium		213.8	185.3
Shares in trust reserve		(8.5)	(14.8)
Miscellaneous reserves		2.5	2.5
Retained earnings		956.4	965.9
Shareholders' equity		1,245.3	1,219.5
Non-controlling interests		–	(0.9)
Total shareholders' equity on a Cash Result Basis		1,245.3	1,218.6
		Pence	Pence
Net assets per share		230.4	226.8

The Note references above cross-refer to the Notes to the Consolidated Financial Statements under IFRS on pages 182 to 242, except where denoted in roman numerals.

Notes to the Consolidated Financial Statements on a Cash Result Basis (unaudited)

I. Basis of preparation

The Consolidated Financial Statements on a Cash Result Basis have been prepared by adjusting the Financial Statements prepared in accordance with International Financial Reporting Standards adopted by the UK for items which do not reflect the cash emerging from the business. The adjustments are as follows:

- Unit liabilities and net assets held to cover unit liabilities, as set out in Note 11 to the Consolidated Financial Statements, are policyholder balances which are removed in the Statement of Financial Position on a Cash Result Basis. No adjustment for payments in or out is required in the Statement of Comprehensive Income as this business is subject to deposit accounting, which means that policyholder deposits and withdrawals are recognised in the Statement of Financial Position under IFRS, with only marginal cash flows attributable to shareholders recognised in the Statement of Comprehensive Income. However, adjustment is required for the investment return and the movement in investment contract liabilities, which are offsetting and are both zero-ised.
- Deferred acquisition costs, the purchased value of in-force business and deferred income assets and liabilities are removed from the Statement of Financial Position on a Cash Result Basis, and the amortisation of these balances is removed from the Statement of Comprehensive Income on a Cash Result Basis. The assets, liabilities and amortisation are set out in Note 8 to the Consolidated Financial Statements.
- Share-based payment expense is removed from the Statement of Comprehensive Income on a Cash Result Basis, and the equity and liability balances for equity-settled and cash-settled share-based payment schemes respectively are removed from the Statement of Financial Position on a Cash Result Basis. Share-based payment balances are set out in Note 21 to the Consolidated Financial Statements.
- Non-unit-linked insurance contract liabilities and reinsurance assets, as set out in Note 14 to the Consolidated Financial Statements, are removed from the Statement of Financial Position on a Cash Result Basis. The movement in these balances is removed from the Statement of Comprehensive Income on a Cash Result Basis.
- Goodwill, computer software intangible assets and some other assets and liabilities which are inadmissible under the Solvency II regime are removed from the Statement of Financial Position on a Cash Result Basis, however the movements in these figures are included in the Statement of Comprehensive Income on a Cash Result Basis.
- Deferred tax assets and liabilities are adjusted in the Statement of Financial Position on a Cash Result Basis to reflect the adjustments noted above and other discounting differences between tax charges and IFRS accounting. However, the impact of movements in deferred tax assets and liabilities are not included in the Statement of Comprehensive Income on a Cash Result Basis.

II. Reconciliation of the IFRS Balance Sheet to the Cash Balance Sheet

The Solvency II Net Assets (or Cash) balance sheet is based on the IFRS Consolidated Statement of Financial Position (on page 180), with adjustments made to accounting assets and liabilities to reflect the Solvency II regulations and the provision for insurance liabilities set equal to the associated unit liabilities.

The reconciliation between the IFRS and Solvency II Net Assets Balance Sheet as at 31 December 2021 is set out on page 76. The reconciliation as at 31 December 2020 is set out below.

