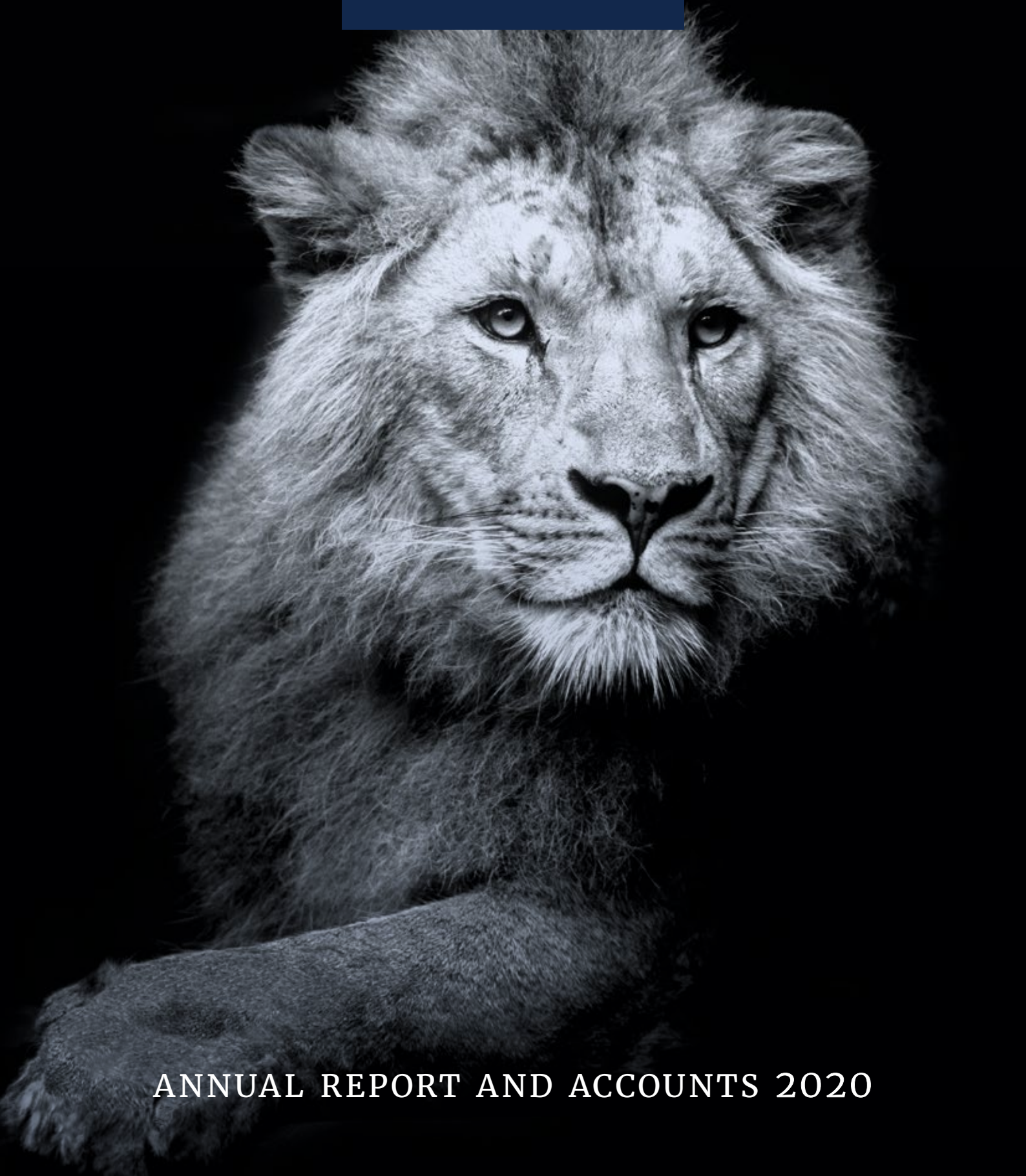




ST. JAMES'S PLACE



ANNUAL REPORT AND ACCOUNTS 2020

We are St. James's Place.

'Giving you the confidence to create the future you want.'

Our purpose is to give our clients, advisers, employees, shareholders and wider society the confidence to create the futures they want.

What we do

We plan, grow and protect the financial futures of businesses and individuals across the UK by providing an end-to-end wealth management proposition. We offer clients access to our full range of wealth management products and services through personal, face-to-face advice delivered by the Partnership, our 4,338-strong group of advisers. We tailor clients' investments to match their financial goals, supporting the delivery of positive client outcomes.



2020 Performance Highlights

St. James's Place (SJP) continued to demonstrate resilience in exceptional market conditions in 2020, reporting substantial gross and net inflows throughout the year.

Underlying cash result¹

£264.7m

(Down 3% from £273.1 million in 2019)

Net inflows

£8.2bn

(Down 8% from £9.0 billion in 2019)

IFRS profit after tax

£262.0m

(Up 79% from £146.6 million in 2019)

Gross inflows

£14.3bn

(Down 5% from £15.1 billion in 2019)

Dividends per share

38.49p

(Down 23% from 49.71² pence in 2019)

European embedded value (EEV) operating profit¹

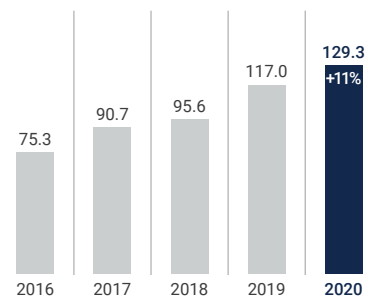
£919.0m

(Down 3% from £952.0 million in 2019)

Funds under management

£129.3bn

(Up 11% from £117.0 billion in 2019)



1 The Underlying cash result and EEV operating profit are alternative performance measures (APMs). The Glossary of Alternative Performance Measures on pages 232 to 234 defines these APMs and explains why they are useful. The Underlying cash result is reconciled to International Financial Reporting Standards (IFRS) on pages 59 and 60.

2 The dividend per share disclosed in 2019 was 49.71 pence, which was prior to the Board's decision in April 2020 to withhold 11.22 pence per share until such a time as the financial and economic impacts of COVID-19 became clearer. The withheld amount of 11.22 pence per share has now been reinstated as a further 2019 interim dividend and will be paid on 24 March 2021 to shareholders on the register on 5 March 2021. For further information, refer to page 5.

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Engaging with stakeholders

St. James's Place has built its success by forging long-lasting, trusted relationships with all our stakeholders, from clients and the Partnership through to our employees, shareholders, and the communities in which we operate.

Our stakeholders share the common goal of delivering great client outcomes. Whilst this is central to our culture, we appreciate that we have responsibilities that extend beyond our clients alone, and so we recognise the importance of open engagement with all our stakeholders. This builds trust and enables us to continue to develop our business in a way that creates value for all stakeholders, underpinning our drive to be a leading responsible business.

Throughout this Strategic Report we provide examples of how we engage with our stakeholders in support of our strategic priorities. We provide additional detail around how this helps to inform Board decision-making in our section 172(1) Statement on pages 88 to 95 of our Corporate Governance Report.

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Chief Executive's Report



“Our operations and performance during 2020 were inevitably disrupted by the lockdowns and social distancing. However, I am very pleased to report that our business has demonstrated real resilience and made further progress.”

£129.3bn

Funds under management
2019: £117.0 billion

38.49 pence per share

Full year dividend
2019: 49.71 pence per share

£14.3bn

Gross inflows
2019: £15.1 billion

Introduction

2020 was an extraordinary year for individuals, families, businesses and broader societies across the globe, with events shaped by the COVID-19 pandemic that began early in the year. Our lives have been disrupted and we have all had to protect the physical, mental and financial health of ourselves, our friends and loved ones, our colleagues, and the vulnerable. All of us have had to be agile and adapt to a rapidly changing environment. Some detail on how we at St. James's Place adapted through 2020 is provided on pages 10 and 11.

Our operations and performance during 2020 were inevitably disrupted by the lockdowns and social distancing. However, amidst this most challenging of years, I am very pleased to report that our business has demonstrated real resilience and made further progress, supported by our engagement with our clients, our recent major investment in technology platforms, and the agility of our advisers and employees.

Our people, together with the broader St. James's Place community, have worked commendably in the most trying of circumstances. They have demonstrated once again the core values and behaviours that we hold dear so I would like to thank them all for their hard work, dedication and commitment.

Operating performance

After a strong start to 2020 with 12% growth in gross investments during the first quarter, the impact of the COVID-19 related restrictions in the second and third quarters resulted in gross inflows that were lower than the same periods in 2019. Encouragingly, fourth quarter gross inflows underscored the resilience of our business with a modest improvement on 2019, providing for full year gross inflows of £14.3 billion – 5% lower year on year.

The position for net investments followed a similar pattern, with a full year total of £8.2 billion – 8% lower than in 2019 but still equivalent to 7% of opening funds under management. The ability to attract and retain investments in 2020 is a great demonstration of the strength of relationships our advisers enjoy with their clients.

These strong net flows, together with robust markets, increased funds under management by 11% to a record £129.3 billion at the end of the year.

Financial performance

Whilst the growth in funds under management bodes well for future income, our income in 2020 was impacted by the more challenging new business and investment markets. Despite a more difficult external environment we continued to invest in the business, albeit at a more modest pace.

Once again, the outcome for the year was significantly impacted by the Financial Services Compensation Scheme (FSCS) levy we incurred. Our contribution to the levy in 2020 was £36.7 million some 33% higher than a year ago. Whilst we continue to support an industry safety net for consumers, the increasing size of the levy is a real concern and source of frustration. Good companies are having to continue to fund a significant cost over which they have no control or influence.

Taking all this together, the underlying cash result for 2020 was £264.7 million versus £273.1 million in 2019. Given the unprecedented and challenging conditions during the year, we see this as a very robust outcome.

As we look forward, we must ensure we are an agile and dynamic business, one that is able to flex to the changing needs of both the Partnership and clients. To ensure we have our investment, our resources, and our people in the right areas to drive our business forward, in early 2020 we began a review of how we're organised to deliver against our strategic priorities.

During 2021 we are therefore simplifying our operations where we can, removing duplication of work and stopping those tasks that are now no longer needed. Unfortunately, this streamlining of the business means a loss of around 200 roles from across the St. James's Place business. We hope, however, that a combination of filling vacant roles across the business and a voluntary redundancy programme in appropriate areas, will mitigate the number of individuals impacted by this difficult decision.

2019 withheld dividend

At the outset of the pandemic the Board made the decision to withhold 11.22 pence of the 2019 final dividend, until such time when the financial and economic impact of COVID-19 became clearer. This prudent decision provided the funds to ensure we had the ability and flexibility to continue to provide clients with the quality of service they would need through the Partnership in scenarios that had the potential to become significantly more challenging.

I am pleased to report that those potential scenarios did not come to pass and therefore we have not needed to utilise those funds. Whilst the pandemic is still on-going, we now have greater visibility on the financial and economic impact to-date and a vaccination programme is being rolled out across the UK. These developments, together with the proven financial resilience of the business, gives us confidence to now pay the withheld amount as a further 2019 interim dividend of 11.22 pence per share on 24 March 2021 to shareholders on the register at the close of business on 5 March 2021.

2020 dividend

The dividend for 2020 has been determined under our existing dividend policy which is to pay out circa 80% of the underlying cash result. No interim dividend for 2020 was declared and the Board is therefore proposing a final dividend of 38.49 pence per share to be paid, subject to approval of shareholders at our AGM, on 21 May 2021 to shareholders on the register at the close of business on 16 April 2021. A Dividend Reinvestment Plan continues to be available for shareholders.

Chief Executive's Report continued

“The value of having a trusted financial adviser was evident in this most challenging of years when market volatility was heightened, economic uncertainty reigned, and concerns over personal health and wealth will have been front of mind for many.”

Supporting clients

We seek to give clients the confidence to create the futures they wish for and we recognise that supporting long-term, trusted relationships between our advisers and their clients is critical to achieving that. The value of having a trusted financial adviser was evident in this most challenging of years when market volatility was heightened, economic uncertainty reigned, and concerns over personal health and wealth will have been front of mind for many. In these circumstances, the careful, guiding hand of our advisers will have brought reassurance, comfort and confidence for clients and helped to ensure they remained on track to meet their long-term objectives.

The nature of client engagement did of course change from the physical to the virtual, so it has been important that we and our advisers adapt and evolve our service proposition accordingly. We know, for example, that advisers increased the frequency of their client interactions, making use of virtual meeting platforms to stay in touch with them at a much needed time. We naturally supported this shift and made available to advisers other technological capability to support their client engagement, including the launch of Qwil, a secure messaging app, and DocuSign, an electronic signature tool.

While we look to client and adviser satisfaction as being key yardsticks for the success of our client relationships it is nonetheless pleasing that St. James's Place continues to gain external recognition in the shape of industry awards. The highlight was once again being voted by clients as the 'Wealth Manager of the Year' in the City of London Awards for the sixth successive year, recognition of the consistent quality of our service and client proposition.

We have long recognised that financial advice provides not only financial benefits for clients, but non-financial benefits too, so we were delighted to work with the International Longevity Centre (ILC) in preparing their report that was published in 2020. This report explored the non-financial benefits of financial advice and it found that 'people who take advice are more confident about their financial future and better prepared for retirement' and that 'advice improves financial literacy, confidence, and delivers greater control, reassurance and peace of mind'.

Supporting the St. James's Place Partnership

The Partnership performed tremendously well during a very difficult operating environment in 2020. Our advisers adapted quickly to rapidly changing circumstances, demonstrating real agility and flexibility in order to maintain their support for their clients and keep their businesses healthy. Their efforts have been aided by the investments we have made over time in strengthening our overall support proposition for them, not least in technology and infrastructure.

In 2020 we safely decommissioned our legacy back-office administration systems following completion of migration to our new Bluedoor platform in 2019. The investment we have made into building this new, modern IT platform has already served the business well, providing us with a much greater degree of operational resilience through the pandemic. It has also been key to enabling the rapid deployment of complementary technologies to better service the Partnership and clients during lockdown.

Our collaboration with Salesforce gathered pace through the year and together with Bluedoor we now have a leading, scalable technology infrastructure that will benefit all stakeholders in the years ahead. We will continue to build additional functionality into our back-office systems and broader technology infrastructure, ensuring that we optimise our systems and processes.

Supporting and developing the Partnership has been critical to our success over time and we are pleased to have made further progress in 2020. In addition to the core programmes noted above, we have sought to invest in other ways to make it easier for our advisers to engage with clients and manage their businesses. We believe there is considerable potential for further growth in Partner productivity in the coming years and 'making it easier to do business' will be a key foundation to this outcome.

We retain a strong commitment to growing the Partnership so that we can provide value-added financial advice and services to more clients over time. However, during the COVID-19 crisis we took the deliberate step of slowing experienced recruitment activity. We were mindful that in the face of the challenging external environment, financial advisers across the UK will have rightly been focused on supporting their existing clients and keeping their businesses secure and we therefore did not wish to distract them from this important work.

“Our proposition for advisers and clients is stronger than ever, so we remain confident in our ability to attract advisers of the highest calibre to our business.”

We also made changes to our Academy programmes, pausing new intakes during the early period of the pandemic and moved all existing cohorts of ‘students’ to virtual learning environments.

These deliberate actions naturally resulted in lower growth in the Partnership than normal and we ended the year with a total of 4,338 advisers, 1.6% higher than at the end of 2019.

Our proposition for advisers and clients is stronger than ever, so we remain confident in our ability to attract advisers of the highest calibre to our business. With both the recruitment of experienced advisers and new Academy intakes having now restarted, 2021 will see us getting back to building the Partnership with a recovery in growth to some 3-5% for the year.

Looking further ahead the external market of experienced advisers has not been growing materially and, taking account of the average age of these advisers, we expect the size of the adviser market to reduce in coming years. Consequently, the importance and success of the Academy will be critical to our success in future years. It is therefore pleasing that we start 2021 with 244 ‘students’ in the Academy and we expect to see a further 350 entrants to financial advice join the Academy this year in one form or another.

Investment markets and investment management approach (IMA)

2020 was an extraordinary period for investment markets, with the first half of the year in particular characterised by extreme volatility and the second half seeing strong recovery across many investment markets. Against this backdrop the returns of our portfolios proved resilient helping to keep our clients on track towards their long-term financial goals.

We made a number of changes to our fund range during the year, including the appointment of Somerset Capital Management as the new manager of our Global Emerging Markets fund and the appointment of Pzena Investment Management, Sanders Capital and Artisan Partners to manage our Global Value fund.

Later in the year, we strengthened our global equity offering through the redesign of our Global Quality fund. Alongside our Global Growth fund, these multi-manager strategies are a key pillar of global strategic asset allocation within our Growth and Income portfolios and seek to drive client returns by utilising complementary investment styles.

In December, we also evolved our fixed income range with the addition of BlueBay Asset Management to our Global High Yield Bond fund. This provides greater diversification within the fund through increased exposure to emerging market credit.

We were also very pleased to launch an innovative range of funds designed to provide investment solutions around the challenge of decumulation. Our three InRetirement funds are market leading offerings that allow clients, with the guidance of their St. James’s Place adviser, to map out their objectives and find a suitable investment solution that is able to support a specific withdrawal profile, according to their specific needs.

St. James’s Place has a responsibility to support positive client outcomes through our IMA but also the need to do so in a way that has a positive impact on the world we live in. We are therefore pleased to have delivered on our commitment to have all 39 of our external fund management houses as signatories to the United Nations Principles for Responsible Investment (UNPRI). We have also progressed our client disclosures around responsible investing, launching in July the first of our quarterly Portfolio Carbon Emissions Reports. This level of transparency helps us, advisers and clients consider how the carbon footprint of our portfolios compare to equivalent benchmarks. In line with our goal of greater transparency, in July we also published our first Value Assessment Statements, a detailed review of the value offered by our broad range of unit trust funds.

We strongly believe the developments we implemented in 2020 will continue the on-going journey to future proof our investment proposition and ensure we continue to offer a compelling fund range to our clients.

Chief Executive's Report continued

St. James's Place Asia funds under management

£1.2bn

26% higher than 2019

Rowan Dartington funds under management

£2.9bn

3% higher than 2019

Asia

Our Asian operations have faced some considerable external challenges over the last two years firstly with the US/China trade rhetoric and the demonstrations in Hong Kong during 2019, and then the COVID-19 pandemic in 2020.

Whilst these challenges naturally impacted our planned growth trajectory, it is nonetheless pleasing to report gross inflows for the year of £321 million, growth of some 27% year on year whilst net inflows were 15% higher at £257 million. Funds under management ended the year 26% higher at £1.2 billion.

We remain confident about the long-term potential for St. James's Place in Asia given both the fundamental attractiveness of the opportunity for high quality wealth management businesses in those markets, and the investment we have already made to develop our scale and capabilities in our chosen territories.

Having reached more than £1bn in FUM, we have moved to prioritise a focus on accelerating the path to cash result profitability. As part of this journey we took the decision to reduce the number of new adviser entrants in the business and therefore ended 2020 with 132 remaining but experienced advisers.

This shift in focus meant that the annual net investment cost for our Asian operations peaked in 2019 with the 2020 net investment reduced. As the income from existing funds under management starts to flow through, we expect the future net investment cost to reduce year by year with the operations becoming cash result positive in 2025.

Rowan Dartington

Rowan Dartington continues to play an important role in complementing the investment capabilities of our IMA, providing an attractive and differentiated proposition that supports our ability to attract advisers to the Partnership and for our advisers to attract and retain clients.

In 2020, the difficult trading conditions caused by the pandemic also impacted new business for Rowan Dartington with gross inflows some 17% lower at £426 million and net inflows 24% lower at £278 million. Funds under management ended 2020 at £2.9 billion which was 3% higher than the start of the year.

The combination of lower flows and volatile markets reduced the planned income of the business. However, strong expense discipline resulted in a lower net investment cost in 2020 compared to 2019. We expect the investment cost to continue to decline in coming years with the operations becoming cash generative in 2024.

Responsible Business

We aspire to be a leading responsible business, one that demonstrates positive social impact from our core business activities. It was therefore a really proud moment when SJP achieved the Business In The Community – Community Mark, one of only 37 companies worldwide who currently enjoy this status.

A key value of St. James's Place is to give back to those who are less fortunate through the work of the St. James's Place Charitable Foundation. The pandemic had a significant impact on the charity sector, with many fundraising events cancelled. The Foundation was not immune from these challenges, but I'm delighted to announce that our community still raised a fantastic £9 million (including matching) which enabled the Foundation to provide more than £10.5 million of grants to support many great causes through a difficult year. We were also able to advance future commitments and increase the flexibility of our grant giving.

As well as helping those charities with whom the Foundation had an existing relationship, a special Foundation appeal to our community raised £550,000 (including matching) for the National Emergencies Trust and NHS Charities Together, two leading charities involved in the Country's frontline COVID-19 response. The fundraising supplemented a donation of £200,000 by the Foundation to the National Emergencies Trust and a combined Corporate and Foundation donation of £150,000 to the Trussell Trust.

Of equal importance to providing financial support, was providing the time and effort of our people, so during the pandemic we allowed all employees to take unlimited volunteering days.

As covered earlier in my statement, as the custodian of £129.3 billion of our clients' savings and pensions, it is important that we invest this money in a responsible manner, ensuring that we have a positive impact on the world around us. We have developed our approach to responsible investing over time and we are also progressing our reporting frameworks with our Task Force on Climate-related Financial Disclosures (TCFD) report for 2020 to become available on our website. In 2020 we took the important step of joining the Net Zero Asset Owners Alliance (NZAOA), making a public commitment that all our investment portfolios will be carbon neutral by 2050. We have the desire for both ambition and action in order to drive positive change.

New Chair

I am delighted to welcome Paul Manduca to the Board as a Non-executive Director and, subject to regulatory approval, Chair designate. Paul brings a wealth of expertise and experience to the Board and I look forward to working with him in the years ahead.

I would like to take the opportunity to express my sincere thanks to Iain Cornish who will be stepping down from the Board as Chairman at the 2021 AGM. Iain has provided wise and valuable counsel to the Board since joining in 2011 and we wish him well for the future.

Outlook

2020 was an extraordinary year that will be etched on our memories for many years to come and will have changed how individuals choose to live their lives and set their future aspirations. Against that backdrop, we were delighted with the resilience of the St. James's Place business which again delivered for its clients, Partners shareholders and employees.

During 2020, despite the disruption caused by COVID-19, we continued with our 5 year business planning cycle although we were able to factor in the lessons we have learned from navigating the pandemic. As part of this review, we have tested and refined our planning assumptions for St. James's Place in the light of the attractive market outlook for our face to face advisory business model, the scale of the business we have achieved today with funds under management of £129.3 billion at 31 December 2020, and the ongoing developments we have made to our technology infrastructure. The key planning assumptions for the five-year period are now:

- We believe that the demand for trusted advice and helping individuals' financial wellbeing, is stronger than ever. As the largest wealth manager in the UK, with the quality of The Partnership and the strength of our client proposition, together with the resilience of our community, we are ideally placed to continue to grow gross flows at some 10% per annum.
- This growth will be supported by the continued recruitment of experienced advisers, Academy graduations and an increase in productivity through supporting Partners to grow their businesses and making St. James's Place easier to do business with.
- The advice and service provided to clients by the Partnership, together with their strong relationships and our client proposition, will provide for continued strong retention.

- This continued growth in gross flows and strong retention should see funds under management increase to in excess of £200 billion by the end of 2025. This will, however, be influenced by investment returns.
- Whilst we will continue to invest in the business to support our continued growth and maintain our market leading position, the technological foundations that we have in place provide us with greater operating flexibility and efficiency such that our annual expense growth going forward will be around 5%.
- Year by year, growth in the cash income emerging from the release of funds in gestation will support significant growth in the underlying cash result.
- A dividend pay-out ratio set at 70% of the underlying cash result, balancing cash distributions to shareholders and retention in the business, in particular given the change in mix towards pensions business; future interim dividends will be set at 30% of the full year dividend for the prior year.

Clearly the external environment will be important but achievement of these planning assumptions would see St. James's Place continue to deliver attractive new business growth over the next five years and, underpinned by the release of cash from funds in gestation, significant growth in the cash result and therefore dividends per share.

In the near term, whilst we are encouraged by the moderate growth in new business we have seen in the early weeks of 2021, the external environment remains challenging. There remain difficult months ahead but as COVID-19 restrictions ease, we are hopeful there will be an economic recovery and we will see a return to more normal growth in new client investments.

ANDREW CROFT
Chief Executive

24 February 2021

COVID-19 Update

Q&A

The COVID-19 pandemic had an impact across all areas of our business in 2020. Andrew Croft, Chief Executive Officer, answers here some key questions around how the business responded to the pandemic and what lessons have been learned for the future.

Q. WHAT WERE THE KEY PRIORITIES FOR ST. JAMES'S PLACE AS THE COVID-19 PANDEMIC ESCALATED IN EARLY 2020?

Given the speed with which the pandemic escalated here in the UK, our initial focus was on three priorities: first, ensuring the safety and wellbeing of all our people, whether employees or the Partnership; second, optimising our operating systems and processes so that we and our advisers could continue to provide uninterrupted support to clients throughout these difficult and unique times; and third, extending our financial support through the grants provided by the St. James's Place Charitable Foundation to those charities we support.

Q. WHAT STEPS DID YOU TAKE TO ADDRESS THESE PRIORITY AREAS?

Having set these priorities in place, we were then able to respond quickly and with clarity of focus. For example, we transitioned rapidly to remote working practices for our people, leveraging the flexibility that already existed within our technology estate. This meant that within a matter of days of the initial national lockdown we had all but a handful of our employees performing critical roles (for example managing the post) working from home. We also recognised the need to consider the physical and mental health of our people in this new environment so we provided staff and their families with access to online 24/7 GP services, mobilised our Mental Health First Aiders to help support our people, and increased the frequency of our communication and engagement with employees to ensure that social distancing did not result in emotional distancing.

From the perspective of our business operations, we have benefited enormously from our investment in re-platforming our UK back-office administration systems to Bluedoor. As well as facilitating electronic straight through processing, Bluedoor enabled us to accelerate the roll out of complementary technology to help advisers continue to support their clients. For example, we launched DocuSign, a secure e-signature system that streamlines document verification, and we launched Qwil, a professional and secure messaging platform that facilitates conversations between advisers and clients. The Partnership naturally seeks to remain close to clients at these times of uncertainty, providing them with continuity of advice and service. Our deployment of these innovative tools has proved helpful to our advisers in achieving this.

We know that we are in a fortunate position to have benefited from such resilience and we do not take this for granted. We have therefore continued to do our best to provide help those for those who need it, particularly through support and funding for charities that are able to make a real difference in people's lives. This has been particularly important during 2020 when the charitable sector has been hit hard by funding challenges. The St. James's Place Charitable Foundation has responded by forward funding its financial commitments to the charities with which it is associated, and by launching a special fundraising appeal, which raised £550,000 from our community, for the National Emergencies Trust and NHS Charities Together. In addition, we allowed our employees to take unlimited volunteering time in support charitable causes.

Q. HOW DID YOUR APPROACH ALTER AS THE PANDEMIC EVOLVED OVER TIME?

Our aim throughout has been to remain focused on our key priority areas while acting with agility and flexibility to changing circumstances over time. For example, we took heed of Government advice and guidelines to quickly close all of our corporate offices early on in the pandemic, but we were able to re-open them in a COVID-19 safe way and on a case by case basis as and when the Government advice changed accordingly. This was important for us as while we know that our colleagues can work remotely, this will not have been appropriate for all of them.

Another example is the way in which we utilised the breadth of skills and expertise across our business in a more flexible manner during the year. Recognising the need to pivot towards areas of critical business dependency during March and April 2020, we commenced Project Switch, a program to redeploy some staff to those areas for a limited period of time. This proved invaluable in ensuring we continued to deploy appropriate levels of resource into those areas of most pressing operational priority.

Q. HOW HAS THE PANDEMIC IMPACTED THE OPERATING PERFORMANCE OF THE BUSINESS DURING 2020?

Overall, our business has proved resilient in the face of the challenges presented by the COVID-19 pandemic. Having sought to adapt quickly to the new operating environment, we saw the Partnership

working hard to support their clients at a time of heightened uncertainty and market volatility. Virtual client meetings replaced physical ones, allowing our advisers to remain in face-to-face contact with their clients at a time when their need for a guiding hand was more important than ever. This meant that retention of client investments remained strong through 2020, and clients continued to invest in order to support their long-term financial objectives.

We have though seen some impact on the ability of advisers to attract new clients as result of lockdowns, tiering systems and general social distancing measures. Technology has played an important role in helping advisers maintain face-to-face contact with existing clients, but there is no substitute for personal, physical introductions in helping to build the levels of trust for new adviser-client relationships.

During 2020, we attracted gross inflows of £14.3 billion, highlighting the enduring attractiveness of our overall proposition for clients, while the retention of over 96% of existing client investments resulted in net inflows of £8.2 billion. We think this is a very creditable outcome given the context of the operating environment we have faced.

Growth in the Partnership was also impacted by the COVID-19 pandemic in 2020. Sensitive to the challenging external environment for many financial advice businesses across the UK, we decided to slow the pace of our experienced adviser recruitment activity and allow financial advisers to focus fully on looking after their clients and businesses during this time.

We also paused all new intakes to our Academy programmes and moved all existing cohorts of student to virtual learning and assessment. Despite this, continued strong adviser retention coupled with modest recruitment resulted in net adviser growth to 4,338 advisers.