31 December 2020	IFRS	Adjustment 1	Adjustment 2	Solvency II
	Balance Sheet			Net Assets
	£'Million	£'Million	£'Million	Balance Sheet
				£'Million
Assets				
Goodwill	31.0	–	(31.0)	–
Deferred acquisition costs	424.5	–	(424.5)	–
Purchased value of in-force business	17.6	–	(17.6)	–
Computer software	23.5	–	(23.5)	–
Property and equipment	174.4	–	–	174.4
Deferred tax assets	14.4	–	(13.7)	0.7
Reinsurance assets	92.3	–	(92.3)	–
Other receivables	2,579.2	(1,030.2)	(2.8)	1,546.2
Investment property	1,526.7	(1,526.7)	–	–
Equities	83,359.2	(83,359.2)	–	–
Fixed income securities	27,701.4	(27,694.0)	–	7.4
Investment in Collective Investment Schemes	5,890.2	(4,625.4)	–	1,264.8
Derivative financial instruments	1,386.8	(1,386.8)	–	–
Cash and cash equivalents	6,660.1	(6,405.2)	–	254.9
Total assets	129,881.3	(126,027.5)	(605.4)	3,248.4
Liabilities				
Borrowings	341.8	–	–	341.8
Deferred tax liabilities	378.1	–	(0.1)	378.0
Insurance contract liabilities	562.6	(466.1)	(96.5)	–
Deferred income	579.9	–	(579.9)	–
Other provisions	34.3	–	–	34.3
Other payables	2,038.0	(759.7)	(35.4)	1,242.9
Investment contract benefits	93,132.7	(93,132.7)	–	–
Derivative financial instruments	749.9	(749.9)	–	–
Net asset value attributable to unit holders	30,919.1	(30,919.1)	–	–
Income tax liabilities	32.7	–	–	32.7
Preference shares	0.1	–	–	0.1
Total liabilities	128,769.2	(126,027.5)	(711.9)	2,029.8
Net assets	1,112.1	–	106.5	1,218.6

Adjustment 1 nets out the policyholder interest in unit-linked assets and liabilities.

Adjustment 2 comprises adjustments to the IFRS Statement of Financial Position in line with Solvency II requirements, including removal of DAC, DIR, PVIF and their associated deferred tax balances, goodwill and other intangibles.

Notes to the Consolidated Financial Statements on a Cash Result Basis (unaudited) *continued*

III. Earnings per share

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Earnings		
Cash result (for both basic and diluted EPS)	387.4	254.7
Weighted average number of shares		
	Million	Million
Weighted average number of ordinary shares in issue (for basic EPS)	537.7	533.5
Adjustments for outstanding share options	8.5	5.8
Weighted average number of ordinary shares (for diluted EPS)	546.2	539.3
Earnings per share (EPS)		
	Pence	Pence
Basic earnings per share	72.0	47.7
Diluted earnings per share	70.9	47.2

Other Information

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Shareholder Information

We listen and respond

The St. James's Place business has a broad range of stakeholders, and our duties to them are reflected in our strategy which has a fundamental and clear focus on each stakeholder, including our employees, the Partnership, our clients, shareholders, third-party suppliers, regulators and wider society. This section provides information of particular interest to shareholders, such as the financial calendar, information about our locations and how stakeholders can contact us, and two glossaries which provide further information on our alternative performance measures and key terms to assist stakeholders in understanding the Annual Report and Accounts.

Analysis of number of shareholders

Analysis by number of shares	Holders	Percentage	Shares held	Percentage
1-999	2,215	45.61%	793,893	0.15%
1,000-9,999	1,795	36.97%	5,355,259	0.99%
10,000-99,999	506	10.42%	17,421,290	3.22%
100,000 and above	340	7.00%	516,960,087	95.64%
	4,856	100.00%	540,530,529	100.00%

2022 financial calendar

Ex-dividend date for 2021 final dividend	28 April 2022
Announcement of first-quarter new business	28 April 2022
Record date for 2021 final dividend	29 April 2022
Annual General Meeting	19 May 2022
Payment date for 2021 final dividend	27 May 2022
Announcement of Interim Results and second-quarter new business	28 July 2022
Ex-dividend date for 2022 interim dividend	25 August 2022
Record date for 2022 interim dividend	26 August 2022
Payment date for 2022 interim dividend	23 September 2022
Announcement of third-quarter new business	20 October 2022

The above dates are subject to change and further information on the 2022 financial calendar can be found on the Company's website, www.sjp.co.uk.

Dividend Reinvestment Plan

If you would prefer to receive new shares instead of cash dividends, please complete a Dividend Reinvestment Plan (DRIP) form, which is available from our Registrars, Computershare Investor Services PLC. Their contact details are on page 259.

Dividend mandate

Shareholders can arrange to have their dividends paid directly into their bank or building society account by completing a bank mandate form. The advantages to using this service are: the payment is more secure than sending a cheque through the post; it avoids the inconvenience of paying in a cheque and reduces the risk of lost, stolen or out-of-date cheques. A mandate form can be obtained from Computershare or you will find one on the reverse of your last dividend confirmation.