Q. WHAT HAS BEEN THE IMPACT OF THE COVID-19 PANDEMIC ON FINANCIAL PERFORMANCE DURING 2020?

From a financial perspective, our fee income was impacted by lower investment market levels, particularly in the first half of the year, as well as more modest new business volumes. We continued to invest into the business in order to underpin future growth and we also accelerated investment into technology in order to facilitate remote client engagement and servicing. However,

recognising the more challenging environment we also took measures to limit, postpone or cancel discretionary expenditure where possible and where we could be confident this would not impact on our ability to service clients or the Partnership, nor our ability to accommodate new business growth. Whilst we continue to be a very profitable business, our Underlying cash result has therefore decreased from £273.1 million in 2019 to £264.7 million in 2020.

Importantly, our financial position has remained strong throughout, with the resilience of our solvency position providing protection and comfort for all stakeholders. This reflects the fundamental simplicity of our business model and therefore the way in which we manage our balance sheet, which is to do so prudently in order to ensure we can safeguard our clients' assets and protect our business. We recognise too that in order to be able to ensure our clients' interests are protected, it is important that the Partnership remains in good financial health. During 2020 and in light of the pandemic, we undertook work to consider not only the potential stresses to our solvency and liquidity that could emerge from COVID-19, but also what stresses our Partner businesses might face and therefore what support we might need to extend to them in extremis. This thinking was an important input into the Board's decision, in April, to withhold 11.22p of the proposed 2019 final dividend.

While 2020 was a very challenging year for the Partnership, I am pleased that it has entered 2021 in good shape, both operationally and financially. The COVID-19 pandemic has not ended so we will continue to carefully monitor the risk it presents to our business and the Partnership over time.

Q. WHAT KEY LESSONS HAVE YOU LEARNED FROM OPERATING DURING THE PANDEMIC?

2020 has been a very challenging year but one in which we have learned numerous lessons. We would highlight the following as being especially important:

First, that an engaged workforce allied to excellent technological capability, means we have been able to work remotely very effectively. While we look forward to the time when we can all come together as colleagues once more, we see the holistic benefits of operating more flexible working practices going forward.

Second, that the Partnership represents a remarkably resilient and agile collective of businesses that really do go the extra mile to support their clients. The challenges of 2020 have been considerable, but the Partnership has adapted admirably to the circumstances, displaying true entrepreneurial spirit.

Third, that we have a community of people within St. James's Place who really do care about helping those who need it. The time and funds that our people have donated to support the St. James's Place Charitable Foundation and other good causes, highlights this key aspect of our shared culture and one that we should be proud to preserve.

Q. HOW HAS THE OUTLOOK FOR THE BUSINESS CHANGED AS A RESULT OF COVID-19?

While the COVID-19 pandemic has had a significant economic impact for the UK as a whole and for the personal finances of individuals, it has if anything increased the need for people to seek advice to help them achieve financial wellbeing.

Social distancing and lockdown restrictions have resulted in individuals of all ages becoming even more comfortable with the use of technology, whether to access data and information, or as a channel for communications. We can leverage our scale and the investment we have made into these areas in order to enhance our leading proposition as a wealth management business built on the strength of personal, trusted relationships supported by leading technology.

Providing face-to-face advice in the UK has been increasingly challenging in recent years, with industry advisers facing pressures from increased regulation, economic volatility, changing client expectations and higher professional indemnity costs. The effects of operating during the COVID-19 pandemic have made this environment even more challenging, so St. James's Place remains an attractive proposition for advisers and clients alike. We are therefore confident in our growth prospects.

Market Overview

The UK wealth market

Rising affluent wealth

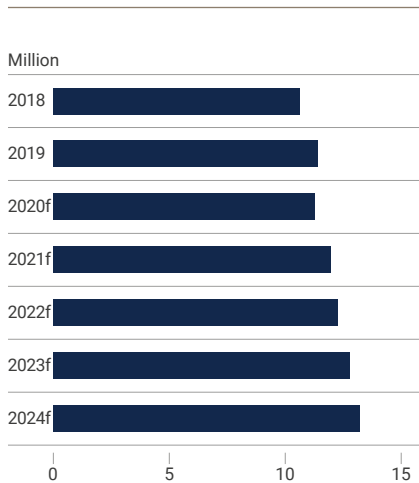
Despite the adverse economic impact of COVID-19, total UK retail wealth remains large and is projected to grow, with third-party data suggesting that retail liquid assets alone account for some £3.4 trillion (as at the end of 2020), of which c. 70% is controlled by St. James's Place's target market of individuals with £50,000 to £5 million of investable assets (source: GlobalData). Additionally, individual wealth from personal pension assets and insurance-wrapped savings is currently estimated to stand at £1.2 trillion (source: ONS).

We know, however, that 51% of total UK personal wealth is concentrated in the hands of savers between the ages of 45 and 64, with an additional 36% controlled by those aged 65 and above (source: ONS). This outlines the extent of future asset decumulation and the size of opportunity that intergenerational wealth transfer presents.

Increasing demand for financial advice

We estimate that there are c.11 million individuals in our target market in the UK, with around half currently seeking some form of financial advice. Although there has been a growing trend of low-touch, digital advice propositions in recent years, demand for personal, face-to-face advice has continued to grow as individuals lacking either the time, inclination or ability to manage their financial affairs, seek help from a trusted adviser. We expect the demand for face-to-face advice to continue to grow.

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

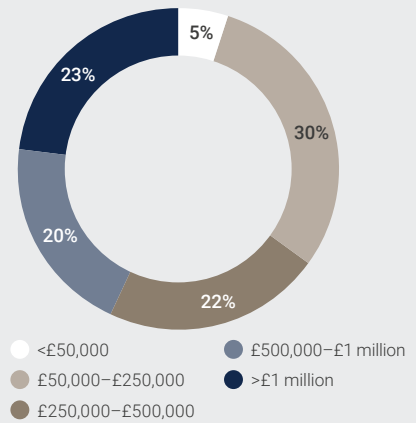


Source: GlobalData

Our core market

St. James's Place's core target market is UK individuals with between £50,000 and £5 million in investable assets. There were estimated to be 11 million such individuals at the end of 2020, and this number is projected to grow to 13 million by 2024. The liquid assets of this group are projected to increase from £2.4 trillion to £2.7 trillion in this time (source: GlobalData). While there are no typical St. James's Place clients, they all share a desire for trusted, face-to-face financial advice, be it in person or remotely.

Client FUM by value
31 December 2020



Source: GlobalData

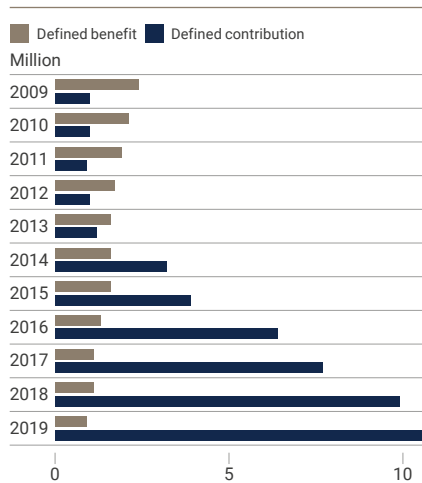
Factors driving this continued demand for advice include:

- intergenerational wealth transfer;
- the complexity of personal taxation;
- the decline of defined benefit pension schemes;
- the flexibilities and complexities afforded to individuals via 'pensions freedom'; and
- the scale and projected growth of the UK savings gap.

While demand for advice continues to increase, the population of financial advisers across the UK is forecast to decline in the coming years as experienced advisers approach retirement or sell their businesses due to regulatory pressures. As a result, the 'advice gap' looks set to widen.

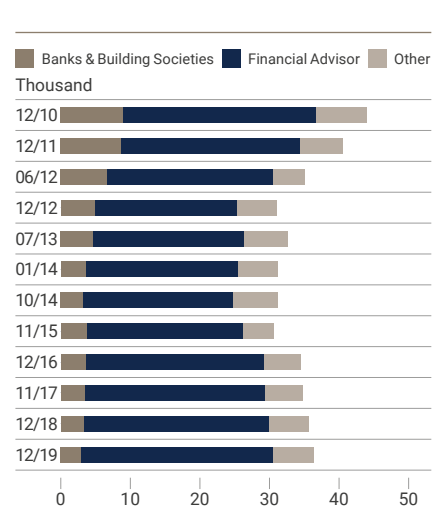
Against this backdrop, St. James's Place is established as the leading advice-led wealth management business in the UK with 4,338 advisers at the end of 2020. We are a business with a proven track record of attracting and retaining experienced financial advisers, as well as those looking to establish new careers via our Academy programmes.

Active membership of private sector occupational pension schemes by structure



Source: ONS

Number of retail investment advisers



Source: FCA

Market trends

The UK wealth management market is constantly evolving, providing both opportunities and challenges to market participants. Below are five key trends that are shaping the UK wealth management landscape of tomorrow:

1. TECHNOLOGY: SHIFTING CLIENT EXPECTATIONS AND DIGITALLY-ENABLED ADVISERS

Social distancing rules and remote working conditions, brought about by COVID-19, have catalysed an industry-wide adoption and deployment of digital wealth solutions aimed at improving client experience and adviser productivity. Already a growing trend before the pandemic, client demands for a more holistic digital experience are being driven, in large part, by online customer interactions with leading online businesses which are able to leverage vast amounts of customer data and use cutting-edge analytics to deliver an increasingly personalised service. Advisers are also benefiting from the proliferation of digital tools that drive efficiency in the onboarding and servicing of clients.

2. ESG INVESTING

2020 saw environmental, social and governance (ESG) investment approaches become more mainstream, as consumer demand for more sophisticated responsible investing increased significantly. In fact, responsible investment funds saw net retail sales of £7.1 billion in the first three quarters of 2020, up from £1.9 billion over the same period in the previous year (source: The Investment Association). This growing consumer awareness highlights not only the need for wealth managers to be ESG-focused, but also the need for wealth managers themselves to be regarded as responsible businesses that create and foster broad value for all stakeholders. Furthermore, due to the rapid development of ESG terminology and standards, there is a need for ongoing adviser training to keep pace with sector growth, which is expected to increase as the implementation of ESMA standards, expected to take effect in early 2021, will require advisers to consider clients' ESG preferences.

3. PERSONAL FINANCE COMPLEXITY

The environment for managing one's own personal financial affairs is increasingly complex. The recent surge in Government borrowing, as a result of COVID-19, is likely to lead to higher levels of client uncertainty as additional tax implications become manifest. At a macro level, investment decisions are made more complex by the 2020 global recession and low interest rates. Similarly, at a micro level, the increasing burden placed on individuals for retirement funding, a complicated personal taxation regime, and changes to the pensions landscape in recent years all serve to heighten the challenges individuals face when considering their finances.

4. DECLINE IN THE POPULATION OF FINANCIAL ADVISERS

Despite FCA-approved investment adviser numbers seeing steady annual growth of around 2% in recent years (source: ONS), this upward trend is not expected to continue. Instead, industry experts predict that the adviser market will decline over the medium to long term as advisers either retire or sell their businesses in the face of a range of external pressures including regulation, economic volatility and cyber crime. It is therefore incumbent on wealth managers to strive to attract, retain, and in some cases, train new advisers in order to meet the needs of a growing advice market.

5. PENSIONS & INTERGENERATIONAL WEALTH TRANSFER

An ageing UK population inevitably creates an increasing need for lifetime income, investment and pension savings to last much longer than previously required. Meanwhile, the decline of defined benefit pension schemes in favour of defined contribution schemes places the onus on individuals, rather than employers, to provide for their retirement savings. At the other end of the scale, young adults entering the workforce are likely to have lower levels of savings in investments comparative to previous generations. This is typically due to the high cost of housing tying up capital. Intergenerational wealth transfer will therefore become increasingly important in the years ahead.

Opportunities for St. James's Place

Maintaining a market-leading client and adviser proposition in an evolving wealth market demands that we continuously strive to improve our technology offering, as well as adapt to new client and adviser demands.

This is necessary to build and ensure long-lasting relationships throughout our Partnership and client base. We also recognise that as we continue to grow in size and influence, we have the opportunity to effect positive social change through engaging in public policy, as that is also an important part of what makes St. James's Place a responsible business.

 **Find out more in Our Responsible Business on pages 30 to 49**

How we do Business

We believe that the right culture is essential to building a successful and sustainable business. We have strong core values in place that reflect what we believe in and how we act.

We are a warm, inclusive community with core values of always doing the right thing, being the best version of ourselves and investing in long-term relationships. We have codified the culture of our organisation to conserve and protect all those elements that have helped make us successful today and we have also identified some areas that we will evolve to achieve our strategy.

We also have a clearly articulated purpose: 'To give you the confidence to create the future you want'. By 'you' we mean all our stakeholders: employees, the Partnership, clients, shareholders and society. Being true to our core values defines who we are and the experience our advisers and clients have with us.

Our desire is to promote and preserve the core values and behaviours that we regard as being central to the unique and valuable culture that is shared by all in the St. James's Place community.

Culture also drives sustainable success. Ours is a community of many different stakeholders. What connects this community is our common goal of delivering great client outcomes: making sure that the decisions we make are centred around this, means we will all be successful. Being clear on how and why we do things enables us to make better decisions for clients, for the Partnership, for each other and for society.



Whilst delivering great client outcomes is central to our culture, we recognise that we have responsibilities that extend beyond our clients alone, and which incorporate our obligations to our employees, the Partnership, shareholders and the communities and broader society in which we operate.

We therefore have ambitions to be a leading responsible business; one that is able to help give clients the confidence to create the futures they want, but also one that is able to have a positive impact for all stakeholders over time, helping them to create the futures they want.

In order to help guide this ambition, we engage constructively and regularly with stakeholders, taking the opportunity to better understand their expectations of the business and how these should shape our forward direction. Our section 172 (1) Statement on pages 88 to 95 sets out our engagement programme and strategic decision-making in more detail.



We also measure our impact by reference to the United Nations Sustainable Development Goals (UNSDGs) where we consider that we are well positioned to drive positive change across the following six goals.

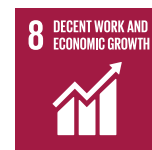
The Our Responsible Business section on pages 30 to 49 describes our priorities in becoming a leading responsible business as well as the progress we have made on this journey.



▶ Find out more on pages 32 and 45



▶ Find out more on pages 32 and 33.



▶ Find out more on pages 32, 33 and 45



▶ Find out more on pages 32, 38 and 44



▶ Find out more on pages 32, 33 and 45



▶ Find out more on pages 32, 38, 40 and 44

Our Business Model

What makes us different

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

Clients

We place our clients at the centre of everything we do.

804,000

Clients

The Partnership

We promote our trusted face-to-face approach to financial advice exclusively through the St. James's Place Partnership, with whom we enjoy a close and symbiotic relationship.

4,338

Advisers

St. James's Place

We offer clients a comprehensive suite of wealth management products and services, and a distinct investment management approach. We provide the Partnership with the tools and support for advisers to build sustainable businesses and develop long-term client relationships.

£129.3 billion

Funds under management

Responsible business

Through working as a responsible business, we strive to positively change lives and build better futures.

We understand that these futures are inextricably linked to the world around us.

Responsible investment

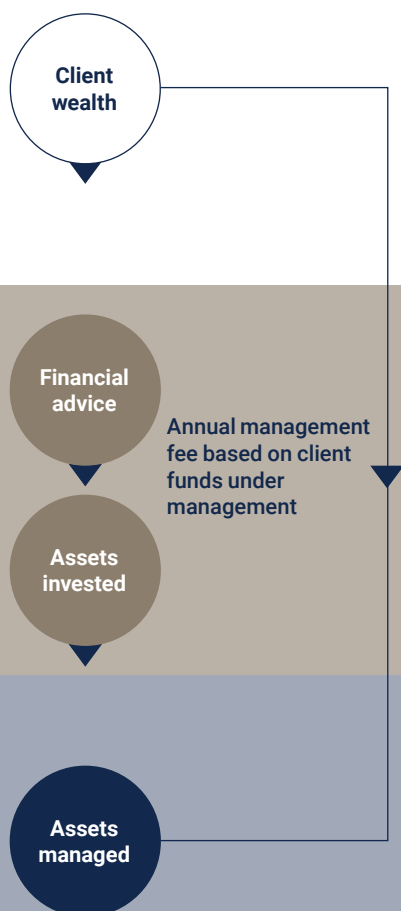
Environmental impact

Sustainable suppliers

Inclusion and diversity

We generate

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



Financial education and employability
Strategic charity partners and volunteering
The St. James's Place Charitable Foundation

We enhance

WE ATTRACT

We offer a comprehensive investment, product and service proposition that is exclusive to the St. James's Place Partnership and clients, and a support proposition that allows Partner businesses to thrive.

WE RETAIN

We forge close, trusted relationships with our advisers and make their relationships with clients our priority. We evolve and adapt our Plan, Design, Review client proposition to reinforce positive client outcomes and improve the adviser and client experience.

WE IMPROVE

We engage with stakeholders to better understand the strength of our proposition as well as areas for improvement. We develop our back-office infrastructure and embrace technology. We provide Partner-specific support to underpin business ambitions.

WE INVEST

We sow the seeds for long-term growth through targeted investment. We continue to expand our Academy initiatives, develop our technology, and invest in St. James's Place Asia and Rowan Dartington.

WE IMPACT

In becoming a responsible business, we take a long-term view of how we can positively change the lives of our clients and wider society. This is through being a responsible steward of our clients' investments, considering our environmental impact and expanding our community engagement.

We deliver

2020 growth in advisers

+2%

2019: +8%

▶ Find out more on page 22

2020 percentage of employees who feel proud to work at St. James's Place

89%

2019: 94%

▶ Find out more on page 28

2020 dividend growth

-23%

2019: +3%¹

▶ Find out more on page 5

Amount raised for good causes through the St. James's Place Charitable Foundation since inception

£102.1m

▶ Find out more on pages 48 and 49

Individual charities supported by the St. James's Place Charitable Foundation during 2020

807

▶ Find out more on pages 48 and 49

¹ The dividend per share disclosed in 2019 was 49.71 pence, which was prior to the Board's decision in April 2020 to withhold 11.22 pence per share until such a time as the financial and economic impacts of COVID-19 became clearer. The withheld amount of 11.22 pence per share has now been reinstated as a further 2019 interim dividend and will be paid on 24 March 2021 to shareholders on the register on 5 March 2021. For further information, refer to page 5.

Our Strategy

Our key business aim

Our key aim is to attract, retain and grow client funds under management (FUM) through offering a high-quality service to the Partnership and clients. We therefore pursue a simple growth and support strategy, underpinned by a series of clear and focused strategic objectives.

How we achieve this

We have clearly defined growth and support strategies that not only enable us to attract new client investments to St. James's Place, but also ensure that we sustain high client satisfaction and resulting retention of client assets for the benefit of all stakeholders.

**Our key aim
is to grow
funds under
management**

£14.3bn

Gross inflows in 2020

Our growth strategy

Our growth strategy for delivering increasing gross inflows involves:

- Growing the size of the Partnership;
- Improving adviser efficiency; and
- Broadening our client proposition.

96%

2020 retention rate of FUM

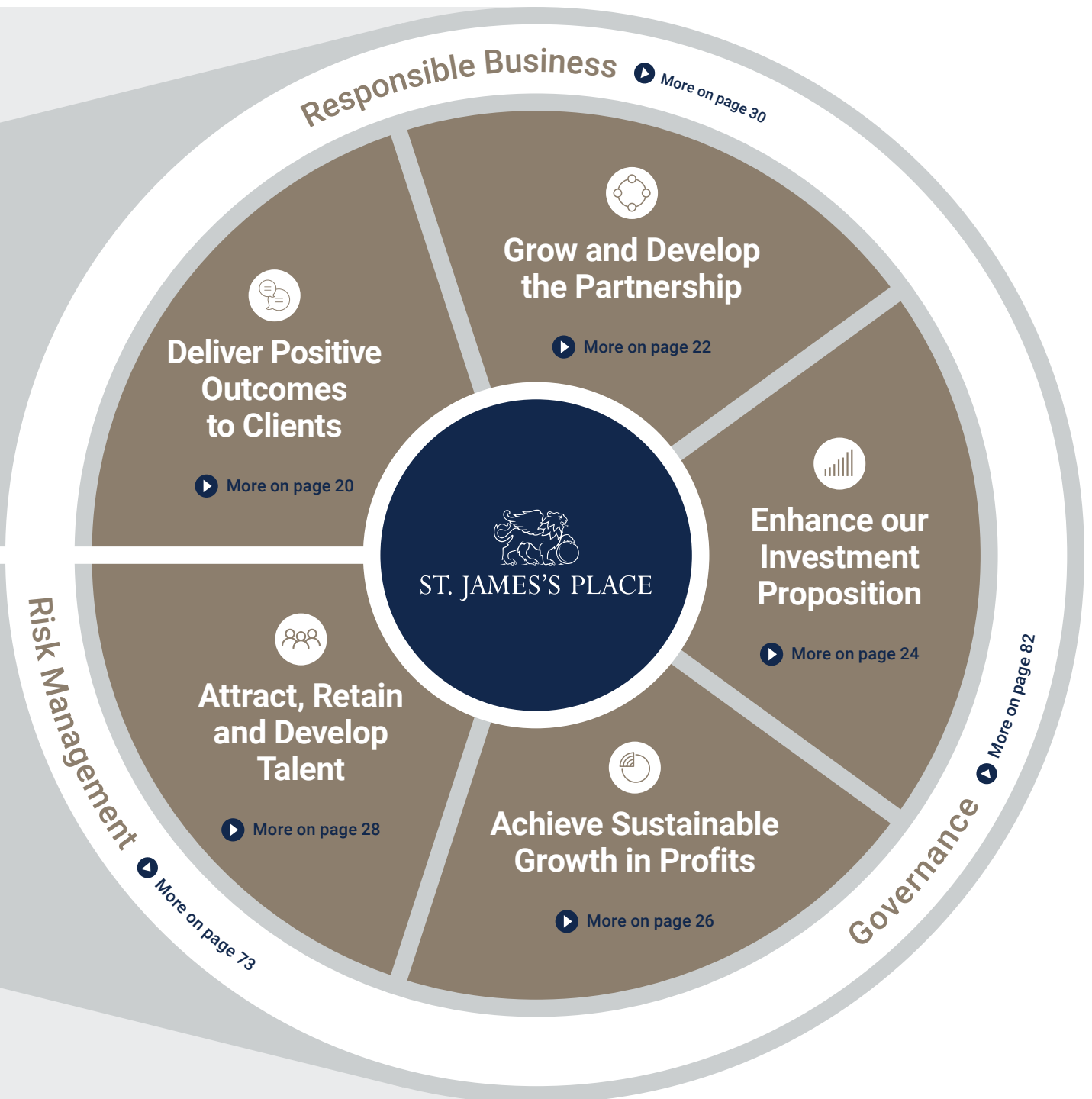
Our support strategy

Our support strategy for delivering sustained retention of FUM involves:

- Delivering high-quality service to advisers and clients;
- Driving consistently good long-term investment performance; and
- Ensuring we remain a robust and resilient business that clients trust.

Our strategic objectives

We focus our long-term strategic objectives around five core areas, all subject to a consistent and rigorous approach to risk management and governance, and our desire to be a responsible business.



Delivering Positive Outcomes to Clients



Objective:
Deliver positive outcomes to an increasing population of clients

Key metric progress during 2020

Client numbers (thousands)

Our business model is based on managing client wealth and so the number of clients is a key measure of the health of the business. As well as reflecting past performance, it also indicates future opportunity, as our experience suggests that over 90% of new business comes from existing clients or their referrals. As a result, increased client numbers during 2020 is a strong positive indicator for the future.

Our performance

Thousands	
2018	682
2019	733
2020	804

Client retention (percentage)

Our business is long-term and client retention feeds directly into the financial results. However, it is also an indication that minimum standards have been met. We are therefore delighted that retention was again above 95%, continuing the trend of recent years.

%	
2018	96.4
2019	97.0
2020	96.9

¹ We have removed client advocacy (percentage of clients that would recommend St. James's Place to someone else) as a key performance indicator for 2020. Given the importance of measuring client satisfaction on a frequent basis, we have ceased conducting biennial Wealth Account surveys as the primary method of measuring this. As a result, data is unavailable for 2020 and 2019. We will instead be conducting more frequent surveys of client opinion, commencing in 2021, and we will report on these in due course.

Our focus for 2021

- Deliver enhancements to our IMA to create value for our clients
- Develop our Service Excellence programme in support of superior client administration and service
- Build and protect our brand and reputation as a trusted and leading financial advisory business
- Enhance our sustainability impact reporting

Our approach

We work hard to give clients the confidence to create the futures they want. This means working together with clients and our advisers in order to plan, grow and protect their financial futures. This approach is underpinned by our careful fostering and nurturing of a culture that focuses on 'doing the right thing' for clients and on the value of investing in long-term relationships.

There are no 'typical' clients of St. James's Place, with our proposition supporting the financial futures of over 800,000 individuals ranging from teachers to bankers, infants to elderly, and those with vastly complex financial affairs as well as those whose affairs are much simpler. All have different requirements, demands and expectations but what all share is the need for a trusted adviser to help guide them over the long term.

Our advisers are able to provide expert advice on long-term investment, retirement planning, intergenerational wealth and protection, and this is complemented by providing clients with access to an array of financial solutions including our proprietary funds and investment portfolios as well as a range of carefully selected third-party products and services such as general insurance, legal services or investment in venture capital trusts.

Clients benefit from the security of investing with a business of St. James's Place's scale. We have the capacity to perform in-depth due diligence as part of our Investment Management Approach as well as to undertake rigorous quality assurance on the advice delivered by the Partnership. This gives us the confidence to guarantee the suitability of advice delivered by the Partnership, thereby providing clients with additional peace of mind.



Engagement

Developing our Value Assessment Statement for clients

In July 2020, we published our first Value Assessment Statement for our range of unit trusts, providing us with the opportunity to demonstrate where we are adding value for clients, where we could do more and the actions we intend to take to enhance client outcomes over the long term. Our primary focus was to produce a statement that would provide clients and advisers with appropriate, accessible and relevant content delivered in a clear, easy to read format.

To achieve this, we engaged with focus groups of clients and advisers to obtain regular feedback on drafts, highlight areas for improvement and ensure our focus remained on developing content on those matters most important to them. As a result, we were able to successfully deliver a genuinely client-focused document, providing them with real insight into the value they receive as clients of St. James's Place, working with their adviser to support them on their financial journey. The Value Assessment Statement can be accessed here:

www.sjp.co.uk/fund-prices/unit-trust-group-funds

The value of our advice-led proposition

We firmly believe that the provision of trusted, long-term face-to-face advice can help clients achieve positive financial outcomes and give them greater control and confidence in their futures. A number of industry studies show that people who take advice are financially better off over the longer term¹.

In 2020, we supported work undertaken by the International Longevity Centre that explored the non-financial benefits of financial advice. Its findings² included the following:

- People who take advice are more confident about their financial future and better prepared for retirement.
- Advice improves financial literacy and confidence, and delivers greater control, reassurance and peace of mind.

These findings highlight that financial advice can provide valuable non-financial benefits to clients, but they also recognise that achieving such benefits is not automatic. Rather, delivering these non-financial benefits can be supported by providing an ongoing personalised and tailored service for clients delivered by a well-qualified adviser with appropriate people skills.

This resonates with how we see our advisers supporting their clients through our Plan, Design, Review process, which we describe on page 25.

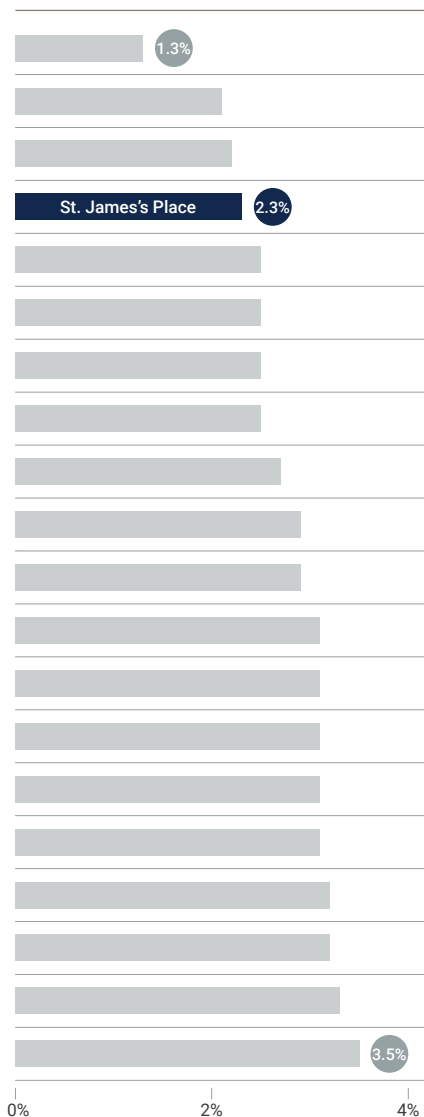
The combination of long-term financial advice, long-term investment returns, and the comfort of having a personal relationship with a trusted adviser, is one that helps drive positive client outcomes and create tangible value for all St. James's Place stakeholders.

Our costs and charges

We provide an integrated wealth management service for clients and believe that the costs and charges we disclose are fair, clear and transparent. An explanation of our charges can be found on www.sjp.co.uk/ourcharges.

Importantly, we frequently commission independent experts to benchmark our costs and charges against comparable offerings across the UK wealth management industry.

The results to the assessment at 31 December 2020:



Notes:

The firm represented by the first bar (Reduction in Yield of 1.3% each year) does not offer an ongoing advice service.

The figures shown have been produced by Ernst & Young LLP (EY), an external consultancy. They show the Reduction in Yield each year over a period of 10 years for a £100,000 investment into actively managed, unwrapped mutual funds (Unit Trust, OEIC or equivalent) with both initial and ongoing advice. Investment returns of 5% each year have been assumed. EY has collated and computed these figures as at 31 December 2020 for use by St. James's Place and St. James's Place Partners. The information must not be relied upon by any third party in making management or investment decisions.