Share dealing

A telephone share dealing service has been established with the Registrars, Computershare Investor Services PLC, which provides shareholders with a simple way of buying or selling St. James's Place plc shares on the London Stock Exchange. If you are interested in this service, telephone +44 (0370) 702 0197.

An internet share dealing service is also available. Further information about share dealing services can be obtained by logging on to: www-uk.computershare.com/investor/#ShareDealingInfo.

Electronic communications

If you would like to have access to shareholder communications such as the Annual Report and the Notice of General Meeting through the internet rather than receiving them by post, please register at www.investorcentre.co.uk/ecomms.

How to Contact us and Advisers

How to contact us

Registered office

St. James's Place House
1 Tetbury Road
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www.sjp.co.uk

Chair

Paul Manduca
Email: chair@sjp.co.uk

Chief Executive

Andrew Croft
Email: andrew.croft@sjp.co.uk

Chief Financial Officer

Craig Gentle
Email: craig.gentle@sjp.co.uk

Company Secretary

Jonathan Dale
Email: jonathan.dale@sjp.co.uk

Customer service

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Email: jared.whitehouse@sjp.co.uk

Analyst enquiries

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Email: hugh.taylor@sjp.co.uk

Media enquiries

Jamie Dunkley
Tel: 020 7514 1963
Email: jamie.dunkley@sjp.co.uk

Brunswick Group

Tom Burns/Eilis Murphy
Tel: 020 7404 5959
Email: sjp@brunswickgroup.com

Advisers

Registrars and transfer office

Computershare Investor Services PLC

The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

Email: webqueries@computershare.co.uk

Tel: 0370 702 0197

www.investorcentre.co.uk/contactus

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

Brokers

JPMorgan Cazenove Limited

25 Bank Street
London
E14 5JP

Bank of America Securities Incorporated

2 King Edward Street
London
EC1A 1HQ

Glossary of Alternative Performance Measures

Within the Annual Report and Accounts various alternative performance measures (APMs) are disclosed.

An APM is a measure of financial performance, financial position or cash flows which is not defined by the relevant financial reporting framework, which for the Group is International Financial Reporting Standards as adopted by the UK (adopted IFRSs). APMs are used to provide greater insight into the performance of the Group and the way it is managed by the Directors. The table below defines each APM, explains why it is used and, if applicable, details where the APM has been reconciled to IFRS:

Financial-position-related APMs

APM	Definition	Why is this measure used?	Reconciliation to the Financial Statements
Solvency II net assets	<p>Based on IFRS Net Assets, but with the following adjustments:</p> <p>1. Reflection of the recognition requirements of the Solvency II regulations for assets and liabilities. In particular this removes deferred acquisition costs (DAC), deferred income (DIR), purchased value of in-force (PVIF) and their associated deferred tax balances, other intangibles and some other small items which are treated as inadmissible from a regulatory perspective; and</p> <p>2. Adjustment to remove the matching client assets and the liabilities as these do not represent shareholder assets.</p> <p>No adjustment is made to deferred tax, except for that arising on DAC, DIR and PVIF, as this is treated as an allowable asset in the Solvency II regulation.</p>	Our ability to satisfy our liabilities to clients, and consequently our solvency, is central to our business. By removing the liabilities which are fully matched by assets, this presentation allows the reader to focus on the business operation. It also provides a simpler comparison with other wealth management companies.	Refer to page 76.
Total embedded value	<p>A discounted cash flow valuation methodology, assessing the long-term economic value of the business.</p> <p>Our embedded value is determined in line with the EEV principles, originally set out by the Chief Financial Officers (CFO) Forum in 2004, and amended for subsequent changes to the principles, including those published in April 2016, following the implementation of Solvency II.</p>	Life business and wealth management business differ from most other businesses, in that the expected shareholder income from the sale of a product emerges over a long period in the future. We therefore supplement the IFRS and Cash results by providing additional disclosure on an embedded value basis, which brings into account the net present value of expected future cash flows, as we believe that a measure of total economic value of the Group is useful to investors.	Not applicable.
EEV net asset value (NAV) per share	EEV net asset value per share is calculated as the EEV net assets divided by the year-end number of ordinary shares.	Total embedded value provides a measure of total economic value of the Group, and assessing the NAV per share allows analysis of the overall value of the Group by share.	Not applicable.
IFRS NAV per share	IFRS net asset value per share is calculated as the IFRS net assets divided by the year-end number of ordinary shares.	Total IFRS net assets provides a measure of value of the Group, and assessing the NAV per share allows analysis of the overall value of the Group by share.	Not applicable.