Recent research conducted by Ernst & Young found that when compared to 19 other businesses in the UK, our total costs were towards the lower end of the range on a like-for-like basis.

Managing client risk

To ensure we consistently deliver positive client outcomes we work hard to identify, and appropriately mitigate, the risks that our client proposition fails to meet the needs, objectives and expectations of our clients, and that we fail to provide quality, suitable advice or service to clients. Successful risk management not only protects clients and our business from harm, but it also confers commercial advantage as we can benefit from superior client retention, advocacy and referrals, and further build our reputation as a safe, trusted custodian of clients' financial wellbeing.

On pages 76 and 77 we give details of the principal risks associated with our business, however, the following list is a summary of those that we consider most relevant to supporting our objective of delivering positive client outcomes:

- **Administration service** – Management of administration service-related risks enables us to be confident clients' experience of our administration meets their expectations
- **Client proposition** – Management of client proposition-related risks enables us to be confident in meeting the changing needs, objectives and expectations of our clients
- **Conduct** – Management of conduct-related risks enables us to be confident in providing suitable advice or services to clients
- **Financial** – Management of financial risks enables us to be assured of being a financially resilient company that clients can trust with their money
- **Partner proposition** – Management of Partner proposition-related risks enables us to be assured that clients will have continuity of service from highly qualified and supported Partners
- **Strategy, competition and brand** – Management of risks to our brand ensures clients can be assured that they are investing their wealth with the UK's leading financial advice company.

1 What it's worth: revisiting the value of financial advice. International Longevity Centre UK, 2019
ilcuk.org.uk/wp-content/uploads/2019/11/ILC-What-its-worth-Revisiting-the-value-of-financial-advice.pdf.

2 Peace of mind: Understanding the non-financial benefits of financial advice. International Longevity Centre, 2020.

Growing and Developing the Partnership



Objective:
Continue to grow and develop the Partnership

Key metric progress during 2020

Adviser numbers

Without our advisers, we would have no clients. We are therefore pleased to have delivered growth in adviser numbers despite having decided to slow the pace of experienced adviser recruitment in 2020, sensitive to the challenging external environment for many financial advice businesses across the UK in the year.

Our performance

Number of advisers

2018	3,954
2019	4,271
2020	4,338

Adviser retention (percentage)

Adviser retention reflects advisers' continuing satisfaction with our proposition. We are therefore pleased to note that retention has remained at a high level of 92.3%.

%

2018	93.4
2019	92.5
2020	92.3

Gross inflows per adviser (£'Million)

Gross inflows per adviser is a measure of their success as business people, but also feeds into success for the Group. In 2020 gross inflows per adviser decreased from £3.5 million to £3.2 million, reflecting the challenging operating environment.

£'Million

2018	4.0
2019	3.5
2020	3.2

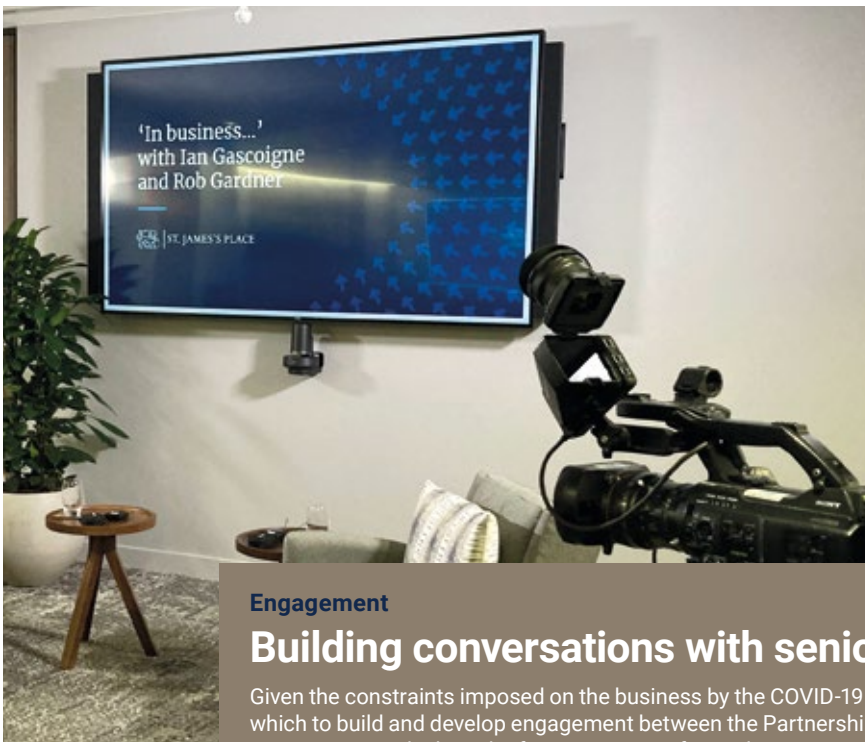
Our focus for 2021

- Make us easier to do business with for Partners by driving adoption, usage and enhancement of Salesforce and other digital tools
- Build community by strengthening our engagement with, and support for, the Partnership
- Continue to attract and retain high quality, experienced advisers to the Partnership
- Utilise digital capability and enhanced L&D to expand our Academy programmes

Our approach

Our services are promoted and available exclusively through our Partnership, a group consisting of 4,338 professional highly qualified advisers and their 5,914 support staff. We put our confidence in their ability to build and develop long-term relationships with their clients. The Partnership support their clients by providing investment, financial and tax planning advice, allowing them to play an ongoing financial coaching role in pursuit of positive long-term outcomes for their clients.

We provide a wealth of support to the Partnership and help them to run successful businesses. We ensure they have the confidence to create the futures they want and leave them well positioned to focus on looking after their clients.



Engagement

Building conversations with senior leadership

Given the constraints imposed on the business by the COVID-19 pandemic, we naturally sought new ways in which to build and develop engagement between the Partnership and senior management in 2020. One such innovation was the launch of a programme of virtual conversations, with the first of these allowing Ian Gascoigne, Managing Director and Robert Gardner, Director Investment Management, to engage in a live virtual Q&A session on the topic of our Investment Management Approach (IMA). The event, which was attended live by more than 1,200 advisers, enabled attendees to gain insight into matters of importance for them and their clients, while also providing senior leadership with intelligence and feedback on areas of interest for the Partnership and clients.

The value of our proposition to the Partnership

Our Partnership represents a diverse group of 2,540 businesses, which range from some of the UK's largest financial advice firms to small family practices and sole-proprietor businesses. We make available to them a range of financial products and services that can meet the diverse needs of their clients, including our own broad range of investment funds and portfolios. Our Partner businesses benefit too from the backing of an established FTSE 100 group that guarantees the suitability of the advice that they provide to their clients.

To facilitate the Partnership operating safely and flexibly, we offer access to a range of business services, including the following:

- Approved and regulatory-compliant marketing and client literature
- Advice, technical support and tax guidance
- Risk management and business assurance
- Ongoing technology and back-office administration
- Professional individual and business development

Growing the Partnership

Although increasing the number of advisers across the Partnership remains core to our strategic growth targets, the onset of the COVID-19 pandemic made it appropriate for us to focus more on supporting our existing advisers. Sensitive to the challenging external environment for many financial advice businesses across the UK, we decided to slow the pace of our experienced adviser recruitment activity, allowing them

to focus on supporting their clients in a challenging environment. Meanwhile, we suspended all new intakes for the Academy in 2020 and moved all existing Academy cohorts to virtual learning and development.

Despite this, strong adviser retention coupled with recruitment activity and welcoming into the Partnership 156 graduates from our Academy programmes, resulted in net adviser growth of 2% over the year to 4,338 across 2,540 separate Partner businesses. The broader Partnership community has grown too with total headcount including Partnership support staff now standing at over 10,000.

Developing the Partnership

Our commitment to providing professional development for the Partnership has continued through 2020. It ensures our advisers remain appropriately qualified, technically able and fully equipped to deliver a first-class service. Provision of learning and development has been almost exclusively digital, but innovative virtual conferencing technology has been utilised to enhance our leading offering. Providing on-demand content has allowed our advisers to continue their development at a time and in a way that meets their needs.

Opportunities for developing the capabilities of the Partnership have had an additional focus on technology. The roll out of Salesforce software, continued enhancements to Bluedoor, and new website infrastructure together with enhanced support for Partner business websites, has allowed St. James's Place to better support Partnership businesses in their service of clients.

Managing Partnership-related risks

Successful management of Partnership-related risks ensures that the Partner proposition continues to remain attractive for existing advisers and prospective joiners so that we can attract and then retain high-quality talent over the long term.

On pages 76 and 77 we discuss principal risks associated with our business, but the following text lists those that we consider most relevant to supporting our objective of continuing to maintain and improve our Partner business and Academy propositions:

- **Partnership proposition** – Management of Partnership proposition-related risks enables us to be assured that we remain attractive to both existing and prospective advisers, and that we can offer compelling Academy and Next Generation programmes
- **Client proposition** – Management of client-proposition-related risks enables advisers to be assured that they can meet their clients' needs
- **Strategy, competition and brand** – Management of risks to our brand enables advisers to be assured that they and their clients will be best served by association with a leading and reputable wealth management group
- **Administration service** – Management of administration service-related risks enables us to be confident that advisers and their clients' experience of our administration continues to meet expectations, and allows them to manage their businesses efficiently and effectively
- **Regulatory** – Management of regulatory risks enables us to be assured that we continue to comply with all regulatory requirements and are also able to support Partner businesses in meeting all their regulatory requirements.

Enhancing our Investment Proposition



Objective: Increase Funds under Management (FUM)

Key metric progress during 2020

Gross inflows (£'Billion)

Gross inflows are the gross new investment and pension business (principally single-premium) received during the year. We aim to grow gross inflows by 10% per annum over the long term. In 2020, gross inflows fell by 5%. This reflected the challenging market conditions.

Our performance

£'Billion

2018	15.7
2019	15.1
2020	14.3

Net inflows (£'Billion)

Retention of funds is a result of satisfied clients and is essential if FUM is to continue to grow. Net inflows reduced by 8% in the year, largely due to higher stock markets in 2020 compared to 2019 meaning outflows were at a higher value, combined with lower gross inflows.

£'Billion

2018	10.3
2019	9.0
2020	8.2

FUM (£'Billion)

The profitability measures of the Group are ultimately driven by the income we earn from FUM, which has exhibited compound annual growth of 17% over the last ten years.

£'Billion

2018	95.6
2019	117.0
2020	129.3

Our focus for 2021

- Develop fund solutions designed to deliver improved client outcomes and facilitate growing AUM
- Strengthen our Plan, Design, Review framework as part of a group client proposition to support goals-based planning
- Increase the integration of discretionary fund management and stockbroking services within our core IMA
- Implement fund changes to drive value for clients and support superior outcomes

Our approach

At St. James's Place we are focused on helping give clients the confidence to create the futures they want. We aim to deliver the best possible client outcomes at every step of the client's journey by providing tailored financial advice, incorporating goals-based planning, alongside the implementation of bespoke investment solutions and regularly reviewing these plans to ensure they remain appropriate to the ever-changing circumstances of our clients. Delivering financial wellbeing throughout what could be a 100-year life only has meaning for us if it is allied with a commitment to use money as a force for good when it comes to the treatment of the planet, people and fair play.

Engagement

Communicating with clients and advisers

2020 was an extraordinary year and, aside from the terrible human cost, the COVID-19 pandemic had a significant impact on markets and economies. We were able to leverage the relationships we hold with our range of global fund managers, economists and independent consultants to provide timely and considered support to our advisers and clients through a variety of channels. We held 58 virtual fund manager webinars in 2020 for advisers and clients and delivered a range of podcasts, alongside written materials. This stream of information has ensured that advisers and clients have received reassurance and guidance during periods when face-to-face interaction was impossible. Targeted and relevant communication is a key part of the client proposition within our plan, design, review process. It provides a touchpoint for advisers and clients to discuss and review their financial position and ensures that short-term volatility is viewed within the context of a long-term, holistic plan.



Our client proposition can be characterised as Plan, Design, Review:

Plan

Our advisers start with a clear focus on their clients' goals, building a financial roadmap through the use of technology and tools, to meet short and long-term objectives.

Design

Advisers can design a tailored investment solution, taking into account risk, timeframe and preferences, from our range of 42 funds and nine Growth and Income portfolios which form part of our Investment Management Approach (IMA). Our range of independently managed investment funds fully integrate responsible investment considerations and draw on the skills of the best fund managers from around the globe, in a process overseen by our internal investment team, our Investment Committee and a range of independent consultants. Our holistic client offering also goes beyond the fund and portfolio range to encompass other more complex solutions such as Client Banking offerings, tax-advantaged panels and Private Client services as well as discretionary fund management and stockbroking services.

Review

Once plans have been implemented, advisers regularly review them with clients to ensure they remain on track to meet their goals and that the roadmap remains fit for purpose, allowing for any changes in circumstance. This helps to ensure that clients maintain a long-term investment mindset and are not swayed by short-term market events.

Research, analysis and monitoring

The data below illustrates the breadth of research, analysis and monitoring conducted during 2020 by the various functions that support our IMA, which includes the dedicated in-house investment analyst function, based in Cirencester and London, our Investment Committee and external investment consultants.

	2020	2019
Fund manager monitoring meetings conducted	713	627
Investment Committee meetings held during the year	22	22
Investment professionals working exclusively on behalf of St. James's Place clients	94	63

Broadening the role of independent consultants within our Investment Management Approach

The scale and resources of the St. James's Place investment management function in the UK and Asia have increased in recent years. The team now comprises more than 60 specialists who are not only responsible for the monitoring of our funds and portfolios, but also investment management operations and adviser/client consultancy services. During 2020, there was also a clear focus on broadening the range of external expertise and input to support the work conducted by our in-house team.

Eventment was appointed in July and has been recognised as a global leader in data, analysis and insight, covering public and private markets. We also engaged Rocaton to assist in strategic development of our fund range with a key change to our Global Value fund implemented in July 2020. Rocaton has broad experience of consulting to over 80 investment firms and gives us access to a fund manager research platform with impressive scale.

Developing innovative client solutions – InRetirement funds

In September 2020, St. James's Place launched three InRetirement funds – Prudence, Balanced and Growth. These are market-leading offerings designed to provide investment solutions to the challenges faced in decumulation, often such a difficult financial planning area due to the risks inherent in this stage of life. These include longevity risk, whereby you outlive savings, and sequencing risk, which involves the erosion of capital due to withdrawals during market falls and can lead to shortfalls.

These new funds allow clients, with the guidance of their St. James's Place adviser, to map out their objectives and find a suitable investment solution that is able to support a specific withdrawal profile, according to client need. This approach demonstrates engagement with individual client needs and the focus on modelling client outcomes through the use of financial planning tools. Technology is already helping us to underpin our advice and investment process to help provide clients with a sustainable income in retirement.

Managing investment management risk

Our Investment Management Approach is critical to our client proposition, helping clients to achieve financial wellbeing through the careful and responsible management of their investments. As a result, our risk framework places a strong emphasis on ensuring client assets are invested in accordance with their expectations and that they deliver positive risk-adjusted returns over the long term. On pages 76 and 77 we discuss the principal risks associated with our business, but the following text lists those that we consider most relevant to our objective of enhancing our investment management proposition to help clients achieve financial wellbeing:

- **Client proposition** – Management of client-proposition-related risks enables us to be confident that we set appropriate client expectations and that we design investment fund and portfolio solutions that help meet long-term client goals, using an appropriate blend of asset classes and investment strategies, and delivered through high-quality external fund management teams
- **Conduct** – Management of our conduct-related risks enable us to be assured that clients' goals and risk appetite are well understood and that their funds are invested appropriately.

Achieving Sustainable Growth in Profits



Objective:

Achieve sustainable growth in IFRS profit before shareholder tax, the Underlying cash result and EEV operating profit before tax¹

Key metric progress during 2020

EEV operating profit before tax (£'Million)

The European Embedded Value (EEV) reporting basis assesses the full value of the emergence of shareholder cash returns over the long term. New business (gross inflows) is the most significant underlying driver of EEV operating profit. The reduction in new business was partially offset by strong retention, overall resulting in a 3% decrease in EEV operating profit before tax year-on-year.

Our performance

£'Million	
2018	1,002.0
2019	952.0
2020	919.0

Underlying cash result (£'Million)

Underlying cash result reflects the regular emergence of cash from the business operations whilst also reflecting the impact of the strategic investments we are making. Underlying cash result reduced 3% reflecting the challenging market conditions.

£'Million	
2018	309.0
2019	273.1
2020	264.7

Dividends (Pence per share)

Delivering profit, particularly cash, means the Company is able to pay dividends to shareholders. We are pleased to propose a final and full year dividend for 2020 of 38.49 pence per share.

Pence per share	
2018	48.22
2019	49.71 ²
2020	38.49

¹ Each of these measures reflect the underlying performance of the business. IFRS profit before tax, and IFRS profit after tax, are not covered by the objective: information about why these do not reflect the underlying performance of the business is set out on page 57.

² The dividend per share disclosed in 2019 was 49.71 pence, which was prior to the Board's decision in April 2020 to withhold 11.22 pence per share until such a time as the financial and economic impacts of COVID-19 became clearer. The withheld 2019 dividend has now been reinstated as an interim dividend and will be paid on 24 March 2021 to shareholders on the register on 5 March 2021. For further information, refer to page 5.

IFRS profit before shareholder tax has increased by 75% from £187.1 million in 2019 to £327.6 million in 2020. This significant increase reflects the impact of policyholder tax asymmetry, as well as an increase in wealth management fees and a reduction in expenses. Further detail on the effect of policyholder tax is included in the Financial Review on page 57.

Our approach

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 reported under International Financial Reporting Standards (IFRS), is set out in Note 4 on page 169.

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 55 to 70.

Gross inflows into FUM

Gross inflows for most investment and pension business

Gestation FUM

Does **not** yet generate annual product management charges

Business moves from gestation FUM to mature FUM after 6 years

Gross inflows for unit trust, ISA and DFM business

Mature FUM

Generates annual product management charges

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 pages 58 and 59 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, the ongoing product expenses and to invest in the business. Overhead expenditure is carefully managed with clear targets set for the core costs of running the Group's infrastructure, which are known as 'establishment expenses'. Other ongoing expenses, including payments to Partners, increase with business levels and are generally aligned with product charges.

The Group invests in order to:

- continue building adviser capacity and attract new funds;
- enhance the Group's future capability to grow over the long term through the Academy, our discretionary fund management proposition, and St. James's Place Asia; and
- develop administration systems and processes that will accommodate growth, contribute to future improvements in Partner and client experience, and reduce the cost of business processing.

Performance measurement

Whilst our financial business model is straightforward, the impact of having a life insurance company at the heart of the Group results in accounting complexity under our IFRS statutory reporting framework. For this reason, we continue, in our Financial Review on pages 54 to 72, to supplement IFRS information with the disclosure of alternative performance measures (APMs). Our key APMs are the Cash result and European Embedded Value (EEV). A full Glossary of APMs is provided on pages 232 to 234, in which we define each APM, explain its use and, if applicable, explain how the measure can be reconciled to the IFRS Financial Statements.

Financial position

Our IFRS Statement of Financial Position, presented on page 155, 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 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 £1,527.1 million (2019: £1,429.8 million), of which £1,264.8 million (2019: £1,131.8 million) is invested in AAA-rated money market funds. This deep liquidity represents 47% of total assets on the Solvency II Net Assets balance sheet (2019: 46%).

Further information on why we believe the Solvency II Net Assets Balance sheet is helpful to users of the Financial Statements is set out on page 57. Further detail about liquidity and borrowings, including securitisation, is provided on page 66.

Cash generation and usage

The Group's primary source of net cash generation is annual product management charges on FUM. As noted on the page above in relation to profit generation, most of our investment and pension business experiences a six-year gestation period where there is no cash generated after initial charges. This means that the amount of cash generated will increase year-on-year as FUM in the gestation period becomes mature and subject to annual product management charges, as well as increasing due to new business.

Cash is used to make both short- and long-term investments in the business and to pay the Group dividend.

Solvency

Our business model and risk appetite results in the Group holding assets to fully match the encashment value of our clients' investments. This means that movements in equity markets, currency markets, interest rates, mortality, morbidity and longevity have very little impact on our ability to meet liabilities. This, combined with a prudent approach to investing shareholder funds and surplus assets in highly rated liquid assets, means that we have a resilient solvency position capable of meeting liabilities even in adverse market conditions. Further information is provided on page 71.

Risk management

The Group seeks to create long-term value for shareholders through executing on its strategic objectives in order to deliver sustainable growth in profitability over time. Of key importance is carefully balancing investment to underpin future shareholder returns while exercising disciplined cost management to achieve scale benefits.

We ensure the business is managed in a financially prudent way and investment in new projects is carried out after appropriate due diligence is conducted, allowing the business to scale in a controlled manner. We continue to maintain an open dialogue with our regulators and liaise closely with them on existing and emerging regulatory issues. On pages 76 and 77 we set out detail around the principal risks associated with our business, but the following text lists those that we consider most relevant to creating shareholder value:

- **Financial** – Careful management of financial risks enables us to support the strategic objectives of the business, which ultimately drive growth in FUM and long-term value creation. Prudent financial risk management also ensures the business is more resilient to adverse external and internal events
- **Partner proposition** – Management of Partner proposition-related risks enables us to be assured that we will continue to safely grow the Partnership and that we are able to support the Partnership in becoming more efficient over time, thereby aiding FUM growth and retention
- **Client proposition** – Management of client proposition-related risks enables us to be confident that we are able to meet the needs of our clients, in turn contributing to high retention of FUM
- **Outsourcing** – Using appropriate third-party scale and expertise enables us to operate with a lower cost base whilst accessing high-quality specialist services. Management of outsourcing-related risks enables us to be confident of maintaining continuity of services and standards across our third parties
- **Security and resilience** – Management of risks in this area enables us to be confident that we will avoid material disruption to our operations or costly security breaches.

Attracting, Retaining and Developing Talent



Objective:
Plan, attract, develop, perform, retain

92%

Retention rate for UK employees
(2019²: 88%)

89%

of our employees feel proud to work for St. James's Place
(2019²: 94%)

95%

of our employees responded to our 2020 employee engagement survey

87%

of our employees say that working at St. James's Place makes them want to do the best they can
(2019²: 79%)

2 2019 comparative data presented here is derived from a 'Pulse' survey conducted in the year rather than our formal employee engagement survey.

Our focus for 2021

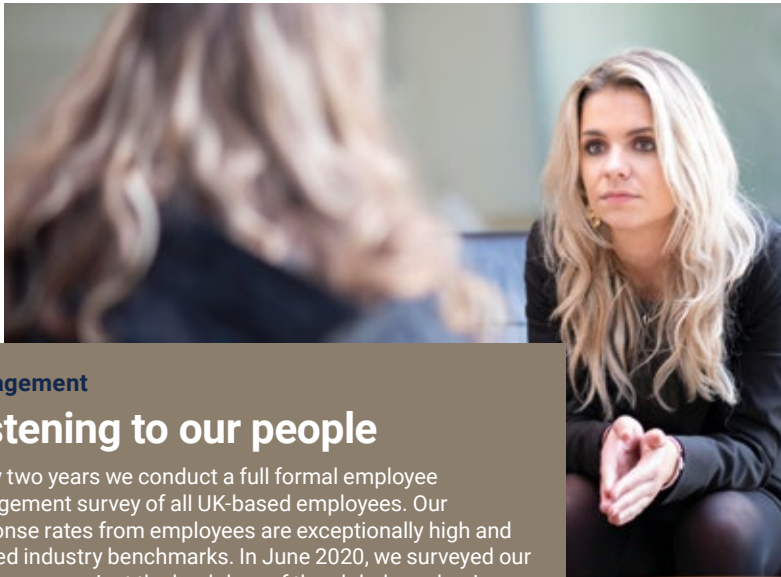
- Retain, evolve and embed our vibrant culture, supporting our ambition to be a leading responsible business
- Build community by strengthening our employee value proposition
- Invest in the development of our people by providing easy, real-time access to learning
- Build on our progress as an inclusive employer where our people can be the best version of themselves

Our employees

We aim to be an employer of choice within the financial services sector, one that is able to attract, develop and retain some of the best talent in the UK and give our people the confidence to create the futures they want. Beyond offering a career with a fast-growing business with ambition, we place great store in the commitment we make to personal and professional development and retaining the core values that have underpinned our business success over time. Our objectives are supported by a clear sense of purpose and the pursuit of a working environment that is committed to equality, inclusion and diversity. In our 2020 employee engagement survey 87% of our employees said that working for St. James's Place makes them want to do the best they can and 89% said they are proud to work for the Group. As at 31 December 2020 we had 2,818 employees throughout the Group, working in collaboration with our outsourced providers, and 4,338 advisers in the Partnership and their 5,914 support staff – all working to deliver exceptional service to over 800,000 clients.

Our Partnership

While not employees of the Group, we consider the Partnership a critical part of the St. James's Place community so we extend our professional and personal development support to them too. During 2020 rapid changes to traditional working practices came into effect as a result of the COVID-19 pandemic and in order to maintain our support for the Partnership at this difficult time, it was critical that we transitioned rapidly to virtual engagement for our programme of communication, training and development. Virtual conferences, webinars and workshops have focused on how advisers can maintain effective performance and client engagement in a fast-changing environment, and we also developed programmes that centred on maintaining personal wellbeing through building resilience and a positive mindset.



Engagement

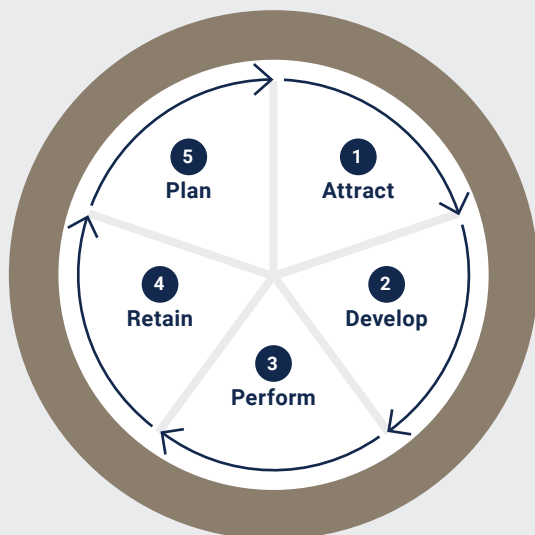
Listening to our people

Every two years we conduct a full formal employee engagement survey of all UK-based employees. Our response rates from employees are exceptionally high and exceed industry benchmarks. In June 2020, we surveyed our employees against the backdrop of the global pandemic, and our levels of employee engagement remained excellent.

In addition to our biennial employee engagement survey we have created a number of forums and utilised different platforms to improve communication both with and between our employees, and to enable regular 'pulse' surveys for more frequent feedback from our employees. For example, in early 2020 we launched 'Rungway', a platform that allows employees to post questions, anonymously if preferred, and then have these answered by anyone, at any level, within the organisation.

Our people strategy

1. Attract and select the right talent with skills and capabilities needed both now, and in the future
2. Create a learning culture by providing employees with access to an inspiring range of opportunities to develop their careers
3. Continue to develop a high-performance culture and commitment to service excellence
4. Sustain a highly engaged, effective and motivated workforce where our people feel exceptionally valued
5. Maintain appropriate and effective structures that sustain fulfilling roles with clarity of purpose, and deploy technology solutions that support employee career development



Our culture and values

We believe that the right culture is essential to building a successful and sustainable business. We have strong core values in place that reflect what we believe in and how we act.

We are a warm, inclusive community with core values of always doing the right thing, being the best version of ourselves and investing in long-term relationships. We have codified the culture of our organisation to conserve and protect all those elements that have helped make us successful today and we have also identified some areas that we will evolve to achieve our strategy.

Further information about our culture and values and how they relate to our people can be found on page 14.

Developing our people

At St. James's Place, we are committed to ensuring that every person across the organisation and Partnership feels a strong sense of engagement and belonging in their work, which we know plays a significant role in people's performance and success.

As COVID-19 driven changes to working practices were implemented, these objectives became vital, and the organisation was able to respond quickly. We pivoted to digital delivery with development initiatives transitioned with little disruption.

With more flexible, 'Anytime, Anywhere' delivery options, content was focused on remaining accessible and relevant to people's changing circumstances and work patterns. Initiatives included virtual conferences, webinars and in-house produced videos and communications. The success of these initiatives has accelerated a 'digital-first' approach to learning design and delivery.

A key focus for employee and adviser development throughout 2020 has been topics such as mindset, resilience, wellbeing and change. These areas go hand in hand with a focus on high performance. Other initiatives included providing guidance on practical ways to support people working from home, leading remotely and returning to the office environment.

Workforce engagement

Hearing directly from our people is very important to us in providing real-time insight into how our people are feeling. Typically, we achieve this through online pulse surveys and monthly virtual round table lunches hosted by members of our Executive Board and the Senior Leadership Team. Feedback and responses are shared with our Board and Executive Board enabling any areas of concern to be quickly acted upon. In 2020, one such topic that arose from these sessions was the matter of clarity around promotions processes. As a result, subsequent work has been undertaken to embed improvements for 2021 and beyond.

As the initial impact of COVID-19 was felt through the first lockdown, we took rapid steps to support our employees by way of supply of equipment to use remotely at home, round the clock technical support and the opportunity to participate in various wellbeing activities such as on-line yoga classes and mindfulness seminars, as well the access to personal individual support.

Pulse surveys have been run at regular intervals throughout the year covering a variety of topics including leadership visibility, culture and the impact of COVID-19. One such pulse survey, conducted in April 2020, was circulated to our employees to gauge their sentiment and wellbeing in the initial stages of the COVID-19 crisis. We received more than 650 responses, and despite the backdrop of the pandemic, these were positive:

- 88% of employees agreed or strongly agreed that they felt connected with their teams;
- 90% agreed or strongly agreed that they were clear on their current work priorities; and
- 89% felt their managers were providing the support they needed.

Risk management

Attracting, developing and retaining employees with suitable skills and experience is crucial to ensuring the Group is able to operate effectively, manage risks appropriately and implement the Board's strategy. With the majority of our people having experienced remote working for most of the past year, it has been even more important to ensure that risks relating to employee wellbeing and morale are appropriately managed. On pages 76 and 77 we discuss the principal risks associated with our business, but the following text lists those that we consider most relevant in supporting our ambition to attract, develop and retain high-quality employees:

- **People** – Management of our people risks ensures we are able to develop our employees and help them forge long and fulfilling careers with us
- **Strategy, competition and brand** – Management of risks to our brand helps ensure we are viewed favourably by our current and prospective employees, enabling us to attract and retain a diverse and skilful workforce.

Our Responsible Business

We aim to work in partnership to plan, grow and protect clients' financial futures. We do this by creating a connected and sustainable business that puts creating healthy communities and a healthy environment at the centre of our strategy, both for our clients and wider society. This report evidences our impact on the long-term wellbeing and resilience of individuals, communities, the environment and society.

Our approach

Our vision is to become a leading Responsible Business. Our business purpose and approach seek to ensure our clients and their families have the confidence to create the future they want through: financial advice, supported by advisers whom we help to develop responsible and sustainable businesses; and by considering the global impact of our funds through responsible investing. In our operations and business approach we support the wellbeing of our employees, aim to work with sustainable suppliers, minimise and offset our operational environmental impact and engage with a range of national and local community programmes. Our approach is set out in the diagram below.

Our approach to responsible business

Our vision is to become a leading responsible business. We demonstrate this through:

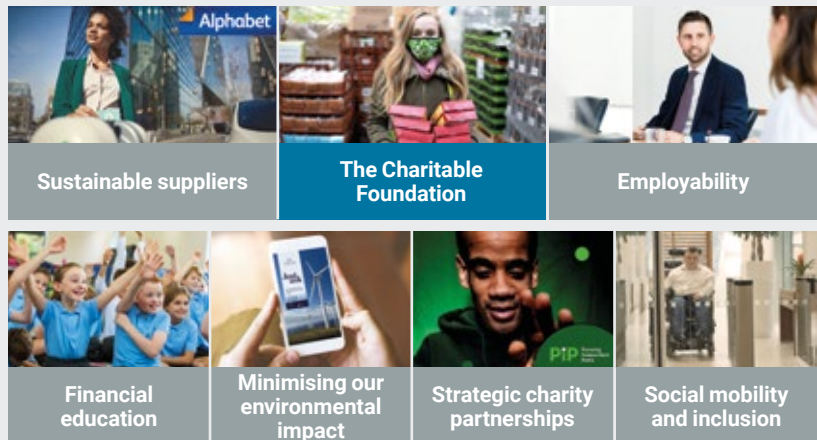


EMPLOYEES

By caring for their wellbeing and development

And inclusion and diversity programmes

OPERATIONS AND COMMUNITY ENGAGEMENT



EXTERNAL VOICE AND INFLUENCE

We aim to publicly communicate to clients, peers, suppliers and other stakeholders about our responsible business practice through measurement and reporting.

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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 practice and sustainability strategy and oversight	SOCIAL VALUE STEERING GROUP	Andrew Croft	To set the Group's responsible business strategy and approach, supported by the Social Value Steering Group which oversees the management and integration of responsible practice in the business.
Responsible investment	INVESTMENT COMMITTEE	Robert Gardner	
The St. James's Place Charitable Foundation ¹	CHARITABLE FOUNDATION TRUSTEES		To manage the St. James's Place Charitable Foundation, including overseeing grant-making and compliance with the charity's objectives.

¹ The St. James's Place Charitable Foundation is an independent charity, managed by its Trustees.

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 34)
Business model	Our Business Model (pages 16 and 17)
Employees	Attracting, Retaining and Developing Talent (pages 28 and 29)
Environmental matters	Our Responsible Business (pages 30 to 49), section 172(1) Statement (pages 88 to 95)
Non-financial key performance indicators	Delivering Positive Outcomes to Clients (pages 20 and 21), Growing and Developing the Partnership (pages 22 and 23), Enhancing our Investment Proposition (pages 24 and 25), Attracting, Retaining and Developing Talent (pages 28 and 29), Our Responsible Business (pages 30 to 49)
Principal risks	Risk and Risk Management (pages 73 to 80), Strategic Report (pages 4 to 81)
Respect for human rights	Our Responsible Business (page 34)
Social matters	Our Responsible Business (pages 30 to 49)

Proud to be members of



Our Responsible Business

Our lasting impact

United Nations Sustainable Development Goals (UNSDGs)

In 2020 St. James's Place became a Participant of the United Nations Global Compact, with the ambition to further embed the UNSDGs that we align to into our long-term approach to business. Consequently, we have increased our focus from four to six Goals. Below you can find the six Goals we have chosen to support, with our promise and results.



Goal



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.

Our promise: To improve money management in the next generation by supporting schools in delivering financial education and providing resources. Alongside this, we aim to provide our Partners with the resources and knowledge to teach financial education.

To also provide relevant financial skills and education to our clients to give them confidence to create the future they want.

Our results: In light of the closure of schools for part of 2020 in response to the COVID-19 pandemic, we created virtual resources for primary and secondary school students on financial education. We have also created an online accreditation for advisers so they can become qualified virtually to deliver financial education. These home learning materials were provided on the St. James's Place website for all, and have been advertised to local schools, Partners and employees.

In 2020 we delivered face-to-face financial education to 2,461 children in over 37 sessions in 29 locations. Our free online resources also had 1,320 unique downloads.



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.

Our promise: To ensure equal opportunities for women through our Inclusion and Diversity programmes and by ensuring we align to national commitments.

Our results: In 2020, we increased female representation on the Board to 42%. We have also committed to the Women in Finance Charter, and to increasing the number of women in senior roles in our business to at least 30% by 2023; we reported an increase in 2020 to 23%.



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.

Our promise: To invest in our employees through training and development.

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.

Our results: We have further developed our internships, apprenticeships and graduate programmes, creating new learning and development opportunities virtually.

This year 86 employees supported 726 people with virtual mentoring and virtual work experience before they embarked on their careers. We have also made a commitment to increase the volume of our 2021 intake and paid internships, all aiming to increase awareness of and access to financial services jobs.



Target 9.2

Promote inclusive and sustainable industrialization 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.

Our promise: To encourage responsible practice among our suppliers and fund managers in the areas of environmental impact, societal impact and governance.

To support our Partner practices in operating responsibly and aligning to national standards.

Our results: In 2020 we undertook an extensive project to improve the due diligence of our suppliers.

We also launched a responsible business programme aimed at our Partnership. We partnered with the Good Business Charter to support practices on their responsible journey and offer a coherent framework for responsibility.



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.

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.

To support employability programmes throughout our business.

Our results: In 2020, the Charitable Foundation raised £9 million and supported 807 charities. Since the Charitable Foundation's inception, over £102.1 million has been raised for over 3,700 charities, supporting over 1.8 million people.

We have a strategic partnership with the DofE and have developed virtual work experience programmes in 2020.



Target 13.2

Integrate climate change measures into national policies, strategies and planning.

Our promise: To control and reduce our environmental impact and promote sustainable business practices.

Our results: We have incorporated ESG issues into our investments and reported against the Taskforce for Climate related Financial Disclosures (TCFD) framework, which covers governance structures, risk management, targets and metrics. We maintained our 100% purchasing of electricity from renewable sources, our Carbon Disclosure Project 'Grade B Management' score and our carbon neutrality through offsetting. All emissions are also in line with the Greenhouse Gas Protocol.

Our materiality study

Acting responsibly is key to achieving positive outcomes for all stakeholders (see page 90 in the Corporate Governance Report).

We have a defined approach and strategy to support us in becoming a leading responsible business and we are striving for excellence. To support us on this journey, we undertook a materiality study to better evaluate where we might focus our resources and communications.

In 2019, we commissioned a dedicated independent materiality study from Corporate Citizenship, an independent sustainability management consultancy, to help inform our responsible business strategy and decision-making at an operational level. Culture, ethics and people were found to be the priority areas for both internal and external stakeholders, closely followed by customer service and sustained and sustainable returns. The study also helped us consider how we prioritise the United Nations Sustainable Development Goals that we align to as a business.



A great place to develop your career

Alignment with UNSDGs

More on page 32.



Our people are our greatest asset and integral to our continued success. Feedback from our employees has indicated a greater desire for increased flexibility, not only where they work but also when and how they work, so they can balance both their professional and personal commitments.

“I am able to work flexibly to balance work and home-life effectively.”

80%

**Favourable response
(up 12 percentage points on 2018)**

Providing greater flexibility for part-time work, job-sharing, remote working and flexibility on hours has resulted in an increase in our existing employee satisfaction around achieving a better work/home-life balance. As an employer, these changes have and will continue to enable us to attract and retain the best talent from a much wider pool of people – essential for the creation of an inclusive and diverse workforce where employees can be themselves.

Leadership and people development

Beyond providing an attractive proposition to our employees, what sets us apart is our commitment to create fulfilling careers for all those within our community. In 2020 we embarked on a programme to review how we were organised. While some of this work is ongoing, at the forefront is our continued commitment to the development of our employees from both a personal and professional perspective, to ensure they have the right skills and access to the right development to be able to contribute effectively in meaningful and purposeful work.

Increasingly we need to be able to adapt quickly to a changing world, a need which was brought into even sharper focus due to the COVID-19 pandemic. As a result, in 2020 we further increased our provision for real-time access to digital learning platforms for our employees, where knowledge and skills were readily available from their homes.

However, it is not only what we do that is important but also how we do it, and in support of this it is essential that we aspire and adhere to the highest professional standards we set for ourselves, our managers and our leaders if we are to create a truly inclusive and responsible working environment and business.

At the beginning of 2020 we launched MyCareer, an online performance management system available to every manager and every employee where performance, development and everyday check-in conversations can be facilitated and recorded. The importance of regular communication, conversation and two-way feedback with our colleagues, team members and managers has never been more important than through 2020, and the creation of a unified performance management platform has helped to ensure that regular contact and review has been in place.

Integrity, responsibility and professionalism are essential characteristics of our leaders and during 2020 every employee underwent Senior Manager Regime Training to help understand the importance of integrity and the role it plays in leadership and within our organisation.

Our Responsible Business

A great place to develop your career continued

Leadership and people development continued

Taking responsibility for our own development and personal growth has been a recurring theme in recent periods. Having first introduced online access to LinkedIn Learning in 2019, we are encouraged that 64% of employees are now enrolled on the platform, while our mentoring programmes have also progressed. We now have 388 employee mentors mentoring 469 mentees, and an additional 49 mentoring groups have been established supporting a further 239 mentoring relationships.

In support of our ambition to increase gender diversity and inclusion from under-represented groups within our business, we actively participate in the 30% Club (www.30percentclub.org/initiatives/mentoring-scheme) which is a cross-Company mentoring programme created to provide a platform for individuals to be, and perform at, their best. We have also created and provided our employees with further mentoring opportunities with organisations such as the Aletto Foundation (www.alettofoundation.org.uk/) and Upreach (www.upreach.org.uk/) to boost social mobility by supporting students from less-advantaged backgrounds.

Human rights

We are committed to managing our business in an ethical manner and recognise that responsible management is important to all of 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.

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, www.sjp.co.uk/about-us/corporate-governance

Inclusion and diversity (I&D)

When working in synergy, diverse teams and inclusive environments provide the foundations for creativity, innovation and growth. We look to attract, retain and develop individuals from all backgrounds, so we are building an environment where difference is embraced, helping us to foster a feeling of belonging where people can be themselves and thrive. Being the best version of ourselves and embracing diversity is one of our core cultural values, and this came to the fore with the COVID-19 pandemic as we increasingly worked remotely. Through interrupted calls with children, partners and pets, we shared more of ourselves and improved our understanding and empathy for each other's lives outside the office.

Early in the year we focused on gathering diversity data in order to better understand the shape of our business. In February 2020 we invited UK employees to take part in an anonymous diversity survey; over 75% shared their data, helping us establish benchmarks so we could thereafter better consider progress and direction. We found that our Black, Asian and minority ethnic employees make up around 7% of UK employees, an increase from approximately 5% in 2018.

Throughout the year we have continued to progress towards our public commitments for increased diversity in the business, with an aim to:

- increase female representation on our plc Board to at least 33% by 2020;
- increase female representation in senior roles to at least 30% by 2023; and
- increase the representation of Black, Asian and minority ethnic employees to at least 10% by 2023.

Our commitments to female representation support the United Nations Sustainable Development Goal for Gender Equality, and we are proud to have 42% female representation on the Board as of 24 February 2021. To increase minority representation across the business, we have undertaken in-depth reviews of our recruitment and promotion processes and this has helped us pinpoint obstacles to attracting, retaining and developing diverse talent. We are implementing a number of changes to our recruitment processes, including establishing a requirement for diverse shortlists and interview panels, and widening our selection pools with specialist recruiters.

As at 31 December 2020 we employed 2,818 people across the world, including 2,585 in the UK (31 December 2019: 2,634 people across the world, including 2,365 in the UK) and the breakdown of our workforce by gender was:

	Female	Male
Board Directors	2019 2	2019 6
	2020 5	2020 6
Managers and decision-makers	2019 60	2019 213
	2020 69	2020 237
Total employees	2019 1,315	2019 1,319
	2020 1,434	2020 1,384

To directly support our women to advance through the business, we ran focus groups with every senior female, seeking to understand what we are doing well and where we need to improve. This was also the third year of our participation in the 30% Club Mentoring Scheme; we are supporting 30 female mentees who are paired with external mentors from across a wide range of sectors, as well as providing 30 mentors to help support the scheme.

We are also committed to supporting the United Nations Sustainable Development Goal for Reducing Inequalities. In 2020 we continued to consider how best to drive equality in our business and recognise and support all minority groups. We give full and fair consideration to all applicants, having regard to an individuals' 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. To raise awareness of and empathy for the different lives we lead we collectively celebrated a range of cultural and religious events, but in June we also reflected on the shock we felt at the tragic killing of George Floyd in the United States of America.

As a community, we listened to our colleagues and advisers as they shared their experiences of racism throughout their lives, building understanding of what positive action we can all take and reinforcing our desire to drive out conscious and unconscious bias. In August we gave all employees, advisers and support staff access to specialist learning material on bias and inclusion and we are pleased that 828 of our employees and a further 485 advisers and support staff undertook this voluntary training. We also continued

education on race fluency, helping senior managers become more inclusive leaders and break down barriers to talking about race in the workplace.

Engagement and collaboration with external organisations is an important part of our strategy. We work with organisations such as the Aleto Foundation and take part in initiatives including #100blackinterns and Classroom to Boardroom, providing work experience, mentoring and financial literacy to young black talent often marginalised from the industry.

I&D Governance

Our work in I&D continues to be directed by the I&D Steering Group, with support from the Nomination Committee and our Board. Andrew Croft chairs our Steering Group, and all Executive Board members take an active role in I&D, each sponsoring a different aspect of diversity.

Over this year we have enhanced the scope of our I&D Champions & Advisory Board, and increased our internal networks including:

- **SJPride** – for LGBT+ colleagues and allies;
- **EMBRACE** – race network for connection and community;
- **Unity** – professional women's network, with over 10 chapters internationally; and
- **Parents' Network** – established during the pandemic for increased connection and support.

“We have made steady and purposeful progress this year and continue to prioritise fostering an inclusive culture at St. James's Place.”

We also took steps to improve our structural support. In policy development, we launched the Time Off for Parents policy significantly increasing paternity leave; created a policy to support transgender employees with recognition, transition, secure data management and medical support; and began developing a formal approach to flexible working. Enhancing our support and adjustments for disabled colleagues, we were awarded the highest level of Leader on the government Disability Confident scheme.

We have made steady and purposeful progress this year and continue to prioritise fostering an inclusive culture at St. James's Place. We have been recognised along the way with several awards, validating both the positive steps we are taking and helping us demonstrate our commitment. We know we have more to do, but we are confident in our progress and the changes we are starting to see – here, and in the wider industry.

Our Responsible Business

A great place to develop your career continued



Engagement

Experience of enhanced paternity leave

Our enhanced parental leave policy supports our employees to balance family life with work, by providing 26 weeks' full pay for both men and women when they become parents. Working to break down barriers and attitudes to childcare is a key part of our commitment to driving gender equality and flexible working, and is fundamental to attracting and retaining the best people. Andy Mills was one of our first male employees to take up the enhanced offering:

"I felt incredibly privileged to have the opportunity to take time out of the business to spend with my family following the arrival of my newborn.

I have a four-year-old son and my wife is an adviser in the Partnership. I wanted to achieve the right balance in supporting my family whilst minimising the business impact. The leave allowed me to support my wife who was still servicing clients, settle my son into school and bond more quickly with our new baby. Knowing I was supported throughout this period further enhanced my loyalty to the business. My leave fell during the pandemic and I question how we would have coped without it.

I learnt a lot from the experience, including a deeper appreciation for those on extended leave, allowing me to be a better leader moving forward."

Andy Mills – Director of Operations and Partner Services South, West & Northern Ireland

Employee wellbeing

Supporting our people and their families in times of need continues to be an integral part of our culture and became even more important this year due to COVID-19, and in particular, because of the impact of long-term isolation on mental health.

We experienced a rapid increase in demand for support around mental health during 2020, and our approach to the commitment to supporting our employees' health and wellbeing was consolidated through the appointment of a Head of Wellbeing and an increased emphasis on a range of services to address the breadth of challenges our people and their families have had to face. Some of the areas where we particularly focused our efforts and have continued to invest include:

- doubling the number of Mental Health First Aiders through the training and development of an additional 64 bringing the total to 115;
- extending the availability of counselling and workplace health services provided by our Company doctor from once a month to eight times per month;
- delivering a virtual Mental Health Awareness Week with activities such as mindfulness and yoga plus webinars for employees on how to look after themselves both physically and emotionally;
- providing access for employees to a nutritionist who ran numerous webinars about how what we eat can affect our physical and emotional wellbeing;
- launching the Babylon Virtual GP service (to those who are members of BUPA) which provides access to a GP through video or phone call 24 hours a day, 7 days a week;
- running a menopause awareness and information session in support of International Women's Day and the creation of specialist menopause information webinar in collaboration with the Really Helpful Club; and
- in May 2020, partnering with the 'Mayathon' team (www.mayathon.com/) to encourage our communities to undertake 26 minutes of daily exercise for 26 consecutive days. The aim was to become more active, stay well and support a buddy during the first lockdown, whilst working from home.

We were also delighted to join the Hospice UK Compassionate Employers Programme. The initiative is a comprehensive workplace programme, which aims to assist organisations to best support those in 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 aligns well with our philosophy of treating people well and supporting each other, especially during challenging times. In addition, we have supported various I&D related themes throughout the year including Mental Health Awareness Week, International Women's Day and International Men's Day. All initiatives have not only raised awareness around a particular subject but have provided the opportunity for open discussion within a safe environment, promoting the concept of 'it's good to talk'.

Employee engagement

In June 2020 we ran our latest employee engagement survey. The response rate and engagement with the survey was 95%. Our results are mapped against the global best-in-class results from our surveying partners' best performing clients, i.e. those who score in the 75th percentile in different categories. This allows us to compare ourselves against the best performing companies across the world using figures taken from responses from all their clients (11.3 million respondents) regardless of country and industry.

Communication with our employees continues to be a primary focus. We ensure our people are aware of the financial and economic factors affecting the Group through communications issued to all staff announcing quarterly results, biannual management meetings providing an overview of business performance and our Annual Company Meeting. We regularly communicate using various media including written communications, videos, newsletters, social media platforms such as Yammer and Rungway and cascading through the senior leadership teams and people managers. The impact of this conscious and increased focus on employee communications produced the following results from the survey:

- the Company does a good job of keeping me informed about matters that affect me – 86% favourable response (an increase of 13 percentage points from 2018); and
- senior managers are open and honest in their communication with employees – 78% favourable response (an increase of 11 percentage points from 2018).

95%

of our employees engaged with our survey



Reward and benefits

Our reward and benefits are a key part of our employee value proposition. They are a key lever for the attraction and retention of talent, in supporting a focus on performance and increasingly in 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 2020 has been on strengthening the links to performance, while ensuring that clear checks and balances are in place so that business goals are achieved in line with our values and do not encourage inappropriate behaviour or risk-taking.

We have also seen our benefits offering play a key role in supporting the wellbeing of our employees throughout the COVID-19 crisis. We have provided additional counselling services, wellbeing seminars and activities. We have stepped up our recognition of employees who have made extraordinary contributions to maintain the services we provide for clients and in supporting the Partnership. Naturally, the impact of COVID-19 on our business has resulted in our having to take some tough decisions around reward, and like most companies we have had to be prudent, but we haven't been diverted from a progressive agenda. Looking ahead we will be taking steps to simplify our reward framework, remove complexity and further align our Group wide approach to reward, including in Asia.

We also believe it is important that our staff build a sense of ownership and share in the success of the business. We encourage employee equity participation through our SAYE and SIP schemes, which are so popular that over 80% of employees participate.

Our Responsible Business

Responsible investing

Alignment with UNSDGs

More on page 32.



Responsible investing incorporates the consideration of a wide spectrum of Environmental, Social and Governance (ESG) issues and the effect that those factors can have on a company's long-term prospects. Due to our size and scale we have an opportunity to use our voice to make a meaningful positive impact. We recognise that people view their investments as a key part of a sustainable lifestyle and want their money to be used as a force for good. Crucially, responsible investing is not only about taking environmental and social responsibility, it also makes investment sense.

During 2020 discussions about responsible investing have accelerated in frequency, in depth and in expectation. Responsible investing now underlies the whole of our investment approach and is an integral part of how we at St. James's Place add long-term value for the clients we serve.



“Making a climate commitment is imperative to help our clients achieve financial wellbeing in a world worth living in. Supporting the transition to a low carbon economy makes economic sense and, as responsible stewards of our clients’ assets, we must be proactively looking at the risks and opportunities posed by climate change. We are proud to be aligning our investment principles and engagement activities with the Alliance, helping accelerate the global transition to carbon neutrality.”

ANDREW CROFT,
Chief Executive

Our achievements

Signatory of:



Principles for Responsible Investment

United Nations supported Principles for Responsible Investment (PRI) commitment

The PRI is rapidly becoming a globally recognised standard of good practice within the investment industry, so we are delighted to have achieved an A+ rating from the PRI for the last three years. In 2020 100% of our fund managers became PRI signatories too. In 2018, when we became a signatory, only 69% of our fund managers had made the same commitment.

This important milestone has been achieved through frequent engagement with our fund managers alongside setting them explicit minimum standards. Our Investment Committee has formally endorsed the requirement for all our fund managers to be PRI signatories moving forward. This demonstrates our drive to raise responsible investing standards for all parties engaged in investing our clients' money.

Increased monitoring

Consistent with our aim to be responsible stewards, over the last six years we have assessed our fund managers' investment decision-making processes through an ESG lens. Responsible investment principles are embedded in every aspect of our investment process, from our 'Select, Monitor and Change' approach, overseen by the Investment Committee, to our 'Plan, Design, Review' framework used throughout the Partnership to connect clients with their investments. Further information on these frameworks is set out on page 24.

Standards have progressively risen over recent years through increasingly frequent fund manager meetings, setting explicit expectations and developing high reporting standards with improved data coverage. In 2018, we held 42 meetings that focused on responsible investing with fund managers and service providers, which rose to 60 in 2019 and 150 in 2020.

During 2020 we reconstructed our annual responsible investment fund manager assessments to include greater opportunity for fund managers to evidence their responsible investing best practices. This assessment forms a systematic part of the monitoring process and focuses on strategy-specific questions appropriate for different asset classes. We believe that responsible investment is fundamental to enabling a deeper understanding of the funds and how fund managers incorporate ESG into their investment decisions.

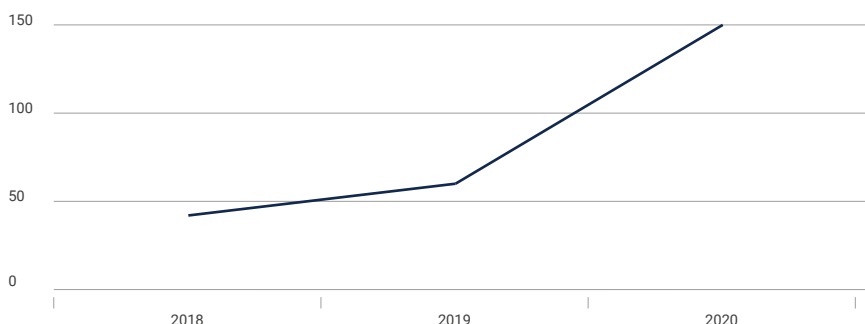
Climate change

The United Nations Sustainable Development Goal 13 Climate Action warns of the dangers climate change will bring upon our world, and encourages the implementation of policies, strategies and planning to mitigate against such outcomes. We recognise the impact of climate change and that the transition to a low-carbon economy poses both significant risks and opportunities to our clients' financial outcomes. Reducing the human impact on climate change has never been higher on our agenda. This is reflected within our investment beliefs and we continue to set high expectations for our fund managers to integrate climate-related factors into their investment decisions.

In 2020 we started to openly communicate the carbon emissions of all our Growth, Income and InRetirement Portfolios, in a dedicated carbon emissions report, to allow clients to understand the impact their money can have in this important area. We believe that what gets measured gets managed and reporting the carbon emissions of our portfolios is a key first step towards lowering their environmental impact. We joined the Net-Zero Asset Owner Alliance (NZAOA) to collectively influence economy-wide transition towards net zero by 2050.

This year we have worked with The Wisdom Council, a leading market research company specialising in financial services. They have explored client sentiment and wider consumer engagement around responsible investing. The research clearly demonstrated that clients' deep environmental concerns remained a top priority, and the expectation that leading brands such as ours should incorporate sustainable practices into their business. These findings will help to shape our future strategy, activities and communication.

Number of ESG meetings held with our managers, consultants and data providers



In 2019 we became signatories of the Task Force on Climate-related Financial Disclosures (TCFD) and have commissioned an independent review to assess our business practices, our approach to climate impacts and define how we can further improve. More detail on TCFD can be found here on page 41.

Enhanced communications and education

Communicating our commitment to responsible investing increased significantly during 2020. Understanding what our clients wanted to know about the environmental impact of their investments helped drive the decision to create the Carbon Emissions Report and to include this information in the Value Assessment Statement.

We have held numerous virtual presentations, webinars and interviews with advisers, clients and other industry bodies. All new advisers receive training to build their depth of knowledge around the issues pertinent to responsible investing. We are also committed to building on our clear client reporting by disclosing other responsible investing issues such as inclusive growth, diversity and innovation in the future as information becomes available.

Focus areas for 2021

We will continue to take a prominent role in addressing relevant responsible investment conversations at industry level, strengthening our collective voice and driving positive change.

Our commitment to improving reporting standards through increased data analysis will be supported by developing reporting capability across wider responsible investing topics and frequent engagement with, and assessment of, our fund managers.

Across the Partnership we will continue to deliver quality education and insights to ensure meaningful client conversations can take place that encompass all our clients' responsible investing priorities.

Further embedding responsible investing into the core investment proposition will enable us to deliver client outcomes that are even more aligned to our clients' objectives.

100%

of our fund managers became PRI signatories

Our Responsible Business

Managing our environmental impact

Alignment with UNSDGs

More on page 32.



“Society won’t settle for companies that preach green but don’t manage their carbon footprints, or financial institutions who can’t tell us whether our money is on the right or wrong side of climate history.”

MARK CARNEY, ex Governor of the Bank of England, 2020



Our approach

As a business focused on giving our key stakeholders the confidence to create the futures they want, it is important that we operate in a way that considers the need to take a responsible, focused and long-term mindset towards our environmental impact. Although our business operations having little effect on the environment, we recognise that we can still have a central role to play in promoting sustainability. We manage this in four core areas:

- through responsible investment of our funds under management, see pages 24, 25 and 38;
- through decreasing our direct emissions (scope 1 and 2), see page 42;
- by offsetting the carbon that we do use to be operationally carbon neutral as a business; and
- through our non-investment supply chain, see page 44.

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 Environmental Reporting Group, the Risk Committee, the Investment Executive Committee and our Sustainable Investment Regulation Programmes.

The main committee overseeing activities is our Environmental Reporting Group, with ultimate responsibility resting with our Chief Executive, Andrew Croft. The Environmental Reporting Group meets monthly to co-ordinate Group carbon reduction plans, review environmental performance and agree mandatory and voluntary environmental reporting and disclosure. We are looking to appoint a Head of Environmental Strategy at the beginning of 2021 to oversee this framework and deliver our Group-wide strategy. More information about governance of climate related risks is set out in our TCFD report (see below).

Our impact

During 2020 we have made significant progress with responsible investing, which now underlies the whole of our investment approach and is an integral part of how we at St. James's Place add long-term value for the clients we serve. We have also maintained our 100% purchasing of electricity from renewable sources and our carbon neutrality through offsetting. As a result we maintained our Carbon Disclosure Project 'Grade B Management' score for the fourth year running.

We have also worked with our suppliers to:

- Provide more electric vehicle charging points (EVCPs) through a partnership with a new supplier. In 2020 we more than doubled the charging points at our head office and completed phase one of planned installation of EVCP at our new Bristol office.
- Initiated condition surveys across the estate to identify inefficient plant such as older chillers and boilers to inform a longer-term replacement schedule which will be proposed to the business.
- Set up DocuSign for digital signatures saving 16,503kg carbon and 1,143kg paper across the group. We also looked to encourage clients to go paperless by donating on their behalf to the Woodland Trust. In 2020, we donated £121,146 and 40,382 clients went paperless.