Financial-performance-related APMs

APM	Definition	Why is this measure used?	Reconciliation to the Financial Statements
Cash result, and Underlying cash result¹	<p>The Cash result is defined as the movement between the opening and closing Solvency II net assets adjusted as follows:</p> <ol style="list-style-type: none"> The movement in deferred tax is removed to reflect just the cash realisation from the deferred tax position; The movements in goodwill and other intangibles are included; and Other changes in equity, such as dividends paid in the year and non-cash-settled share option costs, are excluded. <p>The Underlying cash result reflects the regular emergence of cash from the business along with the impact of the strategic investments we are making.</p> <p>The Cash result reflects all other cash items, including those whose emergence is volatile, varying over time and often influenced by markets, together with the short-term costs associated with the back-office infrastructure project.</p> <p>Neither the Cash result nor the Underlying cash result should be confused with the IFRS Consolidated Statement of Cash Flows which is prepared in accordance with IAS 7.</p>	<p>IFRS income statement methodology recognises non-cash items such as deferred tax and non-cash-settled share options. By contrast, dividends can only be paid to shareholders from appropriately fungible assets. The Board therefore uses the Cash results to monitor the level of cash generated by the business.</p> <p>While the Cash result gives an absolute measure of the cash generated in the year, the Underlying cash result is particularly useful for monitoring the expected long-term rate of cash emergence, which supports dividends and sustainable dividend growth.</p>	Refer to pages 71, 72 and also see Note 3 to the Consolidated Financial Statements.
Underlying cash basic and diluted earnings per share (EPS)	These EPS measures are calculated as Underlying cash divided by the number of shares used in the calculation of IFRS basic and diluted EPS.	As Underlying cash is the best reflection of the cash generated by the business, Underlying cash EPS measures allow analysis of the shareholder cash generated by the business by share.	Not applicable.
EEV profit	Derived as the movement in the total EEV during the year.	Both the IFRS and Cash results reflect only the cash flows in the year. However our business is long-term, and activity in the year can generate business with a long-term value. We therefore believe it is helpful to understand the full economic impact of activity in the year, which is the aim of the EEV methodology.	See Note 3 to the Consolidated Financial Statements.
EEV operating profit	<p>A discounted cash flow valuation methodology, assessing the long-term economic value of the business.</p> <p>Our embedded value is determined in line with the EEV principles, originally set out by the Chief Financial Officers (CFO) Forum in 2004, and amended for subsequent changes to the principles, including those published in April 2016, following the implementation of Solvency II.</p> <p>The EEV operating profit reflects the total EEV result with an adjustment to strip out the impact of stock market and other economic effects during the year.</p> <p>Within EEV operating profit is new business contribution, which is the change in embedded value arising from writing new business during the year.</p>	<p>Both the IFRS and Cash results reflect only the cash flows in the year. However, our business is long-term, and activity in the year can generate business with a long-term value. We therefore believe it is helpful to understand the full economic impact of activity in the year, which is the aim of the EEV methodology.</p> <p>Within the EEV, many of the future cash flows derive from fund charges, which change with movements in stock markets. Since the impact of these changes is typically unrelated to the performance of the business, we believe that the EEV operating profit (reflecting the EEV profit, adjusted to reflect only the expected investment performance and no change in economic basis) provides the most useful measure of embedded value performance in the year.</p>	See Note 3 to the Consolidated Financial Statements.

Glossary of Alternative Performance Measures continued

Financial-performance-related APMs continued

APM	Definition	Why is this measure used?	Reconciliation to the Financial Statements
EEV operating profit basic and diluted earnings per share (EPS)	These EPS measures are calculated as EEV operating profit after tax divided by the number of shares used in the calculation of IFRS basic and diluted EPS.	As EEV operating profit is the best reflection of the EEV generated by the business, EEV operating profit EPS measures allow analysis of the long-term value generated by the business by share.	Not applicable.
Policyholder and shareholder tax	<p>Shareholder tax is estimated by making an assessment of the effective rate of tax that is applicable to the shareholders on the profits attributable to the shareholders. This is calculated by applying the appropriate effective corporate tax rates to the shareholder profits.</p> <p>The remainder of the tax charge represents tax on policyholders' investment returns.</p> <p>This calculation method is consistent with the legislation relating to the calculation of the tax on shareholders' profits.</p>	<p>The UK tax regime facilitates the collection of tax from life insurance policyholders by making an equivalent charge within the corporate tax of the Company. The total tax charge for the insurance companies therefore comprises both this element and an element more closely related to normal corporation tax.</p> <p>Life insurance business impacted by this tax typically includes policy charges which align with the tax liability, to mitigate the impact on the corporate. As a result, when policyholder tax increases, the charges also increase. Since these offsetting items can be large, and typically do not perform in line with the business, it is beneficial to be able to identify the two elements separately. We therefore refer to that part of the overall tax charge, which is deemed attributable to policyholders, as policyholder tax, and the rest as shareholder tax.</p>	Disclosed as separate line items in the Statement of Comprehensive Income on page 178.
Profit before shareholder tax	A profit measure which reflects the IFRS result adjusted for policyholder tax, but before deduction of shareholder tax. Within the Consolidated Statement of Comprehensive Income the full title of this measure is 'Profit before tax attributable to shareholders' returns'.	The IFRS methodology requires that the tax recognised in the Financial Statements should include the tax incurred on behalf of policyholders in our UK life assurance company. Since the policyholder tax charge is unrelated to the performance of the business, we believe it is also useful to separately identify the profit before shareholder tax, which reflects the IFRS profit before tax, adjusted only for tax paid on behalf of policyholders.	Disclosed as a separate line item in the Statement of Comprehensive Income on page 178.
Underlying profit	A profit measure which reflects the IFRS result adjusted to remove the DAC, DIR and PVIF adjustments.	The IFRS methodology promotes recognition of profits in line with the provision of services and so, for long-term business, some of the initial cash flows are spread over the life of the contract through the use of intangible assets and liabilities (DAC and DIR). Due to the Retail Distribution Review (RDR) regulation change in 2013, there was a step-change in the progression of these items in our accounts, which resulted in significant accounting presentation changes despite the fundamentals of our vertically-integrated business remaining unchanged. We therefore believe it is useful to consider the IFRS result having removed the impact of movements in these intangibles as it better reflects the underlying performance of the business.	Refer to page 70.
Controllable expenses	The total of expenses which reflects Establishment, Development (both Operational and Strategic), and Academy.	We are focused on managing long-term growth in controllable expenses to 5% p.a.	Full detail of the breakdown of expenses is provided on page 73

¹ As we explained in the Half Year Report & Accounts 2021, for the year ended 31 December 2021 we have re-shaped our presentation of the Cash result to aid shareholders. This adapts our reporting to our guidance on expense growth, which has a new focus on controllable expenses. As a result, controllable expenses are a new alternative performance measure (APM), and the Operating cash result, an APM in previous years, has been removed. The Operating cash result no longer provides relevant information as it includes some, but not all, controllable expenses.

Glossary of Terms

Adviser or financial adviser

An individual who is authorised by an appropriate regulatory authority to provide financial advice. In the UK our advisers are authorised by the FCA.

Administration platform, also Bluedoor

A client-centric administration system, which has been developed in conjunction with our third-party outsourced administration provider, SS&C Technologies, Inc. (SS&C). The system is owned by SS&C.

Chief Operating Decision Maker (CODM)

The Executive Committee of the Board (Executive Board), which is responsible for allocating resources and assessing the performance of the operating segments.

Client numbers

The number of individuals who have received advice from a St. James's Place Partner and own a St. James's Place wrapper.

Client retention

Client retention is assessed by calculating the proportion of clients at 1 January in the year who remain as a client throughout the year and are still a client on 31 December of the same year.

Company

The Company refers to St. James's Place plc, which is also referred to as 'St. James's Place', 'St. James's Place plc' and 'SJP' throughout the Annual Report and Accounts.

Controllable expenses

The total of expenses which reflects Establishment, Development (both Operational and Strategic), and Academy.