Like many businesses during 2020 we saw a dramatic decrease in our travel and use of accommodation. We are working hard to capture the benefits of this long term and are reviewing our policies on travel and face to face meetings, and empowering employees to make the low carbon choice as the norm.

Task Force on Climate-related Financial Disclosures (TCFD)

Whilst we engage with the Carbon Disclosure Project to help measure and understand the environmental effect of our business operations, we appreciate that our greatest environmental impact is through our stewardship of £129.3 billion of funds under management held on behalf of our clients. As a result, responsible investment is embedded into our investment management approach. We have reported against the Task Force on Climate-related Disclosures (TCFD) framework for the first time for the year

ended 31 December 2020. This covers governance structures, strategy, risk management, targets and metrics across our business, and can be found in our separate TCFD report which will be available on our website www.sjp.co.uk. It also ensures that we continue to bring together various departments, including Risk, Audit and Investments, to take a strategic whole business approach to tackling climate change.

Environmental data

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, EcoAct.

Liz Kelly, one of our Executive Board members said:

“We recognise the importance of reducing and minimising our impact on climate change and, despite the rapid growth in our business, we have successfully reduced our carbon use over the last three years. While our focus is to continue reducing carbon emissions, we offset what we do use to achieve carbon neutrality.”



Our Responsible Business

Managing our environmental impact continued

1. Targets

We are committed to doing our part to cap global warming to two degrees Celsius by 2050, and are now aiming to set science-based targets. On the journey to limiting global warming to 2 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	544	70%	With restrictions on travel from March 2020 from COVID-19 lockdowns, company car usage fell in 2020 by 57%. Throughout this period the adoption of teleconferencing enabled the continuation of business activities.
Abs2	2 (Market-based)	108	35%	In 2020, we continued to purchase 100% renewable electricity for our UK operations, reflecting best practice and driving demand in the renewable energy market. In our Asia operations, office electricity usage reduced by 27% due to the COVID-19 pandemic. A drop in the electricity grid factor accounts for the remaining decrease in Scope 2 emissions.
Abs3	3	2,917	144%	Restrictions on global travel from March 2020 as a result of the COVID-19 pandemic has contributed to the reduction of business travel emissions by 63%. Throughout this period the adoption of teleconferencing enabled the continuation of business activities.

3. Gross emissions

As a large, quoted company incorporated in the UK, St. James's Place plc is required to report its 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 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	
			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	–
2	Location-based	tCO ₂ e	1,836	168	1,861	141	1,533	108
	Market-based		–	168	–	141	–	108
3	Business travel in private cars	tCO ₂ e	1,208	–	1,459	–	695	–
1, 2 & 3	Location-based	tCO ₂ e	3,879	168	4,045	141	2,772	108
	Market-based		2,043	168	2,184	141	1,239	108
	Direct and indirect energy consumption	kWh	15,471,870	263,607	17,684,002	245,956	12,486,750	177,951
1, 2 & 3	Location-based	tCO ₂ e/kWh	0.0003	0.0006	0.0002	0.0006	0.0002	0.0006
	Market-based		0.0001	0.0006	0.0001	0.0006	0.0001	0.0006
3	Business travel, waste, hotel stays, WTT and T&D	tCO ₂ e	9,171	–	5,495	–	2,222	–
3	Property Trust	tCO ₂ e	11,469	–	9,561	–	8,584	–
	Total (market-based)	tCO ₂ e	22,851	–	17,380	–	12,154	–

We account for 100% of our operational activity accounting the Operational Control Approach. There are no exclusions¹.

Towards the end of 2020 we carried out works to ensure that all lighting installations, both internal and external, at our Head Office campus use LED fittings, reducing greatly the amount of energy consumed. A review of the whole business estate is underway to identify other locations where this is possible and we will provide recommendations to the business in due course. We have also begun to investigate services available in the market to assist us reduce and optimise our use of electricity across our estate and we have made environmental considerations a central feature of our office furniture procurement, installing many items made from recycled materials in our most recently opened offices.

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	1.51	1.08	Emission intensities have decreased significantly across all Scopes 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)	0.29	0.22	
3	14.52	5.80	



Our Responsible Business

Building relationships with our suppliers

Alignment with UNSDGs

More on page 32.



“St. James’s Place has worked with Alphabet, a vehicle leasing company, to develop and launch an electric vehicle (EV) fleet scheme to complement our employee benefit scheme. Employees can now select to lease fully electric, hybrid and low-CO₂ petrol models.

Since the start of 2020, the EV option has proved hugely popular – 63% of models ordered have been electric vehicles. This means with each additional electric vehicle added to the fleet, to replace an outgoing petrol or diesel car, St. James’s Place fleet scheme is positively contributing to the company’s reduction in CO₂ output.”

PETER YATES,
Procurement Manager



Our approach

At St. James’s Place, we are committed to managing our business in a responsible 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 we are sharing our aspirations and objectives in order to encourage our suppliers to adopt similar principles.

We encourage our suppliers to share our desire 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.

Selecting suppliers to reduce our environmental impact

During 2020 we have continued to reduce our environmental impact by working with our suppliers by:

- developing our fleet provider offering with increased focus on electric and hybrid vehicles; and
- introducing new and additional electric car charging points.

Our process

Our procurement processes ensure we meet regulatory and business obligations, as well as creating and promoting internal and external awareness and the benefits of strong third-party relationships. Our procurement policy requires due diligence to be conducted on all new suppliers. This is done through a risk-based approach which considers legal and business requirements.

Evidence of our commitment

Since 2014, we have been a member of the Living Wage Foundation (www.livingwage.org.uk). We also encourage our suppliers to adopt the same approach or, where applicable, an overseas equivalent.

We are 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.

Our onboarding process requires all new suppliers to confirm their compliance to applicable legislation, including but not limited to; diversity and inclusion, modern slavery, employee payments and contact terms and gender pay gap reporting.

Our focus for the future

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.

Supporting our communities

Alignment with UNSDGs

More on page 32.



Employee engagement

90.1%

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

(2019: 96.1%)

Community investment

2.18%

 invested

Percentage of profit before tax invested in supporting our communities and good causes

(2019: 4.4%)

£7.1m

Total invested in communities

(2019: £8.3 million)

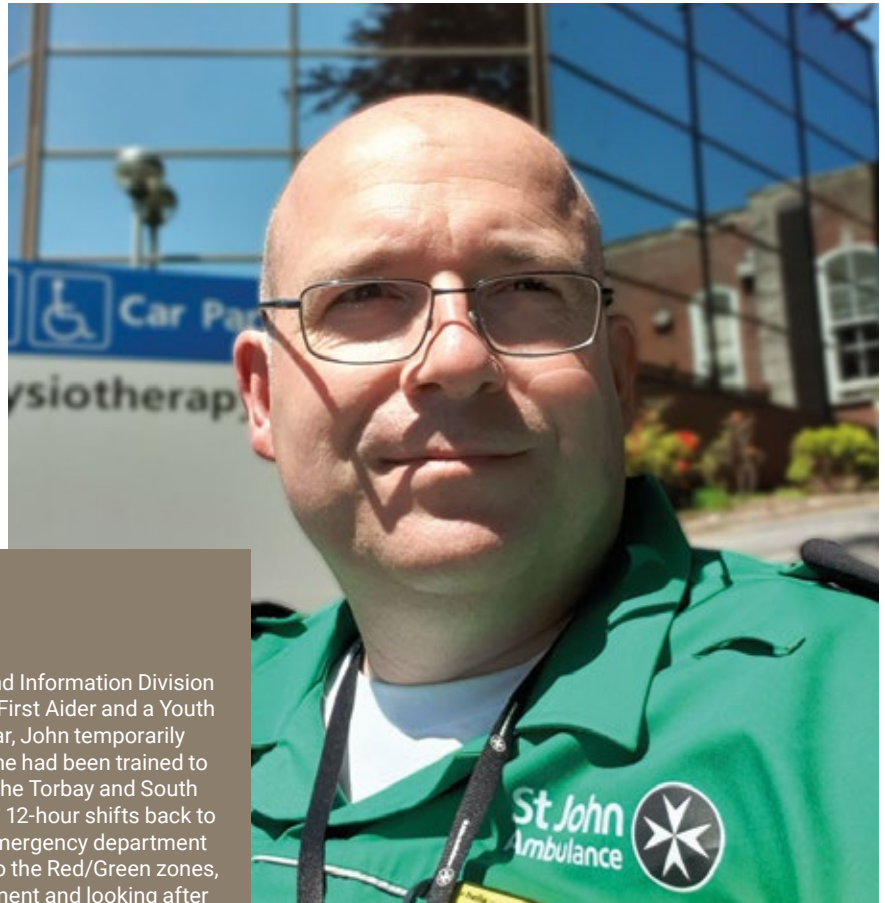
Employee involvement

Despite 2020 being a challenging year, our employee engagement remains strong. Not only have employees given their time to fundraise and distribute grants, but many have supported their local communities and those vulnerable during the pandemic. Within ten days of the first lockdown announcement, we had two new policies in place. We released any employee with a medical or military background to the NHS, medical organisations, emergency services or armed forces, and we also extended our volunteer allowance from two days to unlimited. This means that employees were able to take an unlimited number of days to support others when needed throughout the pandemic. As a result, we updated our volunteering policy to be flexible. London Benchmarking Group and Business in the Community noted this as best practice for volunteering policies in response to the COVID-19 crisis.

Volunteering

This year, our volunteering hours reached 4,406, meaning the total value of time our employees gave during work equated to £147,871. As our engagement activities were limited by COVID-19 and social distancing requirements, we organised an event called 'Walk the World', with the aim of offering our employees the opportunity to volunteer in safe and meaningful ways and we also introduced a new virtual volunteering opportunity finder. Among our projects, we supported:

- Anti-slavery projects, to help transcribe 19th century hand-written texts relating to anti-slavery into a more digestible form for researchers;
- Adopt a Grandparent to help combat loneliness;
- Age UK and The Big Knit;
- Zooniverse to help identify and monitor wildlife populations; and
- The 2 Minute Litter Pick.



Engagement

Supporting the NHS

John Summers works in our Technology and Information Division and regularly volunteers as an Operational First Aider and a Youth Leader with St. John's Ambulance. This year, John temporarily stopped working for St. James's Place, as he had been trained to assist the NHS with COVID-19 patients for the Torbay and South Devon NHS Foundation Trust. John worked 12-hour shifts back to back and was tasked with helping run an emergency department COVID-19 screening, assisting patients in to the Red/Green zones, delivering care in the minor injuries department and looking after patients on the wards. In support of John, the St. James's Place Charitable Foundation donated £10,000 to St. John's Ambulance.

Our Responsible Business

Supporting our communities continued

In total, 400 employees volunteered over 2,000 hours. We also encourage and recognise employees who volunteer in their own time, with 52 £300 grants given to the charities supported.

4,406

volunteer hours

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

(2019: 14,333 hours)

1.6/2.0

hours

The average number of hours given during working hours / outside of working hours

(2019: 5.3/4.5 hours)

The Trussell Trust foodbanks

At the start of lockdown in April, seeing the inevitable increase in need for foodbanks, we donated £100,000 of unrestricted funds to The Trussell Trust to support their scale-up to find another 20,000 volunteers. The St. James's Place Charitable Foundation also donated another £50,000 of unrestricted funding.

£100,000

Amount of unrestricted funds donated by St. James's Place

Carbon footprint

30%

Reduction in CO₂ emissions during 2020

Developing responsible businesses in the Partnership

One of our key objectives for 2025 is to support our Partner practices in becoming responsible businesses in their own right. To do this, we have partnered with the Good Business Charter, who are an independent organisation which recognises responsible business practices. The Good Business Charter measures behaviour over ten components: real living wage, fairer hours and contracts, employee wellbeing, employee representation, diversity and inclusion, environmental responsibility, paying fair tax, commitment to customers, ethical sourcing and prompt payment. A company must meet all ten commitments to receive Good Business Charter accreditation. In 2020, we launched a successful pilot with a range of our Partner practices. In line with this, St. James's Place has become the first FTSE 100 company to be Good Business Charter accredited, ensuring we are one step closer to becoming a leading responsible business by 2025.

Our community strategy Business in the Community's CommunityMark award

In 2020 St. James's Place achieved Business in the Community's CommunityMark award for excellence in our approach to our community investment. This prestigious award reflects the outstanding work being undertaken by our corporate responsibility team to engage with, and support, our local communities.

Our community initiatives such as employability, financial education, team challenges, volunteering and our Charitable Foundation are focused on supporting social mobility and social inclusion in the UK. 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 without being included.

"St. James's Place has really worked hard throughout 2020 to ensure a full company, strategic approach for their community investment planning. They understand that their community investment is an important business strategy, like any other, rather than an 'add-on' for their business. BITC recognises this leading responsible business approach and believes it will result in long time impact delivered with their communities. Congratulations!"

BELINDA GOODMAN,
Responsible Business Lead,
Business in the Community,
2020

Connecting with the community

During 2020, engagement with our community was more important than ever. We engaged through meeting local governments, non-governmental organisations and charities. As part of our approach to tackling social mobility in and around our Cirencester head office, we attended meetings with Cotswold District Council, Cirencester Town Council and Cirencester Community Development Trust. It was imperative during the year that we understood the social needs of the local community and ensured we were providing adequate support when and where required.



The Prince's
Responsible
Business Network

CommunityMark 2020

Our team challenges within our local community were reassessed to ensure that the safety of our employees was a priority. We focused on outdoor, socially distanced challenges that met a genuine need in the community, from ecology to heritage.

Our holistic charity programme supports a wide range of charities in Cirencester to tackle both economic and cultural poverty and exclusion. We have five-year relationships with these charities to provide unrestricted funding and business expertise, to help them grow sustainably and plan for the long-term. The unrestricted funding allows charities to use the money where it is needed most, whether this be for projects, overheads, staff costs or equipment.

Social mobility through employability and The Duke of Edinburgh (DofE) scheme

Through our employability programmes and entering into a £2 million five-year strategic partnership with DofE, we look to support social mobility in the UK. Funding of £350,000 a year is directed to support the DofE's strategic aims of working with disadvantaged young people - now over 70,000. Both our organisations are dedicated to helping people define their own futures, and through the DofE raise aspirations, confidence and personal goals. As part of our strategic partnership we have supported the DofE with inclusion and diversity training, team development through Insights training, free employability videos for participants and provided impact research mentoring. But the relationship goes both ways and the DofE has provided consultancy support for us to develop our social mobility strategy and a community theory of change model.

For the first three years of our partnership, we were title sponsors of the DofE Adventure Challenge fundraising event which won 'Best Charity Challenge Event' in the Charity Events Awards 2020. Now that it is an established event, we are currently working to understand the impact of the DofE for disadvantaged young people, by donating £50,000pa towards research for the duration of the Partnership.

We also created a range of videos to support our employability programmes evidencing the variety of people, skills and backgrounds in financial services. These were a huge success and have been used in our virtual events to increase awareness of and access to financial services jobs www.dofe.org/statistics/

Social mobility through financial education

We are one of the leading education providers of face-to-face financial education in schools in the UK. We understand the importance of financially educating children and it has remained a core focus of our long-term approach. In 2020, with the closure of schools, we looked instead to create online materials on financial education for primary and secondary school students. These home learning materials are provided for free to anyone via the St. James's Place website, and we have advertised them to our local schools and partners, as well as sharing them with employees and Partner businesses for their personal use with their families.

We have also created an online accreditation for advisers to become accredited virtually on how to deliver financial education. In total, in 2020 we reached 2,461 children through 26 employees and 22 advisers in 29 different schools. We also had 1,320 unique downloads of our online resources. We also offer grants to charities including Young Enterprise, DofE, The Money Charity, National Numeracy and Career Ready to work in the schools we do not already support.

This year, St. James's Place was a finalist in the Leadership category for the Social Mobility Index. The Social Mobility Index is an important benchmarking initiative that St. James's Place completed in 2020 to determine where we ranked against other leading UK employers. We have used the feedback to help us build a corporate strategy on social mobility with the aim to attract and develop talent from all backgrounds.

Social inclusion through the St. James's Place Charitable Foundation

Social inclusion at St. James's Place means working to improve the terms of participation for people who are disadvantaged or under-represented economically, socially or through medical conditions. Giving has always been a strong part of our culture, with over 75% of our employees donating to the Charitable Foundation each month via covenant. We are proud to match, pound for pound, donations to the Charitable Foundation and, as a result, in 2020 the Group gave £4.9 million, following fundraising of £4.1 million by our community.

Our community has now given over £100 million to our Charitable Foundation and our focus on high-impact local work means that this money is truly effective at changing lives. Further information is provided on pages 48 and 49.

Our commitment to the Charitable Foundation has been in place since our business launched in 1992. Not only has the Charitable Foundation been making a positive and lasting difference to the lives of children and young people who are disadvantaged economically, socially or through disability, those affected by cancer or mental health issues and the hospice movement, it also offers our employees the opportunity to volunteer, gaining valuable skills and insight, and provides a cultural connection across the Group. We know that 99% of employees who volunteer report positive experiences, an increase in wellbeing or skills development.

Our 2021 vision

Whilst we reflect on our achievements over the past year, it is also important to look to the next chapter. In 2021 our aspirations include:

- further embedding responsible investing into our Investment Management Approach (see pages 38 and 39);
- growing the successful 'Partner Responsible' pilot to help Partner businesses operate in a more responsible way;
- integrating sustainable and ethical decision-making into all operational activities across the business, including governance and oversight;
- measuring the depth of impact of our community and group programmes including launching longitudinal research into financial education;
- improving our supplier selection and monitoring processes; and
- creating and implementing a new five year environmental strategy.

Our Responsible Business

The St. James's Place Charitable Foundation

Making a positive and lasting difference

The St. James's Place Charitable Foundation (the Charitable Foundation) was established to enable the St. James's Place community to support charities across the UK and overseas, and to encourage giving as a strong cultural thread within the business. The Charitable Foundation has grown alongside the St. James's Place Group and is now the 6th largest corporate foundation* in the UK.

The Charitable Foundation directs its funding to grassroots charities to support sustained growth and create a positive and lasting impact on people's lives across four core themes:

- Children and young people who are disadvantaged or have a disability
- Hospice sector
- Cancer support
- Mental health

* Association of Charitable Foundations Giving Trends Report 2019.

COVID-19

The COVID-19 pandemic affected all aspects of our world and has, and will continue to have, a significant impact on the charitable sector. As a funder, we responded quickly and flexibly to the needs of our supported charities, providing £1.7 million of COVID-19 specific support, making our funds unrestricted and forward-paying grants to support cashflow. We were inspired by the responsiveness shown by charities; despite the many restrictions in place, many were able to quickly adapt to the circumstances and maintain their essential services to thousands of people. Examples of the support we gave include a £475,000 grant to the National Emergencies Trust, £275,000 to NHS Charities Together and £50,000 to the Trussell Trust. We know that the challenges faced by the sector are continuing into 2021 and beyond and we are committed to being flexible to support these invaluable charities through difficult times.

Total amount raised for good causes since inception in 1992

£102.1m

(2019: £93.1 million)

Amount raised in 2020

£9.0m

(2019: £12.1 million)

Number of individual charities supported in 2020

807

(2019: 1,109)



Our focus for 2021

Looking ahead to 2021 our aims are to

- continue to be responsive and supportive to our grantees during and after the pandemic crisis
- continue to build on our partnership funding model with key supported charities
- connect business skills, knowledge and expertise to enable transformational change in charities
- inspire the St. James's Place community to continue their generous support to the Charitable Foundation in terms of time, skills and donations

The PACE Centre

Pace is a special needs school that is committed to ensuring that children with neurodisabilities have the opportunity to reach their fullest potential in life and take an active role in society. In 2020, the Charitable Foundation provided a £150,000 grant to support an innovative assistive technology project that will support independence and increase interaction for children with complex neurodisability needs, thereby providing transformational change to their lives.

"The generous support of the St. James's Place Charitable Foundation has enabled Pace to embark on our critically important SMART School programme, which will have a great impact not only on our own children but also on thousands more children and young people with complex neurodisabilities across the UK."

IAN SANSBURY, CEO of The PACE Centre

The impact of our grant-making

The most important aspect of our grant-making is understanding the impact our funds have on the charities we support, ensuring that we are creating positive and lasting change for the charity and its beneficiaries. Our recent impact survey found that 92% of people supported through our grant-making have experienced a positive impact on their lives, with 38% of people experiencing a transformational impact. This is what we strive for through our focus on small local charities.

"The financial support that the Charitable Foundation provided has been invaluable and essential to enabling us to grow, develop different streams and areas of expertise and expand our services."

Gloucestershire Counselling Services

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

"In addition to supporting young people, the volunteers from St. James's Place delivered financial awareness training and interview preparation that added huge value to the training course for both Springboard and the young people."

Springboard Charity



South Oxfordshire Food & Education Allowance (SOFEA)

SOFEA is a food distribution charity which also provides employability and skills training for disadvantaged young people. The Charitable Foundation has been supporting SOFEA since 2015 by funding a programme to support disadvantaged young people back into employment, and improve their health and wellbeing. During 2020 we gave an additional grant of £25,000 to support the increased demand for food banks due to the pandemic.

"The support from the Charitable Foundation early in the pandemic enabled us to increase our storage and distribution of surplus food, ensuring that those in need had access to free emergency food boxes from March until August. In that time, we distributed 110,000 food boxes through 77 partner organisations. This represents over 1,000 tonnes of food with a retail value of approximately £2 million."

RICHARD KENNELL, CEO of South Oxfordshire Food & Education Allowance

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 the form of donations, fundraising and volunteering time. The ongoing enthusiasm, creativity and willingness to give back is inspiring and acts as an agent for positive change in our communities in the UK and overseas.

Note: The Charitable Foundation is an independent charity (charity number 1144606) which is not controlled by the St. James's Place Group, and hence the financial performance and position of the Charitable Foundation are not consolidated into the Group Financial Statements presented on pages 153 to 213.

You can find out more about how the Charitable Foundation is making a positive and lasting difference to people's lives at

www.sjpfoundation.co.uk

Percentage of beneficiaries who report a positive impact on their life

92%

(2019: 97%)

Percentage of beneficiaries who report a transformational change to their life

38%

(2019: 34%)



ST. JAMES'S PLACE
CHARITABLE FOUNDATION

Chief Financial Officer's Report



As already stated in the Chief Executive's Report, 2020 was an extraordinary year with events shaped by the COVID-19 pandemic. Despite the disruption the business exhibited resilience, with the Partnership attracting gross inflows of £14.3 billion (2019: £15.1 billion) and net inflows of £8.2 billion (2019: £9.0 billion). The level of economic and financial uncertainty throughout most of the year particularly impacted the pace of discretionary investment flows as some clients took a more cautious approach to investing new funds. We did though continue to see positive net inflows throughout the year as clients, prompted by their advisers, took the appropriate actions in order to ensure they remain well positioned to achieve their long-term financial objectives. As we have seen in periods of market volatility historically, client retention remained strong as our advisers worked hard to provide reassurance and sound counsel in an uncertain environment.

Coupled with the impact of positive investment market returns, this new business performance resulted in funds under management closing at a record £129.3 billion (31 December 2019: £117.0 billion), up some 11% over the year and boding well for the development of our financial results in the years ahead.

The resilience in our new business performance, together with growth in funds under management, has contributed to a robust outcome for our financial results for 2020 as set out below. Despite the challenges of operating during the COVID-19 pandemic, our financial position has also proven resilient with the solvency position of our life companies and the Group as whole exhibiting considerable stability in the face of extreme market volatility. This is attributable to the simplicity of our business and our approach to managing solvency.

Although the COVID-19 pandemic is ongoing, we remain confident in our ongoing prospects and the strength of our balance sheet.

Our financial results are presented in more detail on pages 54 to 72 of the Financial Review, but we provide below 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.

IFRS profit after tax

£262.0m

2019: £146.6 million

Underlying cash result

£264.7m

2019: £273.1 million

EEV operating profit

£919.0m

2019: £952.0 million

“2020 was an extraordinary year with events shaped by the COVID-19 pandemic. Despite the disruption the business exhibited resilience.”

Financial results

IFRS

IFRS profit after tax was £262.0 million in 2020 (2019: £146.6 million). As at half-year, this result has benefited from significant temporary but favourable effects linked to life insurance tax that have arisen as a result of movements in investment markets. We expect this benefit to unwind over time. Further detail on this effect, which we refer to as the **impact of policyholder tax asymmetry**, is included in the Financial Review on page 57.

To address the challenge of policyholder tax being included in the IFRS results we focus on IFRS profit before shareholder tax as our pre-tax measure. However, for 2020 this metric is also impacted by the effect of policyholder tax asymmetry referred to above. Therefore on this basis the result was significantly higher at £327.6 million for the year (2019: £187.1 million).

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 European Embedded Value (EEV) result.

Taking each in turn:

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, so 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.

During the year, the **net income from funds under management** was £455.9 million (2019: £424.9 million), representing a margin of 0.63% (2019: 0.63%) on average mature FUM, excluding DFM and Asia FUM, in line with prior guidance. It is only this mature FUM excluding DFM and Asia FUM that contributes to this net income figure and this mature stock of FUM at any given time substantially 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 dependent on 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;
3. The retention of FUM; and
4. Investment returns on FUM.

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 therefore constrains growth in net income from funds under management today, it bodes well for the future as gestation FUM matures and begins making a positive contribution. At 31 December 2020, the balance of gestation FUM stood at £43.4 billion (31 December 2019: £40.2 billion). Once this current stock of gestation FUM has all matured, it will (assuming no market movements or withdrawals) contribute in excess of £365 million to net income from funds under management and hence to the Underlying cash result.

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 reduction in margin arising from new business in 2020 largely reflects the decline in gross flows over the period, although the relationship between the two is not linear.

Establishment expenses in 2020 were £200.0 million (2019: £186.2 million), up 7% over the year and some £3 million below the guidance that we provided last year, reflecting management actions taken as the external environment deteriorated during the year. Management will continue to take a disciplined approach to expense management, deferring or delaying expenditure where possible and where long-term growth and our ability to respond to ongoing challenges presented by COVID-19 will not be compromised.

Operational development costs were £30.7 million (2019: £22.3 million) reflecting a period of considerable investment in the business, laying the foundations for long-term growth. This included developing our collaboration with Salesforce as previously announced. In addition, we accelerated the development of certain projects and technologies to ensure the Group and the Partnership were able to adapt effectively to the remote working environment.

For example, we invested in providing seamless electronic data capture systems, electronic signature capability, and in digital platforms to enable safe and secure virtual interactions between the Partnership and clients. These investments will benefit the business in both the short and long-term. It is worth noting that we are also mindful of increasing cyber risk so continue to take appropriate action to mitigate such risks.

Our contribution to the **FSCS levy** increased substantially and disappointingly during the year, to £29.7 million, up from £22.3 million in 2019. This reflected a significantly increased rate of levy, over and above the 15% increase we expected at the beginning of the year, exacerbated by a supplementary levy announced in November 2020 and by our growth as a proportion of the FSCS funding classes in which we operate.

Although we are fundamentally supportive of a mechanism that protects consumers, we agree with the comment made by the FCA chair Charles Randall when he said *"...all too often, the polluter doesn't pay. The cost of bad behaviour by firms which then fail is usually mutualised through the FSCS, rather than borne by the wrongdoers"*. We welcome the goal that has been outlined by the FCA of redesigning the system to make the polluters pay.

Reflecting its critical role in providing a source of future organic growth in our adviser population, we continue to invest

into building our **Academy** programmes in order to accommodate additional capacity with greater geographic reach. Academy operations adapted well to COVID-19, with the programme being delivered online for existing participants. However, given the uncertainty and logistical challenges we deferred a number of new entrants into the programmes until 2021, which has resulted in Academy costs decreasing by 13% year-on-year.

We have also further invested in developing our presence in **Asia**, as well as in **discretionary fund management** via Rowan Dartington both in the UK and overseas. The growth plans for both of these businesses have been adversely impacted by the financial uncertainties during the year, but both have still managed increases in revenues and disciplined expense management. Our investment for the future also extends to our **strategic development costs**, with one such example being the costs associated with reconfiguring more than 2,500 Partner websites during the year.

The **Underlying cash result**, which is a key metric that provides a good indicator of underlying performance and the impact of our investment programmes, was £264.7 million (2019: £273.1 million).

Recognised below the Underlying cash result, our **back-office infrastructure** activity has been a critical multi-year project. In 2019, the final smooth migration of business was completed which means that all of our core UK business is safely on the Bluedoor platform. We continued to incur decommissioning expenses relating to our legacy systems, and so our back-office infrastructure costs were £10.0 million for the year (2019: £38.8 million) but having sufficiently completed these exercises no further back-office infrastructure costs are anticipated for 2021.

The **Cash result** in 2020 was therefore £254.7 million (2019: £229.4 million).

EEV

The **EEV operating profit** is sensitive to new business written within the year and the 5% reduction in gross flows year-on-year is the main factor behind a reduced EEV operating profit of £919.0 million (2019: £952.0 million).

The **EEV profit before tax** for the period has been significantly impacted by the positive but lower **investment return variance** of £304.4 million compared to the prior year (2019: £768.6 million). The positive return reflects increased market values across our FUM as a result of stronger markets at year end, following the recovery in the second half of the year.

Chief Financial Officer's Report continued

Key financial position developments

The shareholder, or Solvency II Net Assets Balance Sheet, is one that is derived from the statutory IFRS Statement of Financial Position and a reconciliation between the two can be found on page 64 of the Financial Review. There are several areas that are worthy of note.

Movements in 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 on those 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 2020	31 December 2019
Aggregate LTV across the total Partner lending book	31%	32%
Proportion of the book where LTV is over 75%	12%	15%
Net exposure to loans where LTV is over 100% (£'Million)	9.2	9.4

If FUM were to decrease by 10%, the Net exposure to loans where LTV is over 100% at 31 December 2020 would increase to £11.3 million.

Our credit experience also benefits from the structure of business loan to Partner repayments. The Group collects advance 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, however the balance has remained stable year-on-year as new loans advanced have approximately matched repayments received.

	31 December 2020	31 December 2019
	£'Million	£'Million
Total business loans to Partners	476.7	476.5
<i>Split by funding type:</i>		
Business loans to Partners directly funded by the Group	319.6	316.0
Securitised business loans to Partners	157.1	160.5

Movements in borrowings

St. James's Place 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.

	31 December 2020	31 December 2019
	£'Million	£'Million
Total borrowings	341.8	403.7
<i>Split by borrowing type:</i>		
Senior unsecured corporate borrowings	226.5	287.1
Senior tranche of non-recourse securitisation loan notes	115.3	116.6

After adjusting for this non-recourse debt, borrowings have been increasing broadly in line with the scale of the business over recent years, and we remain comfortable not only with our level of borrowings, but

also with the headroom we have within our range of facilities. At 31 December 2020 the Total borrowings is temporarily reduced as a result of the with-held dividend payments during the year.

Solvency, capital and liquidity

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 2020 we held surplus assets over the MSB of £717.3 million (2019: £580.6 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 2020, the solvency ratio for our Life businesses after payment of the year-end intra-Group dividend was 112%, unchanged from the position at the start of the year. For further details, refer to page 72.

Corroborating our prudent approach to managing the balance sheet, the UK Life company has received an A+ rating from Fitch Ratings during the year.

Taking into account entities in the rest of the Group, the Group solvency ratio at 31 December 2020 was 132% (2019: 132%).

The Group has £1,527.1 million of liquid assets (2019: £1,429.8 million) largely comprising investments in AAA-rated money market funds and cash balances, as demonstrated in the table below. This represents a considerable stock of liquidity and excludes the additional headroom that we have in our borrowing facilities.

	31 December 2020	31 December 2019
	£'Million	£'Million
Fixed interest securities	7.4	5.2
Investment in Collective Investment Schemes (AAA-rated money market funds)	1,264.8	1,131.8
Cash and cash equivalents	254.9	292.8
Total liquid assets	1,527.1	1,429.8

Dividends

In April 2020 we announced a decision to retain 11.22 pence per share of the 2019 Final Dividend. As we said at the time the decision to retain this amount was a prudent response to a number of very challenging potential scenarios that could have materialised. 2020 was a very challenging year but these scenarios, which were put together at the point of greatest uncertainty, have not played out and the business has shown resilience throughout. The Board therefore no longer sees a need to continue with this retention and the withheld amount of 11.22 pence per share will be paid as a further 2019 interim dividend on 24 March 2021.

The dividend in respect of 2020 has been determined under our existing dividend policy with a proposal of 38.49 pence per share providing for a pay-out ratio of 78% against the underlying cash result.

During 2020, the Board also considered the way in which future dividends should emerge from the group. Shareholders will recall that there is a dynamic within the IFRS result which defers the recognition of initial cash margin on new business, and that the quantum of this deferral is greater for investment bonds and pensions. Whilst this has always been the case, given the scale of the business and combined investment bond and pension flows today, we expect in a sustained growth scenario, to see a timing gap between the IFRS and the cash result going forward, with cash continuing to emerge ahead of IFRS and therefore distributable profit.

As we look forward, this dynamic of cash earnings emerging faster than distributable profit means that we will be moving to a pay-out ratio of around 70% of the underlying cash result starting in 2021. This move accommodates the timing mismatch between the emergence of cash and distributable profit, allows for continuing investment in the business, and provides certainty and sustainability to our pay-out ratio throughout our planning horizon.

We are also simplifying our approach to Interim Dividends which will now be based on a formulaic approach and will be calculated as being equal to 30% of the prior year ordinary dividend. For 2021, this would be calculated with reference to the 38.49p proposed dividend for 2020.

These moves will provide certainty to the pay-out ratio throughout and beyond our planning horizon.

CRAIG GENTLE
Chief Financial Officer

24 February 2021

Summary financial information

	Page reference	Year ended 31 December 2020	Year ended 31 December 2019
FUM-based metrics			
Gross inflows (£'Billion)	55	14.3	15.1
Net inflows (£'Billion)	55	8.2	9.0
Total FUM (£'Billion)	55	129.3	117.0
Total FUM in gestation (£'Billion)	56	43.4	40.2
IFRS-based metrics			
IFRS profit after tax (£'Million)	58	262.0	146.6
IFRS profit before shareholder tax (£'Million)	58	327.6	187.1
Underlying profit before shareholder tax (£'Million)	58	359.9	218.9
IFRS basic earnings per share (EPS) (Pence)		49.1	27.6
IFRS diluted EPS (Pence)		48.6	27.5
IFRS net asset value per share (Pence)		207.0	177.1
Dividend per share (Pence)		38.49	49.71 ¹
Cash result-based metrics			
Operating cash result (£'Million)	60	302.7	310.7
Underlying cash result (£'Million)	60	264.7	273.1
Cash result (£'Million)	60	254.7	229.4
Underlying cash result basic EPS (Pence)		49.6	51.4
Underlying cash result diluted EPS (Pence)		49.1	51.1
EEV-based metrics			
EEV operating profit before tax (£'Million)	67	919.0	952.0
EEV operating profit after tax basic EPS (Pence)		139.0	148.8
EEV operating profit after tax diluted EPS (Pence)		137.5	148.0
EEV net asset value per share (Pence)		1,448.8	1,320.1
Solvency-based metrics			
Solvency II net assets (£'Million)	72	1,218.6	1,056.8
Management solvency buffer (£'Million)	71	501.3	476.2
Solvency II free assets (£'Million)	72	1,110.8	999.0
Solvency ratio (Percentage)	72	132%	132%

¹ The dividend per share disclosed in 2019 was 49.71 pence, which was prior to the Board's decision in April 2020 to withhold 11.22 pence per share until such a time as the financial and economic impacts of COVID-19 became clearer. The withheld amount of 11.22 pence per share has now been reinstated as a further 2019 interim dividend and will be paid on 24 March 2021 to shareholders on the register on 5 March 2021. For further information, refer to page 5.

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 26 and below, 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 55 and 56

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 57 to 70

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 71 and 72

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 International Financial Reporting Standards (IFRS), is set out in Note 4 on page 169.

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 55 and 60.

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.
- under IFRS, initial product charges are spread over the expected life of the investment through deferred income (DIR – see page 59 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 the ongoing product expenses and to invest in the business. Overhead expenditure is carefully managed with clear targets set for the core costs of running the Group's infrastructure, which are known as 'establishment expenses'. Other ongoing expenses, including payments to Partners, increase with business levels and are generally aligned with product charges.

The Group invests in order to:

- continue building adviser capacity and attract new funds;
- enhance the Group's future capability to grow over the long term through the Academy, our discretionary fund management proposition, and St. James's Place Asia; and
- develop administration systems and processes that will accommodate growth, contribute to future improvements in Partner and client experience, and reduce the cost of business processing.

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 2020 and 2019. Investment return is presented net of charges.

	2020			2019	
	Investment £'Billion	Pension £'Billion	UT/ISA and DFM £'Billion	Total £'Billion	Total £'Billion
Opening FUM	31.22	52.84	32.93	116.99	95.55
Gross inflows	1.77	8.44	4.12	14.33	15.10
Net investment return	0.75	2.61	0.74	4.10	12.45
Regular income withdrawals and maturities	(0.25)	(1.37)	–	(1.62)	(1.89)
Surrenders and part-surrenders	(1.27)	(1.21)	(1.98)	(4.46)	(4.22)
Closing FUM	32.22	61.31	35.81	129.34	116.99
Net inflows	0.25	5.86	2.14	8.25	8.99
Implied surrender rate as a percentage of average FUM	4.0%	2.1%	5.8%	3.6%	4.0%

Included in the above table is Rowan Dartington Group and St. James's Place Asia FUM of £4.03 billion at 31 December 2020 (2019: £3.74 billion), gross inflows of £0.74 billion for the year (2019: £0.77 billion) and outflows of £0.21 billion (2019: £0.19 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 £'Billion	Net inflows £'Billion	Investment return £'Billion	Other movements ¹ £'Billion	FUM as at 31 December £'Billion
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
2015	52.0	5.8	0.8	–	58.6

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

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

	31 December 2020		31 December 2019	
	£'Billion	Percentage of total	£'Billion	Percentage of total
North American Equities	31.3	24%	25.1	21%
Fixed Income Securities	22.7	18%	20.9	18%
Asia and Pacific Equities	19.9	15%	13.6	12%
UK Equities	18.7	14%	20.2	17%
European Equities	13.9	11%	13.8	12%
Alternative Investments	10.3	8%	9.5	8%
Cash	7.0	5%	7.5	6%
Property	2.5	2%	2.9	3%
Other	3.0	3%	3.5	3%
Total	129.3	100%	117.0	100%

Financial Review continued

1.2 Gestation

As explained in our financial business model on page 54, 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 enter 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 55% of gross inflows for 2020, after initial charges, move into gestation FUM (2019: 56%).

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 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
31 December 2016	50.2	25.1	75.3

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 £43.4 billion at 31 December 2020 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
2021	38.9
2022	86.3
2023	148.8
2024	226.1
2025	298.0
2026 onwards	366.9

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 policyholder 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 £126.0 billion of policyholder 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 2020.

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 232 to 234, 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 £262.0 million (2019: £146.6 million), with the result significantly higher year-on-year primarily due to the impact of an exceptional life insurance tax-related effect arising from the market conditions that prevailed in 2020.

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 Condensed Consolidated Statement of Financial Position between the deferred tax position and the offsetting client balance. The positive effect of the asymmetry will be eliminated over time as future cash flows become less uncertain and are ultimately realised. Movement in the asymmetry is recognised in the Condensed Consolidated Statement of Comprehensive Income and analysed in Note 4 Fee and commission income. We refer to it in this Report as the impact of policyholder tax asymmetry.

Under normal conditions this asymmetry is small, but market conditions have resulted in a positive movement of £61.7 million for 2020 (2019: negative movement of £10.0 million), which increases both IFRS profit after tax and IFRS profit before shareholder tax. Ultimately the effect will be eliminated from the Condensed Consolidated Statement of Financial Position, and so it is temporary and we expect it will reverse as markets increase.

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, on page 58.

Financial Review continued

2.1 International Financial Reporting Standards (IFRS) continued

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 IFRS Condensed 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. The following table demonstrates the way in which profit before shareholder tax is presented in the IFRS Consolidated Statement of Comprehensive Income on page 153.

	Year ended 31 December 2020	Year ended 31 December 2019
	£'Million	£'Million
IFRS profit before tax	426.4	708.9
Policyholder tax	(98.8)	(521.8)
IFRS profit before shareholder tax	327.6	187.1
Shareholder tax	(65.6)	(40.5)
IFRS profit after tax	262.0	146.6

Profit before shareholder tax has increased significantly year-on-year. As with the increase in profit after tax, this reflects the impact of policyholder tax asymmetry, as well as an increase in wealth management fees and a reduction in expenses.

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 2020	Year ended 31 December 2019
	£'Million	£'Million
IFRS profit before shareholder tax	327.6	187.1
Remove the impact of movements in DAC/DIR/PVIF	32.3	31.8
Underlying profit before shareholder tax	359.9	218.9

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 2020	Year ended 31 December 2019
	£'Million	£'Million
Amortisation of DAC	(92.6)	(96.6)
DAC on new business for the year	27.1	28.1
Net impact of DAC	(65.5)	(68.5)
Amortisation of DIR	160.5	179.6
DIR on new business for the year	(124.1)	(139.7)
Net impact of DIR	36.4	39.9
Amortisation of PVIF	(3.2)	(3.2)
Movement in year	(32.3)	(31.8)

Net impact of DAC

The scale of the £65.5 million negative overall impact of DAC on the IFRS result (2019: negative £68.5 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 four to five 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.

Net impact of DIR

The reduction in new business in the year means income deferred in 2020 is lower than it was in 2019. Income released from the deferred income liability has reduced slightly reflecting a reduced opening balance. Together, these effects mean that DIR has had a positive £36.4 million impact on the IFRS result in 2020 (2019: £39.9 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 232 to 234. 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 2020		Year ended 31 December 2019	
	Before shareholder tax	After tax	Before shareholder tax	After tax
	£'Million	£'Million	£'Million	£'Million
Underlying profit	359.9	291.6	218.9	172.8
Non-cash-settled share-based payments	10.6	10.6	28.7	28.7
Impact of deferred tax	-	8.2	-	10.4
Impact of policyholder tax asymmetry ¹	(61.7)	(61.7)	10.0	10.0
Other ¹	10.0	6.0	12.8	7.5
Cash result	318.8	254.7	270.4	229.4

¹ The impact of policyholder tax asymmetry has been separated from other for 2020. As a result, other has decreased by £10.0 million from those amounts disclosed in 2019. Further information on the impact of policyholder tax asymmetry can be found on page 57.

The decrease in **non-cash-settled share-based payments** reflects the reduction in expense for adviser share schemes and the impact on employee schemes 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.

The **impact of policyholder tax asymmetry** is a temporary effect due to the market losses experienced during the year. For further explanation, refer to page 57.

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 three different measures:

- **Operating cash result**
This measure represents the regular emergence of cash from day-to-day business operations;
- **Underlying cash result**
This measure includes 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 the short-term costs associated with the back-office infrastructure project together with other items of a one-off nature.

Financial Review continued

2.2 Cash result continued

Consolidated cash result (presented post-tax)

	Note	Year ended 31 December 2020			Year ended
		In-force	New business	Total	31 December
		£'Million	£'Million	£'Million	2019
				Total	Total
		£'Million	£'Million	£'Million	£'Million
Net annual management fee	1	773.0	49.8	822.8	781.2
Reduction in fees in gestation period	1	(366.9)	–	(366.9)	(356.3)
Net income from FUM	1	406.1	49.8	455.9	424.9
Margin arising from new business	2	–	116.8	116.8	127.5
Establishment expenses	3	(20.0)	(180.0)	(200.0)	(186.2)
Operational development expenses	3	–	(30.7)	(30.7)	(22.3)
Regulatory fees and FSCS levy	3	(3.9)	(35.0)	(38.9)	(31.2)
Academy	3	–	(9.5)	(9.5)	(10.9)
Shareholder interest	5	8.7	–	8.7	12.9
Tax relief from capital losses	6	13.7	–	13.7	10.3
Miscellaneous	7	(13.3)	–	(13.3)	(14.3)
Operating cash result		391.3	(88.6)	302.7	310.7
Asia	8	–	(17.4)	(17.4)	(19.9)
DFM	8	–	(9.2)	(9.2)	(9.8)
Strategic development costs	3	–	(11.4)	(11.4)	(7.9)
Underlying cash result		391.3	(126.6)	264.7	273.1
Back-office infrastructure development costs	3			(10.0)	(38.8)
Variance	9			–	(4.9)
Cash result				254.7	229.4

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 56 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 56.

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 2020, our net income is 0.63% (post tax) of FUM (2019: 0.63%). In 2021, we expect this margin on FUM to remain in the range of 0.63% – 0.65%.

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. Overhead expenses and development expenses

Expenses are treated in two different ways in the Cash result depending on their type:

- Overhead expenses, such as **establishment expenses**, and development expenses which relates to the Group's core business such as **back-office infrastructure costs**, are presented in separate lines 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.

The table below provides a breakdown of the Group's overhead and development expenses as presented in separate lines in the Cash result.

	Year ended 31 December 2020			Year ended 31 December 2019		
	Before tax	Tax rate	After tax	Before tax	Tax rate	After tax
	£'Million	Percentage	£'Million	£'Million	Percentage	£'Million
Overhead expenses						
Establishment expenses	247.0	19.0%	200.0	229.9	19.0%	186.2
Regulatory fees and FSCS levy	47.9	19.0%	38.9	38.5	19.0%	31.2
Academy	11.8	19.0%	9.5	13.4	19.0%	10.9
Total overhead expenses	306.7		248.4	281.8		228.3
Development expenses						
Operational development costs	37.7	19.0%	30.7	27.5	19.0%	22.3
Strategic development costs	14.0	19.0%	11.4	9.8	19.0%	7.9
Back-office infrastructure costs	12.4	19.0%	10.0	47.9	19.0%	38.8
Total development expenses	64.1		52.1	85.2		69.0
Total expenses presented separately on the face of the Cash result	370.8		300.5	367.0		297.3

Overhead expenses

Overhead expenses represent the cost of running the Group.

Establishment expenses have increased by 7% year-on-year, reflecting the continued growth in the scale of the business.

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 2020	Year ended 31 December 2019
	£'Million	£'Million
FSCS levy	29.7	22.3
Regulatory fees	9.2	8.9
FSCS levy and regulatory fees	38.9	31.2

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. Over the last few years the levy has been at an elevated level, which was further exacerbated by the FSCS increasing the levy by more than 20% for the current funding year, the announcement of a supplementary levy in November 2020 and the continued relative growth of the Group in the sectors in which we operate.

Financial Review continued

2.2 Cash result continued

Academy expenses represent the cost of running our Academy and Next Generation Academy. They have decreased by 13% year-on-year as a result of new intakes into the programme being deferred to 2021 following the onset of COVID-19, partially offset by the costs involved in moving delivery of the programme online for those students currently enrolled.

Development expenses

Operational development costs have increased in 2020 due to further investment, laying the foundations for long-term growth. This includes developing our collaboration with Salesforce as previously announced. In addition, we enhanced our capability to support the Partnership and enable them to service our clients effectively in a remote working environment.

Strategic development costs continue to increase as result of investment in the business, particularly from the creation of regional hubs to better support our Partner practices and the reconfiguration of 2,500 Partner websites.

Costs associated with our Bluedoor **back-office infrastructure** programme relate to final decommissioning work of our legacy systems, following the final smooth migration of our core UK business onto Bluedoor in 2019. No further back-office infrastructure costs are anticipated for 2021.

4. Reconciliation to IFRS expenses

In order to reconcile the overhead and development expenses presented on separate lines in the Cash result to the total IFRS expenses set out in the Statement of Comprehensive Income on page 153, the expenses which vary with business volumes and those which relate to investment in specific areas of the business, both of which are included in the Cash result but are netted against the relevant income lines and so cannot be seen explicitly, and certain IFRS expenses which by definition are not included in the Cash result need to be added in.

	Year ended 31 December 2020	Year ended 31 December 2019
	£'Million	£'Million
Total expenses presented separately on the face of the Cash result before tax	370.8	367.0
<i>Expenses which vary with business volumes</i>		
Other performance-related costs	107.5	120.4
Payments to Partners	827.0	814.7
Investment expenses	90.1	89.8
Third-party administration	119.7	110.6
Other	37.4	48.2
<i>Expenses relating to investment in specific areas of the business</i>		
Asia expenses	22.1	23.4
DFM expenses	26.7	26.7
Total expenses included in the Cash result	1,601.3	1,600.8
<i>Expenses which are not included in the Cash result</i>		
Amortisation of DAC and PVIF, net of additions	68.8	71.7
Non-cash-settled share-based payments expenses	10.6	28.7
Other	7.3	6.6
Total IFRS Group expenses before tax	1,688.0	1,707.8

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.

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.

5. 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.

6. 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 £13.7 million tax value (2019: £10.3 million) was slightly ahead of guidance provided at 2020 half-year that gave the expected utilisation for the year of approximately £10 million. While dependent on market performance, we continue to expect utilisation of £8 - £10 million per year.

7. Miscellaneous

This category represents the 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.

8. Asia and DFM

These lines represent the net income from Asia and DFM FUM, including the Asia and DFM expenses set out in Note 4 on the previous page. The growth plans for both of these businesses have been adversely impacted by the financial uncertainties during the year, but both have still managed increases in revenues and disciplined expense management. We have continued to invest to support their growth hence their contribution to the Cash result is currently a net expense.

9. Variance

This reflects a number of small non-recurring items incurred during the prior year.

Financial Review continued

2.2 Cash result continued

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 2020.

31 December 2020	Note	IFRS	Adjustment ¹	Adjustment ²	Solvency II	Solvency II
		Balance Sheet			Net Assets	Net Assets
		£'Million	£'Million	£'Million	Balance Sheet	Balance Sheet:
					2019	
					£'Million	£'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	1	174.4	–	–	174.4	166.3
Deferred tax assets	2	14.4	–	(13.7)	0.7	98.5
Reinsurance assets		92.3	–	(92.3)	–	–
Other receivables	3	2,579.2	(1,030.2)	(2.8)	1,546.2	1,391.9
Investment property		1,526.7	(1,526.7)	–	–	–
Equities		83,359.2	(83,359.2)	–	–	–
Fixed income securities	4	27,701.4	(27,694.0)	–	7.4	5.2
Investment in Collective Investment Schemes	4	5,890.2	(4,625.4)	–	1,264.8	1,131.8
Derivative financial instruments		1,386.8	(1,386.8)	–	–	–
Cash and cash equivalents	4	6,660.1	(6,405.2)	–	254.9	292.8
Total assets		129,881.3	(126,027.5)	(605.4)	3,248.4	3,086.5
Liabilities						
Borrowings	5	341.8	–	–	341.8	403.7
Deferred tax liabilities	2	378.1	–	(0.1)	378.0	436.2
Insurance contract liabilities		562.6	(466.1)	(96.5)	–	–
Deferred income		579.9	–	(579.9)	–	–
Other provisions	6	34.3	–	–	34.3	40.6
Other payables	1,3	2,038.0	(759.7)	(35.4)	1,242.9	1,033.7
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	7	32.7	–	–	32.7	115.4
Preference shares		0.1	–	–	0.1	0.1
Total liabilities		128,769.2	(126,027.5)	(711.9)	2,029.8	2,029.7
Net assets		1,112.1	–	106.5	1,218.6	1,056.8

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 to 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

£133.7 million (2019: £126.6 million) of the property and equipment balance represents the right to use leased assets. It has increased period-on-period as our office footprint has grown. Lease liabilities of £132.7 million are recognised within the other payables line (2019: £118.6 million).

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 of the IFRS Financial Statements. The current year presentation of deferred tax assets and liabilities reflects a reassessment of the requirements of IAS 12 Income Taxes, with reference to the netting of certain deferred tax balances. This has resulted in some reallocation of balances between deferred tax liabilities and assets. Prior year comparatives have not been restated, as the changes are not material. Further information is set out in Note 7.

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 of the IFRS Financial Statements.

Other receivables on the Solvency II Net Assets Balance Sheet have increased from £1,391.9 million at 31 December 2019 to £1,546.2 million at 31 December 2020, principally reflecting an increase in market trade settlements in the life unit-linked funds and consolidated unit trusts.

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 £313.9 million at 31 December 2020 (2019: £299.2 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 2020 is 13 years, following a five-year contract extension agreed with our back-office administration provider during the year.

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

	2020	2019
	£'Million	£'Million
Cost		
At 1 January	360.1	268.3
Additions during the year	46.5	91.8
At 31 December	406.6	360.1
Accumulated amortisation		
At 1 January	(60.9)	(31.9)
Amortisation during the year	(31.8)	(29.0)
At 31 December	(92.7)	(60.9)
Net book value	313.9	299.2

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 offset by the lower tariff charges on Bluedoor compared to the previous system. The monthly amortisation charge decreased during the year following the agreement of the five-year contract extension with our back-office administration provider. The charge will remain constant year-on-year following the final operational readiness spend planned for 2021. However, the tariff-saving benefits will grow as the business grows, benefiting both the IFRS and Cash results.

Financial Review continued

2.2 Cash result continued

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 2020	31 December 2019
	£'Million	£'Million
Fixed interest securities	7.4	5.2
Investment in Collective Investment Schemes (AAA-rated money market funds)	1,264.8	1,131.8
Cash and cash equivalents	254.9	292.8
Total liquid assets	1,527.1	1,429.8

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 £406.6 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 £602.9 million.

5. Borrowings

The Group has two different types of borrowings: senior unsecured corporate borrowings, which are used to manage working capital and to fund investment in the business; and a senior tranche of non-recourse securitisation loan notes, which is secured on a legally segregated portfolio of the Group's business loans to Partners. Holders of the senior tranche of non-recourse securitisation loan notes have no recourse to the assets held by any other entity within the Group.

	31 December 2020	31 December 2019
	£'Million	£'Million
Corporate borrowings: bank loans	112.7	173.3
Corporate borrowings: loan notes	113.8	113.8
Total senior unsecured corporate borrowings	226.5	287.1
Senior tranche of non-recourse securitisation loan notes	115.3	116.6
Total borrowings	341.8	403.7

Further information is provided in Note 16 Borrowings and financial commitments to 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.

7. Income tax liabilities

The Group has an income tax liability of £32.7 million at 31 December 2020 compared to £115.4 million at 31 December 2019. This is due to a current tax charge of £165.4 million and tax paid of £248.1 million during the year. Further detail on the current tax charge and tax paid 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 into the total movement.

	Year ended 31 December 2020	Year ended 31 December 2019
	£'Million	£'Million
Opening Solvency II net assets	1,056.8	1,108.0
Dividend paid	(107.1)	(256.0)
Issue of share capital and exercise of options	3.3	8.7
Consideration paid for own shares	(3.9)	(0.1)
Proceeds from exercise of shares held in trust	–	0.2
Change in deferred tax	(8.2)	(10.4)
Impact of policyholder tax asymmetry	61.7	(10.0)
Change in goodwill, intangibles and other non-cash movements	(38.7)	(13.0)
Cash result	254.7	229.4
Closing Solvency II net assets	1,218.6	1,056.8

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.

		Year ended 31 December 2020	Year ended 31 December 2019
	Note	£'Million	£'Million
Funds management business	1	1,077.8	1,121.2
Distribution business	2	(75.7)	(55.6)
Back-office infrastructure development		(12.4)	(47.9)
Other		(70.7)	(65.7)
EEV operating profit		919.0	952.0
Investment return variance	3	304.4	768.6
Economic assumption changes	4	(47.4)	(27.0)
EEV profit before tax		1,176.0	1,693.6
Tax		(226.6)	(286.8)
Corporation tax rate change	5	(126.9)	–
EEV profit after tax		822.5	1,406.8

A reconciliation between EEV operating profit before tax and IFRS profit before tax is provided in Note 3.

Financial Review continued

2.3 European Embedded Value (EEV) continued

Notes to the EEV result

1. Funds management business EEV operating profit

The funds management business operating profit has decreased to £1,077.8 million (2019: £1,121.2 million) and a full analysis of the result is shown below.

	Year ended 31 December 2020	Year ended 31 December 2019
	£'Million	£'Million
New business contribution	766.3	793.0
Profit from existing business		
– unwind of the discount rate	279.6	248.5
– experience variance	16.9	82.1
– operating assumption change	10.5	(9.9)
Investment income	4.5	7.5
Funds management EEV operating profit	1,077.8	1,121.2

The **new business contribution** for the year at £766.3 million (2019: £793.0 million) was 3% lower than the prior year, primarily reflecting the decrease in new business volumes.

The **unwind of the discount rate** for the year increased to £279.6 million (2019: £248.5 million). This reflects the higher opening value of in-force business.

The **experience variance** during the year was £16.9 million (2019: £82.1 million). This reflects positive retention experience offset by increased development expenses during the year.

The impact of **operating assumption changes** in the year was a positive £10.5 million (2019: negative £9.9 million), reflecting a small reduction in the level of future expenses assumed.

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 reduced year-on-year due to the fall in gross inflows during 2020. In addition, FSCS levy expenses increased to £25.2 million for the year (2019: £18.9 million), increasing 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 5.5% after charges, compared to the assumed investment return of positive 1.4%. This resulted in a positive investment return variance of £304.4 million (2019: positive £768.6 million).

4. Economic assumption changes

The negative variance of £47.4 million arising in the year (2019: negative £27.0 million) reflects the impact of the decrease in the economic basis arising from reduction in the 10 year Gilt yields over the year.

5. Corporation tax rate change

In the Finance Act 2016, a reduction to the UK main rate of corporation tax to 17% effective from 1 April 2020 was enacted, with the impact incorporated into the deferred tax balances in 2016. However, in the UK Budget of 11 March 2020 it was announced that the rate will remain at 19%, rather than the previously enacted reduction to 17%. This change was substantively enacted on 17 March 2020 and as a result the impact of remeasuring the relevant deferred tax balances has been recognised as a corporation tax rate change in 2020.

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 2020	Year ended 31 December 2019
Investment		
New business contribution (£'Million)	104.1	123.0
Gross inflows (£'Billion)	1.77	2.28
Margin (%)	5.9	5.4
Pension		
New business contribution (£'Million)	439.6	434.0
Gross inflows (£'Billion)	8.44	8.66
Margin (%)	5.2	5.0
Unit Trust and DFM		
New business contribution (£'Million)	222.6	236.0
Gross inflows (£'Billion)	4.12	4.16
Margin (%)	5.4	5.7
Total business		
New business contribution (£'Million)	766.3	793.0
Gross inflows (£'Billion)	14.33	15.10
Margin (%)	5.3	5.3
Post-tax margin (%)	4.3	4.4

The overall margin for the year was consistent with 2019 at 5.3%. The change in margin for different business types reflects a reallocation of expenses.

Economic assumptions

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

	Year ended 31 December 2020	Year ended 31 December 2019
Risk-free rate	0.3%	0.9%
Inflation rate	3.3%	3.3%
Risk discount rate (net of tax)	3.4%	4.0%
Future investment returns:		
– Gilts	0.3%	0.9%
– Equities	3.3%	3.9%
– Unit-linked funds	2.6%	3.2%
Expense inflation	3.7%	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.