Deferred acquisition costs (DAC)

An intangible asset required to be established through the application of IFRS to our long-term business. The value of the asset is equal to the amount of all costs which accrue in line with new business volumes. The asset is amortised over the expected lifetime of the business.

Deferred income (DIR)

Deferred income, which arises from the requirement in IFRS that initial charges on long-term financial instruments, should only be recognised over the lifetime of the business. The initial amount of the balance is equal to the charge taken.

Discretionary Fund Management (DFM)

A generic term for a form of investment management in which buy and sell decisions are made (or assisted) by a portfolio manager for a client's account. Within St. James's Place, the services provided by Rowan Dartington (including investment management, advisory stockbroking and wealth planning) are collectively referred to as Discretionary Fund Management, distinguishing them from the services provided by our Partners and from the Investment Management Approach (IMA).

European Embedded Value (EEV)

EEV reflects the fact that the expected shareholder income from the sale of wealth management products emerges over a long period of time by bringing into account the net present value of the expected future cash flows. EEV is calculated in accordance with the EEV principles originally issued in May 2004 by the Chief Financial Officers Forum (CFO Forum), supplemented in both October 2005 and, following the introduction of Solvency II, in April 2016.

Executive Board

The Executive Board comprises the Executive Directors of the Board and other members of senior management. It is via the Executive Board that operational matters are delegated to management. The Executive Board is responsible for communicating and implementing the Group's business plan objectives, ensuring that the necessary resources are in place in order to achieve those objectives, and managing the day-to-day operational activities of the Group.

Field management team (FMT)

The team of managers within St. James's Place with day-to-day responsibility for support and supervision of the Partnership.

Financial Conduct Authority (FCA)

The FCA is a company limited by guarantee and is independent of the Bank of England. It is responsible for the conduct of business regulation of all firms (including those firms subject to prudential regulation by the Prudential Regulation Authority (PRA)) and the prudential regulation of all firms not regulated by the PRA. The FCA has three statutory objectives: securing an appropriate degree of protection for consumers, protecting and enhancing the integrity of the UK financial system, and promoting effective competition in the interests of consumers.

Financial Services Compensation Scheme (FSCS)

The FSCS is the UK's statutory compensation scheme for customers of authorised financial services firms. This means that the FSCS can pay compensation if a firm is unable, or is likely to be unable, to pay claims against it. The FSCS is an independent body, set up under the Financial Services and Markets Act 2000 (FSMA), and funded by a levy on 'authorised financial services firms'. The scheme covers deposits, insurance policies, insurance brokering, investments, mortgages and mortgage arrangement.

Glossary of Terms continued

Funds under management (FUM)

Represents all assets actively managed or administered by or on behalf of the Group, including all life insurance and unit trust assets, but not assets managed by third parties where we have only introduced or advised on the business. Assets managed by Rowan Dartington count as FUM from the date of acquisition.

Gestation FUM

This represents FUM on which no annual management charges are taken. Most of our investment and pension business enters a six-year gestation period following initial investment. FUM which is not gestation FUM is known as mature FUM, which is defined later in this section.

Gross inflows

Total new funds under management accepted in the period.

The Group refers to the Company together with its subsidiaries as listed in Note 23 to the Consolidated Financial Statements.

International Financial Reporting Standards (IFRS)

These are accounting regulations issued by the International Accounting Standards Board (IASB) designed to ensure comparable preparation and disclosure of statements of financial position. The Group Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the UK (adopted IFRSs).

Investment Management Approach (IMA)

The IMA is how St. James's Place manages clients' investments. It is managed by the St. James's Place Investment Committee, which in turn is supported by respected independent investment research consultancies, including Redington and Rocaton. The Investment Committee is responsible for identifying fund managers for our funds, selecting from fund management firms all around the world. It is also responsible for monitoring the performance of our fund managers, and, if circumstances should change and it should become necessary, then it is responsible for changing the fund manager as well.

Mature FUM

This represents FUM on which annual product management charges are taken. ISA and unit trust business flows into mature FUM from initial investment, but most of our investment and pension business only becomes mature FUM after the six-year gestation period, during which time it is known as gestation FUM.

Maturities

Those sums paid out where a plan has reached the intended, pre-selected, maturity event (e.g. retirement).