Financial Review continued

2.3 European Embedded Value (EEV) continued

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 2020		766.3	622.4	7,785.2
100bp reduction in risk-free rates, with corresponding change in fixed interest asset values	1	(28.7)	(23.5)	(149.6)
10% increase in withdrawal rates	2	(55.0)	(44.6)	(397.7)
10% reduction in market value of equity assets	3	–	–	(779.9)
10% increase in expenses	4	(20.0)	(16.3)	(96.8)
100bp increase in assumed inflation	5	(28.7)	(23.5)	(148.2)

Notes to the EEV 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 withdrawal rate. For instance, if the withdrawal 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%.
- For the purposes of this sensitivity only non-fixed elements of the expenses are increased by 10%.
- This reflects a 100bp 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
100bp reduction in risk discount rate	92.7	75.2	584.6

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 2020	31 December 2019
	£'Million	£'Million
Value of in-force business	6,566.6	6,003.0
Solvency II net assets	1,218.6	1,056.8
Total embedded value	7,785.2	7,059.8
	Pence	Pence
Net asset value per share	1,448.8	1,320.1

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 £385 million to our embedded value at 31 December 2020 and 31 December 2019.

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 2020 we reviewed the level of our MSB and increased the MSB for the Life businesses to £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 2020	Life ¹	Other regulated	Other ²	Total	31 December 2019 Total
	£'Million	£'Million	£'Million	£'Million	£'Million
Solvency II net assets	424.6	281.5	512.5	1,218.6	1,056.8
MSB	345.0	156.3	–	501.3	476.2
Management solvency ratio	123%	180%	–	–	–

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 cash flows (VIF) 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 2020	Life ¹	Other regulated	Other ²	Total	31 December 2019 Total
	£'Million	£'Million	£'Million	£'Million	£'Million
Solvency II net assets	424.6	281.5	512.5	1,218.6	1,056.8
Value of in-force (VIF)	4,756.3	–	–	4,756.3	4,303.5
Risk margin	(1,357.5)	–	–	(1,357.5)	(1,213.3)
Own funds (A)	3,823.4	281.5	512.5	4,617.4	4,147.0
Solvency capital requirement (B)	(3,407.0)	(99.6)	–	(3,506.6)	(3,148.0)
Solvency II free assets	416.4	181.9	512.5	1,110.8	999.0
Solvency ratio (A/B)	112%	283%	–	132%	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 124% at the year-end. The solvency ratio after payment of the Group second interim dividend for the period to 31 December 2019 was 128%.

We continue to target a solvency ratio of 110% for SJPUK, our largest insurance subsidiary, as agreed with our regulator the PRA. As the business grows, the weighting of the balance sheet towards SJPUK will result in a gradual dilution of the Group solvency ratio, but this will not reflect any change in risk appetite, nor risk inherent in the business. The combined solvency ratio for our Life companies, after payment of the year-end intra-Group dividend, is 112% at 31 December 2020, unchanged from the position at the start of the year.

Financial Review continued

Section 3: Solvency continued

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.

		Solvency II free assets	Solvency II capital requirement	Solvency ratio
	Note	£'Million	£'Million	%
Value at 31 December 2020		1,110.8	3,506.6	132%
100bps reduction in risk free rates, with corresponding change in fixed interest asset values	1	968.1	3,517.1	128%
10% increase in withdrawal rates	2	1,159.8	3,301.6	135%
10% reduction in market value of equity assets	3	1,016.3	3,152.5	132%
10% increase in expenses	4	1,042.3	3,501.2	130%
100bp increase in assumed inflation	5	1,005.6	3,509.6	129%

Notes to the Solvency II 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 lapse rate. For instance, if the lapse 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 all expenses are increased by 10%.
5. This reflects a 100bps increase in the assumed RPI underlying the expense inflation calculation.

Risk and Risk Management

Overview and culture

Effective risk management is critical to the success of the St. James's Place Group. We are exposed to a wide variety of inherent risks due to the business activities and the industry in which we operate. We choose carefully the risks we accept and those to limit or avoid through the design and operation of our client and Partner proposition, including the way in which it is delivered and administered.

In addition, the Group is exposed to a number of current and emerging external factors and trends, including the impacts from COVID-19, political risks such as Brexit, macro-economic factors, cyber crime and climate change, some of which may impact on 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 strategic objectives (as set out on pages 20 to 29).

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 management and controls framework

The internal control environment is built upon a strong control culture and organisational delegation 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 function to form a 'three lines of defence' model.

The risk management and controls framework is the combined processes by which the Group identifies, assesses, measures, manages and monitors the risks that may impact on the successful delivery of its strategic objectives. Based

upon our risk appetite, the risks identified are either accepted or appropriate actions are taken to mitigate them.

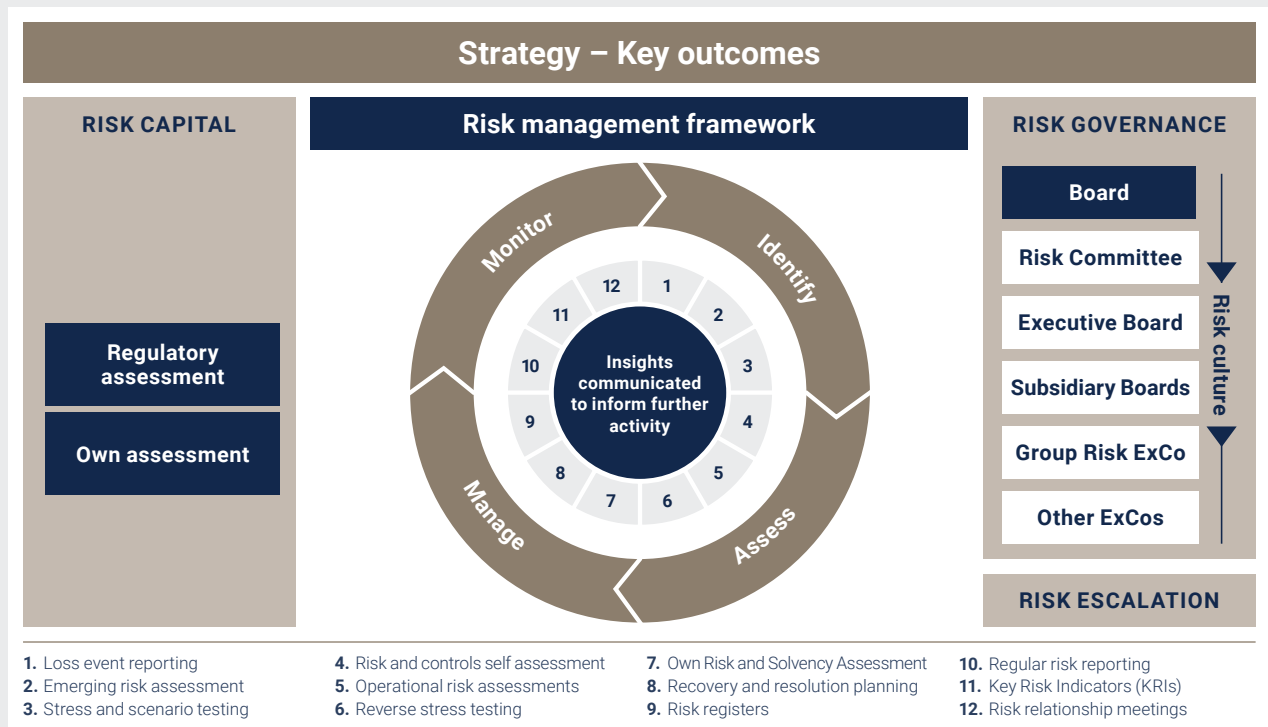
The Board, through the Risk Committee, takes an active role in overseeing the Risk Management Framework, for which it is responsible. As part of this the Board robustly assesses its principal and emerging risks, which are considered in regular reporting and summarised annually in the Own Risk and Solvency 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 Board Risk Committee and Audit Committee and approves key aspects of the Group's Risk Management Framework including the Risk Appetite Statement and Group ORSA.

The diagram below depicts our Risk Management Framework.



Risk and Risk Management continued

Our risk appetite

The Board carefully sets its appetite for taking risk against the Group's strategic objectives. These choices are set out in detail in our Risk Appetite Statement, which is reviewed at least annually by the Risk Committee, senior risk owners and the Executive Board risk owners before being approved by the Board.

The 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 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 depending 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.

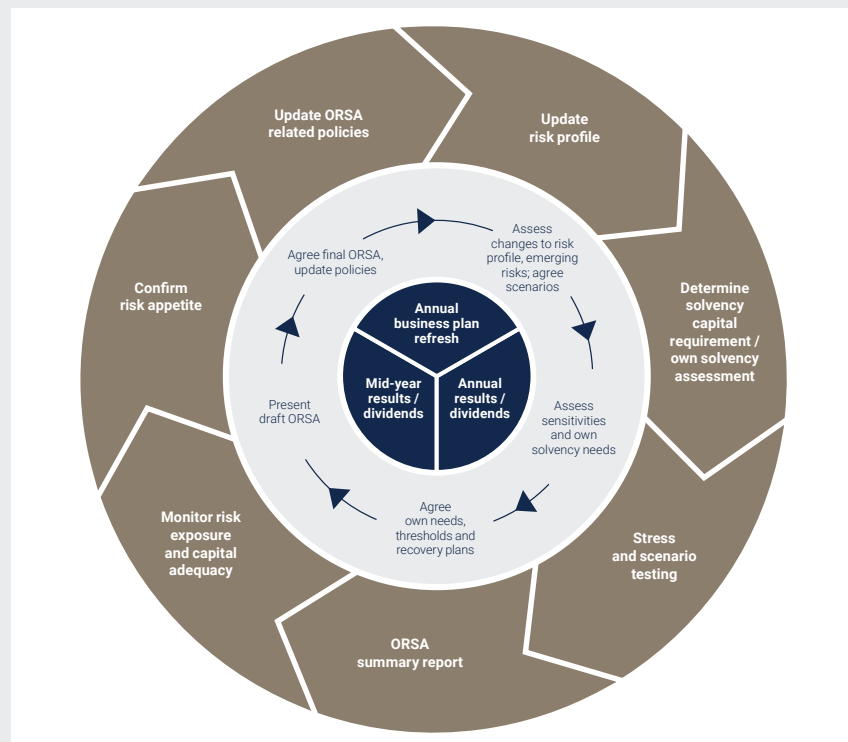
Own Risk and Solvency Assessment (ORSA)

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, which considers both the individual insurance entities and the Group.

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

The solvency capital requirement (SCR) 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 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 our pension and investment products 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 risk and capital requirements for the business. Consideration is given to factors or events that impact on our funds under management, investment growth, retention of clients and ability to attract new clients, in addition to the effects of a market downturn. 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

Over the past year, the emergence and impact of COVID-19 has been a major external risk event. No event of this nature can be precisely forecast and planned for, however, through our approach to the fundamentals of risk management the Group has been able to demonstrate resilience, from a financial and operational perspective, against COVID-19. We remain confident in our ability to withstand further challenges that may or may not emerge.

The Board has been actively involved in defining the Group's strategic response to COVID-19. Timely and targeted risk-based information has been provided to the Board to support decision-making and help understanding of key issues. We remain acutely aware of the changing threat to health, further restrictions and the longer-term potential macro-economic impacts, however, whilst these could further impact profitability, we continue to be confident of the ongoing resilience to risk and the viability of the Group.

Some of the key risk considerations around COVID-19 for the Group have been and continue to be:

- safety and wellbeing of employees, Partners, clients and others in our value chain;
- maintaining operational continuity whilst working remotely and social distancing;
- the impact on financial markets;
- changes in investor sentiment impacting new business inflows and retention;
- managing risks to client outcomes;
- supporting Partner businesses; and
- managing operational risks

When the risk considerations from COVID-19 are broken down in this way, we can recognise that these are risks that the Group is familiar with (and are included in the Principal Risk section) and shown to be resilient through our ongoing stress and scenario testing, as well as financial and operational risk assessments.

The primary financial impact of the pandemic on the Group has been the impact on funds under management due to market performance and the reduction in new business caused by the surrounding uncertainty. However, these financial impacts have not been as severe as our more extreme stress and scenario tests. Our market risk exposure is limited because we hold matching assets for policyholder liabilities and a significant portion of our expenses are variable with the level of funds under management and new business. The Group earns income from funds under management, and although the income varies as funds under management move with markets, this provides financial resilience as it is a reliable income stream even in challenging market conditions. Our clients tend to have medium to long-term investment objectives and so our lapse experience tends to improve as market uncertainty increases; this feature of our experience also helps to provide resilience against challenging market conditions.

The nature of these extreme circumstances also presents increased operational challenges. The primary operational risks are those associated with remote working, particularly since we are an advice-led, face-to-face business. The use of technology has enabled both employees and advisers to maintain the face-to-face element of our operations whilst allowing the flexibility to work remotely, recognising that face-to-face meetings can be carried out virtually through video conferencing tools. However, we acknowledge that remote working has introduced or increased the likelihood of other risks crystallising, such as cyber security for example.

The 'first line' in general has taken steps to address new risks or risks that have increased in likelihood as result of remote working. Using cyber security as example, we conduct regular phishing email tests to ensure employees remain vigilant. In most instances our internal controls continue to remain appropriately robust. Where new processes have been created in response to remote working, separate controls have been created and documented to help reduce the risk of an operational failure, with assurance provided by the internal audit function.

The management decision-making necessary during this time has been appropriately informed by consideration of risks and we are confident that the Group continues to appropriately manage risks including those heightened due to COVID-19. The situation continues to be monitored carefully and we remain focused on understanding the degree to which the various outcomes might impact the operations of the business.

In addition to the uncertainties surrounding COVID-19, the short and longer-term consequences of Brexit impact upon investor sentiment and the wider external environment in which the Group operates. Stress and scenario testing has been performed which demonstrates that the business is resilient and we continually monitor the changing environment, to ensure our analysis and scenario testing remain appropriate.

Risk and Risk Management continued

Principal risks and uncertainties







Whilst the external risk landscape has changed dramatically over the course of the year, causing certain risks to materialise and making further downside risk more likely, the types of principal risks that the Group faces have not changed from the previous year.

The strategic areas on which these 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 strategic objectives our principal risks could impact, recognising that they could also have a secondary impact on other strategic objectives.



	Risk description	Strategy	Key risks	Example controls
Administration service	We fail to deliver good quality administration services to clients and advisers.		<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"> • 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 responsible investing 	<ul style="list-style-type: none"> • Regular monitoring of manufactured products' performance • Monitoring of investment performance and selection of the most appropriate funds from a risk/net return perspective • 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
Financial	We fail to effectively manage the business finances.		<ul style="list-style-type: none"> • Failure to meet client liabilities • 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

	Risk description	Strategy	Key risks	Example controls
Outsourcing	Third party outsourcers' activities impact 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 assessments of operational resilience Due diligence 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 to the Partnership Failure to retain advisers/ Partners Failure to increase adviser productivity Available technology falls short of client and Partner 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"> Loss of key personnel Poor employee morale Lack of inclusion and diversity in our business 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 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 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 functions provide expert guidance and carry out extensive assurance work Strict controls are maintained in highly regulated areas Maintenance of appropriate solvency capital buffers, and continuous monitoring of solvency experience Fostering of positive regulatory relationships
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 St. James's Place and its key suppliers Identification, communication, and response planning for the event of cyber crime Data leakage detection technology and incident reporting systems Internal awareness programmes Identification and assessment of critical business services
Strategy, competition and brand	Challenge from competitors and the 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 	<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

Risk and Risk Management continued

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 Group Risk.

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

- risks resulting from a failure to demonstrate value for money to clients;
- risks associated with the wider macro-economic environment;
- risks associated with failing to keep our business model relevant to clients' needs;
- risks resulting from failing to adapt to the 'new working world' and the operational challenges it presents;
- risks resulting from a failure to embrace a more digital world;
- risks relating to changes in tax regimes;
- risks relating to changes in regulations;
- risks relating to climate change;
- risks resulting from geo-political events that are unforeseen; and
- risks resulting from a failure to invest in a sustainable manner.

Viability statement

How we assess our viability

The business considers five-year financial forecasts when developing the 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 whilst enacting any management actions 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 such as COVID-19, 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 wide variety of stresses and scenarios are applied to test all material drivers in a variety of ways to provide understanding of any dynamic impacts. Most recently we have considered the 2021 Bank of England scenario for stress testing banks. Whilst this scenario contains many elements which are not directly relevant to the Group, we have considered how the scenario might impact the business and 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 was considered in March 2020, we assessed the direct financial implications of COVID-19 under a range of economic recovery scenarios. Within these scenarios, we modelled and allowed for adverse market movements, a decrease in new business, increased lapses, allowances for large one-off expenses and a reduction in the yield curve (in anticipation of a reduction in base rate).

In our more pessimistic scenario we looked at the immediate impacts and the impact over five years, where we further assumed there was an 'L' shaped recovery for 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 do not fully recover. As a result, we believe that our 'pessimistic COVID-19' scenario is sufficiently extreme to adequately stress the viability of the business for all plausible impacts on the Group which could arise due to COVID-19. In all scenarios, the Group is expected to remain adequately capitalised with sufficient liquid resources and therefore we remain confident of the Group's viability. While we remain viable in these more extreme scenarios, the Group's profits and therefore the dividend 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 such a time as the financial and economic impacts of COVID-19 become clearer. This prudent judgement ensured we were able to protect clients and long-term value for shareholders, as it enabled continued investment in the business so we are well placed to benefit from the growth opportunity that will undoubtedly emerge on the other side of the crisis. The Board has since concluded that while 2020 was a very challenging year, the more extreme downside scenarios we had planned for did not materialise and the business has shown resilience throughout. The Board therefore no longer sees a need to continue with this retention and the withheld amount of 11.22 pence per share will be paid as an interim dividend to shareholders.

As a result, we remain confident that the Group is able to respond to any unforeseen events to ensure it remains viable.

Risk and Risk Management continued

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	Over the next five years	Beyond 2025
<p>Risks</p> <p>The key risks to business resilience in the short term are likely to be operational in nature, such as data loss or increased cyber crime as a result of remote working. It is not expected that solvency will be an issue in the short-term due to our matching approach for client 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 Group's approach to paying the external and subsidiary dividends. These risks are also relevant for the longer time periods.</p> <p>Resilience</p> <p>The Group generates relatively steady cash profits on new business and existing funds under management which we would expect to increase each year as funds in gestation 'mature'. If severe risks materialised over the year and resulted in significant costs, the Group would have options to deal with the financial implications. Whilst other options would be explored first, curtailing investment or reducing dividends would be obvious ways to 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.</p> <p>There are not considered to be any material uncertainties over the ability of the Group to survive over the one-year time horizon.</p>	<p>Risks</p> <p>Investor sentiment, market impacts, changes to regulation following Brexit and tax changes following the UK Government's relief strategy for COVID-19 continue to provide uncertainty.</p> <p>Aside from COVID-19 and Brexit, risk relating to changes to advice regulation would likely impact the business in the next five years, or beyond.</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>Risks which have a more gradual effect, such as talent retention and acquisition, are also relatively more important over a longer time horizon.</p> <p>Resilience</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 (such as the COVID-19 scenario) 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 current 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>Risks</p> <p>Most of the shorter-term risks will remain relevant, however, over the longer-term, client expectations around digital services are likely to become more important. The impact of artificial intelligence and machine learning on both the investment management and advice spaces will become more prevalent.</p> <p>Risks from climate change are starting to have an impact on investor sentiment and drive political change and this is only likely to increase. Beyond 2024 climate change is likely to be a far more significant factor for many of our clients.</p> <p>Resilience</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. We recognise however that the advice proposition will develop, and our advisers will need to be technology-enabled. With increased use of integrated technology, we will be able to automate processes and allow our advisers to focus on the high-value advice and service aspects.</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>

Conclusion

In accordance with the 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 Group's risk planning, management processes and culture allow for a robust and effective risk management environment.

In addition to the assessment of longer-term viability and resilience set out above, the Board has assessed the Group's going concern status. Further information is provided in the Directors' Report on page 140.

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 88 to 95 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 80 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

24 February 2021

Corporate Governance

The Board seeks to hold itself to the highest standards of corporate governance in relation to all its shareholders. The link between governance and the successful delivery of strategy is well established, as is the need for strategy to take account of wider societal purpose and the interests of all 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 within this report, 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.

IAIN CORNISH
Chair

- 1 Board leadership and Company purpose (section 172(1) Statement).**
See pages 88 to 95.
- 2 Role of the Board and its responsibilities.**
See pages 96 and 97.
- 3 Board composition, succession and evaluation.**
See pages 98 to 103 and also the Nomination Committee Report (pages 117 to 120).
- 4 Audit, risk and internal control.**
See the Audit Committee Report and Risk Committee Report on pages 104 to 116.
- 5 Remuneration.**
See the Report of the Remuneration Committee on pages 121 to 139.

The UK Corporate Governance Code (the Code)

The Corporate Governance Report on pages 88 to 103 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 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. However, as explained in last year's Report, following consultation with major shareholders it had been concluded that, in order for Iain to oversee the initial phase of the planned Board succession, in a manner that does not disrupt the Board's operation and focus, it was appropriate to extend his appointment, with a view to his successor as Chair taking up their post no later than the end of October 2022. Paul Manduca was appointed as a Non-executive Director and Chair-designate on 1 January 2021 and Iain intends to step down as Chair following the 2021 AGM. Iain Cornish also remained as chair of the Risk Committee until 19 August 2020, when Rosemary Hilary's appointment as chair received regulatory approval. 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 2020. Detailed reporting on remuneration, as required by the Code, can be found in the Directors' Remuneration Report.

Governance

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Board of Directors



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1. Iain Cornish

Chair

NC

Date of appointment

Chair October 2018.

Non-executive Director October 2011.

Experience

Iain brings experience from both the financial and regulatory environments. He was a senior consultant at KPMG, specialising in the banking and finance sector, and then served as Chief Executive of the Yorkshire Building Society. In recent years he has been a non-executive director of Arrow Global Group plc, chair of Shawbrook Group plc and an independent director of the Prudential Regulation Authority.

External appointments

Non-executive director (and chair) of Leeds Building Society, and treasurer of Macmillan Cancer Support.

2. Andrew Croft

Chief Executive Officer

Date of appointment

Chief Executive Officer 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.

3. 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.

4. 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

5. Emma Griffin

Independent Non-executive Director

RK RM

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 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.

6. Rosemary Hilary

Independent Non-executive Director

AC RK NC

Date of appointment

Non-executive Director October 2019.

Chair of St. James's Place UK PLC.

Experience

Rosemary was Chief Internal Auditor and an Executive Committee member 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 member of the Investment Committee and chair of the Risk and Audit 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; a non-executive director and chair of the Audit and Risk Committee of Record plc; and a non-executive director and chair of the Risk Committee of Vitality Life and Vitality Health.

Committee key

- AC** Member of Audit Committee
RK Member of Risk Committee

- NC** Member of Nomination Committee
RM Member of Remuneration Committee
 ● Denotes Chair of Committee



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7. Simon Jeffreys**AC RK RM**

Independent Non-executive Director

Date of appointment

Non-executive Director January 2014.

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.

8. Paul Manduca**NC**

Independent Non-executive Director

Date of appointment

Non-executive Director, Chair-designate January 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 to 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 non-executive director of WM Morrison Supermarkets Plc.

External appointments

Chairships of Templeton Emerging Markets Investment Trust plc.



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9. Baroness Morrissey DBE**RK NC RM**

Independent Non-executive Director

Date of appointment

Non-executive Director January 2020.

Experience

Baroness Morrissey DBE was Head of Personal Investing at Legal & General Investment Management from 2017 to December 2019. Prior to that, she was Chief Executive of Newton Investment Management, the global investment manager, from 2001 to 2016, having joined the company in 1994.

External appointments

Lead Non-Executive Director, Foreign Commonwealth & Development Office; Non-Executive Director and Chair of the Leadership Centre; Green Park Limited; Board member, McKinsey Investment Office; Chair, Diversity Project; Fellow (governor), Eton College; Trustee, Lady Garden Foundation; Conservative Peer, House of Lords; Baroness Morrissey DBE was appointed Commander of the Order of the British Empire (CBE) in 2012; Dame Commander of the Order of the British Empire (DBE) in 2017 and elevated to the House of Lords in 2020.

10. Lesley-Ann Nash**AC RK**

Independent Non-executive Director

Date of appointment

Non-executive Director June 2020.

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).

External appointments

Lesley-Ann is a non-executive director of Workspace Group PLC and a trustee of the North London Hospice.



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11. Baroness Wheatcroft**RK NC RM**

Independent Non-executive Director

Date of appointment

Non-executive Director April 2012.

Experience

Baroness Wheatcroft brings experience of the media and also the legislature. Her career has included editorial roles at both the Sunday Telegraph and The Times, as well as being Editor-in-Chief at the Wall Street Journal, Europe. She is a member of the House of Lords. Her financial services experience includes previous appointments as a non-executive director of Barclays Group plc and Shaftesbury plc.

External appointments

Non-executive director of Fiat Chrysler Automobiles. Chair of the Financial Times Appointments and Oversight Committee. Member of the House of Lords. Chair of the Association of Leading Visitor Attractions.

12. 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 of Jupiter Fund Management PLC.

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

Chair's Report



Introduction

Last year was a tumultuous one for all of us and I would like to begin my final Chair's review by paying tribute to all the members of the St. James's Place community for their outstanding efforts throughout 2020. Over a sustained period and in circumstances as demanding from a professional and personal perspective as any of us are likely to experience, colleagues throughout the partnership, the business and our key suppliers, performed magnificently to ensure we adapted safely to the challenges of operating in a COVID-19 environment and continued to serve our clients in a highly uncertain environment, as well as support our wider communities in a myriad of different ways. It was humbling to be a part of this and on behalf of the Board my thanks go out to everyone for their efforts during the year.

The Board

The Board significantly adapted its own operations during the year. Our meetings became virtual and they were held with significantly greater frequency as the circumstances required. Our first priority during the year was naturally to the health, safety and support of all members of the St. James's Place community. Beyond this, our focus was on ensuring the resilience of our service to the Partnership and through them to our clients. This is the core of our proposition and the ultimate driver of value to shareholders.

Performance

I am pleased to report that the business and the Partnership responded with agility and adapted rapidly to the transformed operating environment. Whilst the impact of various phases of lockdown on our core face to face proposition was of course considerable, the significant investment we have made in technology over recent years meant we were well placed for our employees, advisers and their support staff to be able to work from home. We did, however, rapidly and safely deploy additional technological functionality, which together with the creative and entrepreneurial approach of the Partnership ensured a personal touch was maintained at a point when it was needed most.

Some aspects of our operations were inevitably impacted; for example we took the decision to moderate adviser recruitment and engaging with new clients was undoubtedly challenging, particularly during the initial lockdown. Our financial results were also impacted by exceptional market volatility during the year. Under these circumstances the Board believes that the 2020 outturn represents a highly creditable performance that shows the underlying resilience of our business. During 2020, net inflows of £8.25 billion represented 7% of opening funds under management, contributing to 11% growth in total funds management for the year and boding well for future financial returns. Given the severity of the external backdrop, we believe too that the underlying cash result for 2020 of £264.7 million is a robust outcome.

“We have continued to ensure that focus remains on the long-term development of the business, with a clear focus on delivering sustainable long-term value to shareholders.”

In late April the Board took the difficult decision to withhold the previously declared but unpaid 2019 final dividend and not to pay an interim dividend. This decision was taken at a time when uncertainty was at its greatest and was motivated by an abundance of caution. The decision was based on consideration of a number of extremely severe, but not implausible scenarios. Had those circumstances materialised, the Board believed that it would have been in shareholders' interests to ensure that the business remained in a position to fully support the Partnership, and withholding the dividend provided this flexibility. The Board is pleased that these funds have not had to be deployed and that we remain some distance from the extreme scenarios on which the decision was based. The Board therefore no longer sees a need to continue with this retention and the withheld amount of 11.22 pence per share will be paid as an interim dividend to shareholders.

The Board is also pleased to propose a final and full year dividend for 2020 of 38.49 pence per share.

Looking to the future, in light of our planning and growth assumptions as we look out to 2025 and factoring in the likelihood of a sustained timing difference between the emergence of cash and IFRS profits, the Board considers a pay-out ratio of 70% of the underlying cash result as appropriate and sustainable for the duration of our planning horizon and beyond.

Clients

2020 was of course a difficult year for clients with heightened volatility leading to significant uncertainty in global markets, particularly at the outset of the COVID-19 pandemic worldwide. Over the course of the full year, investment market performance varied hugely with the S&P500 and Nikkei 225 for example both in strong positive territory while the FTSE 100 index declined by 14%.

This highlights the importance for clients of having globally diversified investment portfolios and why we have evolved and broadened our Investment Management Approach over time.

The Board spent significant time during the year considering the performance and development of the investment proposition in support of our ambition to give clients the confidence to create the futures they want. We published our first Value Assessment Statement and put great emphasis on ensuring that it was set out clearly and transparently in a form that is accessible to clients. The statement demonstrated that the vast majority of client investments are in funds that meet their objectives, but it also highlighted a number of watchlist funds where further action was required. Clear plans have been established to address any issues identified and progress is actively monitored by the board of the Group's unit trust manager as well as the Board.

Further strong progress was made on our approach to responsible investing and we are proud that all of our fund managers are now signatories to the United Nations Principles for Responsible Investment. The Board also spent time considering the future target operating model for investment governance to ensure that it remains fit for purpose for future growth in funds under management.

The value of advice to our clients goes well beyond narrowly measured investment performance, however, as the professionalism and expertise of our Partnership in helping clients navigate through the turmoil of the year clearly demonstrated.