Net inflows

Net inflows are Gross inflows less the amount of FUM withdrawn by clients during the same period. The net inflows are the growth in FUM not attributable to investment performance.

Paraplanner

Staff member in a Partner practice who support the advisers in that practice.

Policyholder and shareholder tax

The UK tax regime facilitates the collection of tax from life insurance policyholders by making an equivalent charge within the corporate tax of the Company. This part of the overall tax charge, which is attributable to policyholders, is called policyholder tax. The rest is shareholder tax.

Prudential Regulation Authority (PRA)

The PRA is a part of the Bank of England and is responsible for the prudential regulation of deposit-taking institutions, insurers and major investment firms. The PRA has two statutory objectives: to promote the safety and soundness of these firms and, specifically for insurers, to contribute to the securing of an appropriate degree of protection for policyholders.

Purchased value of in-force (PVIF)

An intangible asset established on takeover or acquisition, reflecting the present value of the expected emergence of profits from a portfolio of long-term business. The asset is amortised in line with the emergence of profits.

Registered Individuals

An individual who is registered by the FCA, particularly an individual who is registered to provide financial advice. See also Adviser and St. James's Place Partner.

Regular income withdrawals

Those amounts, pre-selected by clients, which are paid out by way of periodic income.

Responsible investment (RI)

Principles and practices that consider broader sustainability themes and specific environmental, social and corporate governance (ESG) factors within the investment process.

Retirement Account (RA)

A St. James's Place pension product which incorporates both pre-retirement pension saving and post-retirement benefit receipts in the same investment product.

Rowan Dartington (RD)

A wealth management business providing investment management, advisory stockbroking and wealth planning services acquired by St. James's Place in 2016.

Solvency II

Insurance regulations designed to harmonise EU insurance regulation which became effective on 1 January 2016. The key concerns of the regulation are to ensure robust risk management in insurance companies and to use that understanding of risk to help determine the right amount of capital for UK and European insurance companies to hold to ensure their ongoing viability in all but the most severe stressed scenarios. Following the UK's withdrawal from the EU these regulations have been adopted by the UK.

SS&C Technologies, Inc. (SS&C)

A provider of investor and policyholder, administration and technology services, formerly known as DST Systems. SS&C is our third-party outsourced provider, responsible for the administration of our UK life insurance company SJPUK, our Irish life insurance company SJPI, our unit trust manager SJPUTG, and our investment administration company SJPIA.

St. James's Place Charitable Foundation

The independent grant-making charity established at the same time as the Company in 1992. More information about the Charitable Foundation can be found on pages 51 and 52 or on the website www.sjpfoundation.co.uk.

St. James's Place International plc (SJPI)

A life insurance entity in the Group which is incorporated in the Republic of Ireland.

St. James's Place Investment Administration Limited (SJPIA)

An entity in the Group which is responsible for unit trust administration and ISA management, which is incorporated in England and Wales.

St. James's Place Partner

A member of the St. James's Place Partnership. Specifically, the individual or business that is registered, on the relevant regulatory register, as an Appointed Representative of St. James's Place Wealth Management plc, St. James's Place (Hong Kong) Limited, St. James's Place Wealth Management (Shanghai) Limited and St. James's Place (Singapore) Private Limited.

St. James's Place Partnership

The collective name for all of our advisers, who are Appointed Representatives of St. James's Place.

St. James's Place UK plc (SJPUK)

A life insurance entity in the Group which is incorporated in England and Wales.

St. James's Place Unit Trust Group Limited (SJPUTG)

An entity in the Group which is responsible for unit trust management, which is incorporated in England and Wales.

St. James's Place Wealth Management plc (SJPWM)

The UK distribution entity within the Group, which is responsible for the St. James's Place Partnership and the advice they provide to clients. It is incorporated in England and Wales.

State Street

A global financial services holding company offering custodian services, investment management services, and investment research and trading services. State Street is responsible for the custody of the majority of the St. James's Place assets, and also provides other investment management services.

Surrenders and part-surrenders

Those amounts of money which clients have chosen to withdraw from their plan, which were not pre-selected regular income withdrawals or maturities.

Vertically integrated

When we describe St. James's Place as being vertically integrated, we are referring to the fact its distribution capability (the Partnership) and the manufacturers of its investment products are both part of the Group.

SJP

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