Colleagues, workforce engagement and culture

I have already talked about the exceptional demands that were placed on colleagues last year, and colleague welfare and wellbeing was central to the Board's deliberations. The Executive placed tremendous emphasis on communication, support, additional technology deployment and adapting ways of working to ensure that the business could continue to operate effectively and to ensure that colleagues could remain connected in a remote working environment - an issue which the Board recognises as having increased importance the longer the pandemic continues. Whilst an immense amount of corporate support has been put in place, the culture of St. James's Place has also come very much to the fore, with colleagues and the Partnership community looking out for each other.

The Board, under the direction of Patience Wheatcroft, continued to operate a full, albeit adapted, programme of employee engagement. A key measure for the Board was the 95% response rate to the biennial employee engagement survey, which recorded staff satisfaction levels at 83%. Notwithstanding the high levels of overall satisfaction, the employee engagement programme did identify a number of themes, principally those associated with a protracted period of homeworking and how future working patterns will evolve, which will be addressed in due course. After nine years on our Board, Patience Wheatcroft will step down at the conclusion of our Annual General Meeting on 17 May 2021. Lesley-Ann Nash has been selected by the Board and has agreed to take on the role as our designated Non-executive Director for Workforce Engagement following the Annual General Meeting. I would like to take this opportunity to thank Patience for her counsel and her effective and valuable contributions to the Board and its Committees during her tenure and wish her every success for the future.

The Board continued its focus on how culture is embedded through the Company's operations. The importance of our unique culture has been fundamental to our success over time but as a business grows it can prove more challenging to transmit the culture consistently. To help us with this we have codified our culture to include everything that has made us successful today and also those aspects of our culture that we wish to evolve. A core element of our culture is giving back, which manifests itself in support for wider the societies in which our business operates. The impact of COVID-19 has illustrated forcefully how much we are part of a wider community and must play our part as an exemplary corporate citizen. Like every other aspect of the business the ways in which we have done this have had to be adapted to the new environment. In recognition of the importance of supporting the efforts of our people, who commit a considerable amount of their own time and money to support local communities, we temporarily released employees with a medical or military background to the NHS, medical organisations, emergency services or armed forces, and we also extended our volunteer allowance from two days to unlimited. The Board and Executive management also chose to donate a proportion of their salaries/fees to the National Emergencies Trust and NHS Charities.

Strategy

Notwithstanding the immediate demands of the environment, we have continued to ensure that focus remains on the long-term development of the business, with a clear focus on delivering sustainable long-term value to shareholders.

The Board remains confident in the fundamental strength of the business and the structural opportunities that exist to drive continued growth. It therefore believes that it is in shareholders' interests that we continue to invest in the business. Early in the year the Board recognised that a period of slower growth coupled with inevitable further uncertainty over the short term necessitated a review of our target operating model. Substantial work has taken place in reviewing the organisational design, and the scope for improving client and adviser service and organisational efficiency, all through the application of technology facilitated by the successful migration to the Bluedoor administration platform in 2019. These reviews have emphasised the importance of ensuring our resource is focused in the right areas and, regrettably, this has meant that we have had to make the tough decision to lose some existing roles from the business. The Board is clear that it is essential that the cost base is managed rigorously and that investment decisions continue to be taken in a disciplined way.

Concluding remarks

In the most difficult of circumstances St. James's Place delivered a solid performance in 2020 at the same time as taking significant steps to ensure that it remains well positioned for future growth. At the forthcoming Annual General Meeting I will be retiring after nearly a decade on the Board, during the last two years of which I have been privileged to serve as Chair. I am delighted that Paul Manduca has joined the Board and will take over as Chair following the AGM. I would like to thank all my colleagues for the support which they have given me throughout my time on the Board. I wish the entire St. James's Place community all the very best for the future and have no doubt that the Company will continue to prosper.

IAIN CORNISH Chair

24 February 2021

If you would like to discuss any aspect of my report or the Corporate Governance Report please feel free to email me on: chair@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 decision 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 2020. Whilst each of the factors present important considerations, they may not always align and we acknowledge that every decision we make will not 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 14) 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.

The governance framework explained in more detail on pages 96 to 98 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 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 Chief Executive's Report, the Chair's Report and the Strategic Report, and a summary of significant topics considered by the Board during 2020 is set out below, together with case studies that illustrate how the Directors had regard for factors (a) to (f) in their considerations.

Reputation and standards of business conduct

Section 172 factor: **F**

Our business exists to support clients to plan, grow and protect their financial futures. Our ability to achieve this would be materially impacted 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 in it by all of our stakeholders. Conduct and reputation are prominent in our list of principal risks (see page 76) 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 to ensure they align with our purpose and long-term aims, and accurately depict our culture (see further information on page 14).

Responding to challenges

COVID-19

As with society at large, the COVID-19 pandemic had a significant impact on the way in which the Board worked in 2020. Like other boards we had to quickly adapt to virtual meetings, with a dry run in early March providing an opportunity to test the technology and familiarise ourselves with the new medium of engagement. As we approached the end of March it became clear that the Group's business continuity plans would need to be deployed and the Board was quick to establish a plan for its own operation, which involved more regular touchpoints with management during the first few months. This enabled us to not only monitor management's response and the impact on the business, but also ensure that management had adequate support. As explained elsewhere in this Annual Report, our primary concern was the welfare of our employees and the Partnership, but the Board also received weekly dashboards setting out the impact on the workforce, the technology estate and the performance of our administration centres which enabled the Board to gain the necessary comfort that risks were being adequately managed. During this initial period, the Board also received updates from individuals with responsibility for functions of the business most impacted by the pandemic, including those responsible for technology, employee welfare and Partnership support. Pulse surveys provided regular insight and the Chief Executive and other members of the Executive Board held Q&A sessions with teams to help to reassure employees.

The business demonstrated immense resilience during 2020 and management has done an outstanding job in challenging circumstances. Having taken account of the insight captured from engagements with employees and the Partnership, the Board remains confident that St. James's Place's business model continues to be relevant to our target market. It has also recognised that the pandemic is likely to have resulted in a permanent shift in the way the Partnership and clients engage, with technology now more prominent alongside face-to-face engagement. The impact on employees has been widely reported in the media, with the role of the office expected to change in the future. Whilst the full implications are not yet fully clear, St. James's Place has taken the opportunity to introduce a Flexible Working Policy, recognising the shift in expectations from our employees and society as a whole.



Section 172(1) Statement continued

Our stakeholders

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

The diagram below, which sets out our key stakeholders, illustrates that an alignment between the interests of the Partnership, clients and employees (i.e. successful client outcomes) results in mutual benefit when our strategy is successfully delivered. As explained on pages 18 to 29 our strategy is the means by which the Boards believe the Company will continue to meet its purpose and values and achieve its vision. Successful delivery will ensure that we deliver against the expectations of all our stakeholders and we provide more detail on how we engage with each below, 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.



Stakeholder	Why this stakeholder is important to us	How we engage	Further information in this Annual Report
Shareholders	Sustainable growth in our business ensures we are able to deliver the long-term capital and income growth that our shareholders are seeking.	Details of how we engage with all of our shareholders are set out below.	Pages 92, 93 to 95 and 123.
The Partnership	Our products and services are promoted exclusively through the St. James's Place Partnership. The Company's role is to ensure that the Partnership is provided with ongoing support and professional development opportunities that enable them to continue to deliver a high level of expertise and professionalism to clients.	Our communication and engagement with the Partnership has two dimensions: information that is delivered directly to them 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 Partner Consultation Meetings where we seek the views of the Partnership on key topics. During 2020 we also invited representatives of the Partnership to attend certain Executive Board meetings.	Pages 6, 10, 22, 24, 34, 46, 86, 87 and 93 to 95.
Employees	People have been at the core of our business model since our formation and this has been reflected in the high level of engagement with our workforce.	Effective and timely engagement with employees is an integral part of St. James's Place's culture. Inevitably, this has had to evolve quickly in 2020 to ensure we were able to maintain a high level of engagement in a virtual working environment. Baroness Wheatcroft is our designated Non-executive Director responsible for workforce engagement and further details on how we engage with the workforce, including the work of our Workforce Engagement Committee, can be found on page 29.	Pages 10, 28, 29, 33, 34, 35, 36, 37, 86, 87, 93 to 95, 120 and 123.
Clients	Putting clients at the heart of everything we do is core to our culture and enables us to work with the Partnership and other stakeholders to run a genuinely client-focused business. We focus on building long-term relationships anchored in trust and mutual respect, where advice is tailored to our clients' individual circumstances.	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.	Pages 6, 20, 21, 25 and 93 to 95.
Society	Social value is at the core of our culture and we recognise that we have a responsibility to demonstrate our purpose to society, as well as helping to address social, environmental and economic challenges faced by all. Our aim is to act in a way that considers the long-term impacts of our actions on the communities closest to us and the environment at large.	'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.	Pages 8, 32, 34, 38, 39, 40, 44, 45, 46, 47, 86 and 93 to 95.

Section 172(1) Statement continued

Relations with 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 investors will provide an insight into the considerations that drive their views of us an organisation. The potential impact of the COVID-19 pandemic on the business introduced unanticipated uncertainty in the minds of all of our stakeholders, and to assist our shareholders in understanding the impact on St. James's Place we chose to provide more regular updates on our performance via monthly stock exchange announcements. Examples of how we engage are set out below.

How we engage with shareholders	Opportunity for engagement
Institutional shareholder roadshows	During 2020 we held a shareholder roadshow around the Company's full-year results and a virtual engagement programme around the half-year results. We also had a number of planned and ad-hoc engagement events with shareholders. Where appropriate we also arrange investor conferences and capital markets days (addressing a wide range of strategic and operational topics). Together, these engagements provided the Directors with opportunities to gain insight into institutional shareholder views and expectations, and to address specific queries.
Investor studies	As in 2019, the Board had continued to build upon the findings of the investor study commissioned in 2018 and in 2020 gained further insight from existing and potential investors as part of a study carried out as part of our brand review. The combined data obtained from these engagements 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 2020, 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 discuss specific matters of interest to them.
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.
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 17 May 2021, and of which further details are set out in the Notice of Annual General Meeting.

Shareholders

2019 Final Dividend






As was the case for many of our peers and other companies across the globe, the full impact of the COVID-19 pandemic was not immediately clear to us. As the situation progressed, it became evident to the Board that it should review the potential longer-term impacts of the 2019 final dividend recommendation announced on 27 February 2020. The Board immediately recognised that there was unlikely to be a decision that would meet the expectations of all stakeholders and therefore arranged additional meetings to discuss in more detail the implications of any change in the amount of the 2019 final dividend. For many shareholders, dividends make up an important part of their annual pension income but the Board, acknowledging the heightened regulatory sensitivity at the time, felt it was important to focus on the long-term implications for the business. Whilst the Board remained

confident that the business was resilient, it was aware that the unprecedented level of uncertainty could impact the operating environment for the business and our clients for the foreseeable future. It was therefore imperative that the business had the ability and flexibility to continue providing clients with the quality of service they needed through the Partnership even in scenarios that had the potential to become significantly more challenging. The Board ultimately decided to withhold 11.22 pence per share, or around one-third of the proposed 2019 final dividend, until such time that the financial and economic impacts of COVID-19 became clearer. It concluded that this prudent decision would ensure we would be able to deal with such scenarios and protect clients, the long-term value of the business, and our proven ability to benefit from the growth opportunity that will undoubtedly emerge on the other side of this crisis.

What the Board did in the year

Each year we provide an overview of the key areas of the Board's focus. This year we have looked to incorporate this within our section 172(1) report 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 Preparation and Directors' Development sections later in the Corporate Governance Report. Although not an exhaustive list of the Board's activity in 2020, we have included below examples of significant topics that were considered.

Strategic pillars

-  **Grow and develop the Partnership**
-  **Deliver positive outcomes to clients**
-  **Achieve sustainable growth in profits**
-  **Attract, retain and develop talent**
-  **Increase funds under management**

Board topic	Strategic pillars	Stakeholder interests	How engaged	Outcomes/influence
<p>COVID-19 – Modelling and planning for the potential impact of significant events forms an essential part of our risk management framework but the actual impact of a global event as significant as the COVID-19 pandemic on every aspect of a business is extremely difficult to pre-empt. The impact of COVID-19 on the Board's focus in 2020 has been significant as tactical oversight in the early days and weeks began to give rise to deeper examination of the implications for the longer-term strategy of the business. The impact has been covered in a number of places throughout the Annual Report and Accounts, but the case study on page 89 explains how it has impacted the Board.</p>		<p>Shareholders, the Partnership, employees, clients and society</p>	<p>See case study on page 89.</p>	
<p>Operational Excellence – As we reported last year, the successful migration of our business to the Bluedoor platform provides a strong basis for further enhancing the efficiency and quality of the service which we can provide to the Partnership and clients. However, we recognise that we need to continue to evolve to deliver the excellent service our Partnership and clients demand and 2020 has provided an excellent case study for how unforeseen developments (COVID-19) can act as a catalyst for change. During the year the Board endorsed the longer-term business case for operational excellence and oversaw the deployment of a number of technology solutions to support the business and the Partnership. Of these, one of the most significant is the Salesforce CRM platform which is now available to all Partner businesses. Salesforce will support the Partnership in their servicing of clients and enable them to unlock efficiencies that will help advisers to focus on advising their clients.</p>		<p>The Partnership, employees and clients</p>	<p>The focus of and priorities within the business case for operational excellence have been informed by the engagement with and feedback received from the Partnership, clients and employees - both through informal interactions and via surveys and research. Understanding the evolving demands of all stakeholder groups is essential if we are to be able to deliver the support and services expected of us in the future.</p>	<p>Feedback received helped the business to understand areas where the Partnership needed additional support, as we entered a national lockdown to ensure they were able to continue to support their clients. We were able to accelerate planned roll outs of technology and tools so that clients were not adversely impacted.</p>
<p>Organisational Design – To remain leaders in our market it is vital we stay an agile and dynamic business – flexing to the changing needs of the Partnership and clients. To enable us to continue to grow the investment in our business in coming years, the Board is clear that we need to make focused decisions on where and how we use our resource and where strategic investment is made, so that we can deliver sustainable outcomes for all of our stakeholders. During 2020, management commenced a review of the organisational design and the Board closely monitored the outcomes of this review.</p>		<p>Shareholders, the Partnership, employees and clients</p>	<p>Ongoing engagement with all of our stakeholders informs us of their expectations.</p>	<p>Feedback from stakeholders highlighted the importance of making sure we have the right people focused on the right things. This had a significant influence on the focus on the review, which has resulted in plans to make simplifications where we can remove duplication of work and cease those tasks we no longer require. Unfortunately, this also means a loss of roles from across the St. James's Place business. The insight gained from our stakeholders on the important aspects of our culture reinforced the importance of managing our engagement with all of our employees in an honest, supportive and respectful manner.</p>

Section 172(1) Statement continued

What the Board did in the year continued

Board topic	Strategic pillars	Stakeholder interests	How engaged	Outcomes/influence
<p>Investment Management Strategy and Governance – Our Investment Management Approach (IMA) is at the heart of our proposition to our clients. The rapid growth of the business over the years has seen the range of funds and the complexity of our offering expand significantly. In 2020, the Board considered the longer-term strategy for investment management and undertook a fundamental review of the governance framework that underpins its operation. This resulted in the identification of enhancements to the governance of our fund design, selection and monitoring processes and a strengthening of our Plan, Design, Review framework as part of a Group client proposition.</p>		Shareholders, the Partnership, employees and clients	Our clients, the Partnership and fund managers provide us with regular feedback in a range of and the publication of our first Value Assessment Statement (VAS) in 2020 provided us with an opportunity to clarify client and adviser expectations and shape our reporting to enable clients and the Partnership to monitor and evaluate the performance of our funds.	The expectations of our clients and advisers have driven our desire to optimise the investment management governance framework. Feedback in the lead-up to, and following the publication of the VAS provided valuable insight and helped us to ensure that the governance framework underpinning the IMA is best placed to meet the long-term needs of our clients. This feedback will also help us to develop our reporting to clients going forward.
<p>Dividend – COVID-19 had not yet become a worldwide pandemic at the time that the Board announced its initial 2019 final dividend recommendation. As the impact of the pandemic became clearer, the Board recognised the need to review the recommendation and consider whether it remained appropriate.</p>		Shareholders, the Partnership and clients	See case study on page 92.	
<p>Non-executive Director appointments – In 2019 the establishment of a medium-term pipeline of succession for all the Non-executive roles on the Board began to bear fruit and 2020 saw the continuation of this. Three further independent Non-executive Directors were appointed during the year and the search for a successor to the existing Chair was also concluded, with Paul Manduca joining the Board as Chair-designate on 1 January 2021. For more information see the Nomination Committee Report on page 117.</p>		Shareholders, the Partnership, employees, clients and society	Engagement with a wide range of stakeholders across a range of topics in the last 18-24 months has provided the Board with insight on their expectations of the organisation and the Board. This engagement has taken the form of surveys, commissioned reports and direct engagement with stakeholders.	The insight gained from our engagement with stakeholders helped to shape the criteria for the both the Non-executive Director and Chair roles and the process for recruitment.
<p>Annual General Meeting – Planning for our Annual General Meeting starts at the beginning of each year and in 2020 was well underway when the pandemic hit. Uncertainty over the duration of the pandemic and the absence of a clear precedent resulted in St. James's Place and other publicly listed companies having to re-evaluate their plans as government guidelines, legislation and market practice emerged. Face-to-face engagement is a cornerstone of our business but the Board had to balance the importance of providing an opportunity for shareholders to meet the Board, with the welfare of those shareholders, our employees and third-party suppliers that support the AGM.</p>		Shareholders, employees and society	Guidance from institutional investors and proxy agencies helped inform the Board on the views of its shareholders, whilst the Government and regulators looked to support businesses to protect the welfare of their employees and society as a whole.	Ultimately the Board concluded that, whilst it recognised that our shareholders value the opportunity to engage with the Board directly, the safety of all of our stakeholders was paramount. Recognising that all shareholders had the opportunity to exercise their votes by appointing the Chair as their proxy, the Board concluded that the meeting would be held behind closed doors with the minimum number of individuals required to ensure it was legally constituted. However, the Board continues to believe in the importance of face-to-face engagement and, when it is safe to do so, we intend to revert to a physical AGM.
<p>Partner recognition – As we reported last year, we keep all aspects of Partnership recognition and remuneration under review and during 2020 we further developed our approach to ensure it remains appropriate in today's world. The review we carried out identified areas where we could strengthen the alignment between the St. James's Place, Partnership and our clients. This ultimately led to the Board endorsing a revised recognition framework for the Partnership which will be rolled out in the coming months.</p>		Shareholder, the Partnership, clients and society	Although we did not believe that the criticism we received from the media in 2019 was reflective of our community, we do recognise that the media has a role to play in representing the views of elements of society. However, it was important that any review took account of the views of a wider group of stakeholders, including regulators, clients and the Partnership and so we sought insight on their perceptions and tested the proposed changes prior to their launch.	Having reflected on the feedback provided, we agreed upon changes to the framework of Partner recognition. The revisions increased the emphasis on creating opportunities for Partner development whilst recognising that significant value needed to be placed on the quality of advice, service to clients and conduct of advisers.

Board topic	Strategic pillars	Stakeholder interests	How engaged	Outcomes/influence
<p>Culture – Culture is not something that stands still and St. James's Place has continued to build upon the strong work carried out in 2019 by evolving our articulation of what makes us special. This has involved 'bringing to life' through visual representation and stories the values and behaviours that underpin our purpose and vision and ensuring that these are role-modelled throughout the workforce, led by the Board and management. The Board is also working with management to establish enhancements to the ways in which we are able to monitor our culture, so as to provide us with early indications of areas where greater focus may be required. An integral part of St. James's Place's culture since its formation has been giving back and whilst the pandemic impacted our ability to deliver face-to-face financial education in schools and raise funds for our Charitable Foundation, we were still able to continue to support our local communities through trying times in a number of ways (see our Responsible Business report on pages 30 to 49).</p>		Shareholders, the Partnership, employees, clients and society	The 'culture vision' depicted on page 14 has been refined during 2020, taking account of feedback obtained from a range of stakeholders in the past 18 months. It was subsequently tested with employees and the Partnership ahead of it being socialised to relevant stakeholders. Our workforce engagement activity has also provided important employee and cultural indicators and an update on activity in 2020 can be found on page 29.	Refinements to the 'culture vision' were made in response to feedback received during consultation and testing. The importance of embedding the vision within the collective consciousness of the organisation and aligning it with future strategy were highlighted during engagements in 2020 and have influenced the plans for developing it further. Although it has now been socialised more widely, the Board and management recognise that it will continue to evolve over the coming years and intend to continue to test its appropriateness.
<p>Inclusion and diversity – Core to the Board's thinking is the belief that attracting, retaining and developing the best people from all walks of life and from all backgrounds will provide the foundation for creativity, innovation and business growth. Consequently, inclusion and diversity remain significant areas of focus for the Board and in 2020 we formalised our approval in a Board Diversity Policy which sets out our own commitment to demonstrate change at the top. Together with our commitments to other targets, such as the Women in Finance Charter, we hope to effect positive change. 2020 has seen the number of women in senior roles increase to 23% and a survey of employees carried out in 2020 indicated that the number of BAME employees in leadership roles exceeded the average across the FTSE 100. St. James's Place is also among just 2% of UK employers to earn Disability Confident Leader status. The role and influence of our inclusion and diversity network has grown and its visibility and impact across the organisation have been tremendous in 2020. Responsibility for overseeing St. James's Place's inclusion and diversity programme sits with the Nomination Committee and further details of progress in 2020 can be found in its report on page 120.</p>		Shareholders, the Partnership, employees, clients and society	In 2020 we conducted an employee diversity survey with the aim of improving the quality of data available to monitor progress and identify areas in need of focus. The response rates were very encouraging and have enabled us to better understand our existing employee population and indicate where issues may exist in our internal processes.	Whilst the Board and management recognise that there remains a considerable amount still to do, our 14th place ranking in the UK inclusive Top 50 employers by Inclusive Companies demonstrates our continued commitment to helping to make the UK workplace better for everyone. The progress to date provides evidence that change can be driven from within and has reinforced our commitment.
<p>Partner business lending – 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 impact of the pandemic increased the focus on the need to ensure the Group retains the capacity to support the Partnership to weather any storm that could arise and during 2020 the Board approved the renewal of its securitisation programme and increased the capacity for direct-to-Partner lending.</p>		Shareholders, the Partnership and clients	The importance of Partner lending is appreciated by our long-standing shareholders but we continue to work 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 the shape of Partner businesses that may impact the future demand for lending.	Engagement with the Partnership during the early stages of the pandemic enabled us to model the potential scale of support required based on a range of scenarios. Whilst uncertainty continued to exist, the Board was able to assess the impact on Partner lending capacity and satisfy itself that capacity remained adequate.
<p>Discretionary Fund Management strategy – St. James's Place acquired Rowan Dartington in 2016 and appointed a new CEO in 2019. Although performance in 2020 has inevitably been shaped by the volatility in global markets, it has provided an important opportunity for the Group to reflect on the strategy for its discretionary fund management (DFM) offering. The Board had the opportunity in 2020 to review the short and longer-term strategy for Rowan Dartington and concluded that there was a need to increase the integration of DFM and stockbroking services within our core investment management approach.</p>		Shareholders, the Partnership, employees and clients	The decision to increase the integration of the business was taken having considered the demand from clients for access to DFM alongside the core IMA, together with feedback from the Partnership and employees.	The feedback and insight gathered from stakeholders indicated that there was a desire for our DFM offering to be more closely aligned to our IMA and provide optionality to clients in terms of their holistic financial planning.

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 142.

At the 2020 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 2021 AGM, or 30 June 2021, whichever is the earlier. The Company did not purchase any of its own shares during 2020 but the Directors will propose the renewal of this authority at the 2021 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

Leadership

Chair

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.

Chief Executive Officer

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.

Chief Financial Officer

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.

Managing Director

Responsible for leading the growth and development of the Partnership; and for ensuring that all members of the Partnership receive appropriate supervision, oversight, development and support, and provide high-quality, suitable advice to clients.

Independent oversight

Senior Independent Non-executive Director

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.

Independent Non-executive Directors

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.

Company Secretariat

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.

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.

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 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 104 to 123

Scheduled Board meetings	<p>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.</p> <p>The papers for each meeting, which include an Executive Report covering key developments in the business and performance indicators, are sent to the Board a week ahead of the meeting. This ensures that the information is timely and that the Directors are able to prepare for the meetings.</p>
Ad-hoc Board meetings	<p>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.</p>
NED performance updates	<p>Recognising the risks that COVID-19 posed to groups meeting in person, and anticipating a possible 'lockdown', the Board tested virtual meetings via video conference in March 2020. The test meeting proved successful and during the first few months of lockdown weekly update meetings were held with members of the Executive Board and all of the Non-executive Directors. Meetings in this format will continue to be held regularly in the future, particularly where the gaps between formal Board meetings are longer.</p>
Board working dinners	<p>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.</p>
Strategy meetings	<p>Focused strategy meetings are held to enable the Board and management to reflect on, debate, refine and agree the Group's strategy.</p>
NED meetings	<p>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.</p>
Development sessions	<p>Directors are provided with development sessions on specific topics during the year. Further details can be found on page 101.</p>
Other meetings	<p>The Board also appoints ad-hoc committees from time to time to manage procedural matters relating to decisions it has made.</p>

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.”

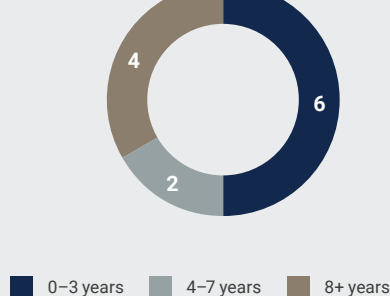
Composition

As explained on page 120 embracing diversity is one of our core cultural values, and the importance of inclusion during COVID-19 extended to the Board which also had to adapt to engagement from home. During 2020, the Board’s recognition of the value of diversity in the boardroom was formalised in a Board Diversity Policy. The policy aims to ensure that the Board composition provides a range of perspectives, insights and the cognitive diversity needed for good decision-making. As well as being the ‘right thing to do’, businesses that embrace diversity yield 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 and is now meeting the targets set by the Hampton-Alexander and Parker Reviews. However, the benefit of diversity of thought is not achieved simply by meeting targets, and the Board and Nomination Committee are clear that they have key roles in overseeing and supporting the drive for diversity at all levels of the organisation. Further information can be found in the Nomination Committee Report on page 117.

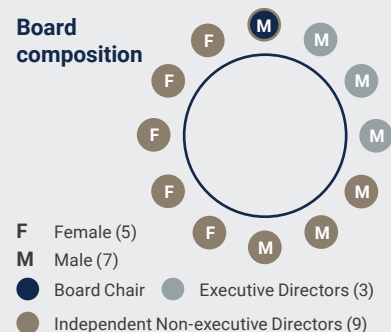
Summary Board composition

as at 24 February 2021

Tenure



Board composition



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.

Up until 28 June 2020, the Executive Compensation Practice of Aon plc acted as consultants to the Remuneration Committee. Whilst Aon continues to provide the Remuneration Committee with benchmarking and TSR performance data when requested, it no longer provides consulting services to the Remuneration Committee. As previously reported, the Board remains satisfied that Simon Jeffreys’ role as chair of Aon UK Ltd has no bearing on his independence or that of the Executive Compensation Practice of Aon plc or Aon Consulting (advisers to the Remuneration and Investment Committees). When considering their relationships to the Aon Group, the Board took into account the fact that as Aon UK Ltd, Aon Consulting and the Executive Compensation Practice of Aon plc operate in different divisions of a large group, their reporting and ownership lines to the Aon Group board are entirely segregated.

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 until a successor had been appointed. Paul Manduca was appointed as a Non-executive Director and Chair-designate on 1 January 2021 and Iain intends to step down as Chair following the 2021 AGM. Paul Manduca and Simon Jeffreys are both currently directors of Templeton Emerging Markets Investment Trust plc.

▶ Further information can be found in the Nomination Committee Report on page 119

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 Risk and Nomination Committees. 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 104 to 123.

Audit Committee

Chair:
Simon Jefferys

▶ Report on page 104

Risk Committee

Chair:
Rosemary Hilary

▶ Report on page 112

Nomination Committee

Chair:
Iain Cornish

▶ Report on page 117

Remuneration Committee

Chair:
Roger Yates

▶ Report on page 121

Attendance in 2020

Director	Board (Total 7)	Audit (Total 6)	Risk (Total 5)	Nomination (Total 6)	Remuneration (Total 6)
Iain Cornish (Chair)	●●●●●●●	–	●●●●●	●●●●●● (Chair)	–
Andrew Croft (CEO)	●●●●●●●	–	–	–	–
Ian Gascoigne	●●●●●●●	–	–	–	–
Craig Gentle	●●●●●●●	–	–	–	–
Emma Griffin (appointed 5 February 2020)	●●●●●●●	–	●●	–	●
Rosemary Hilary	●●●●●●●	●●●●●○	●●●●●● (Chair)	●○	–
Baroness Morrissey DBE (appointed 1 January 2020)	●●●●●●○	–	●●	●○	●
Simon Jefferys	●●●●●●●	●●●●●● (Chair)	●●●●●●	●●●●	●●●●●●
Lesley-Ann Nash (appointed 1 June 2020)	●●●●●	●●	●●	–	–
Baroness Wheatcroft	●●●●●●●	●●●●	●●●●●●	●●●●●●	●●●●●●
Roger Yates (SID)	●●●●●●●	●●●●●●	●●●●●●	●●●●●●	●●●●●● (Chair)

This table provides details of scheduled meetings held in the 2020 financial year and the attendance at each meeting of the members of each Board/Committee. Where Directors were unable to attend meetings this was as a result of clashes with existing commitments. Lesley-Ann Nash joined, and Baroness Wheatcroft stepped down from, the Audit Committee on 22 July 2020. Rosemary Hilary took over from Iain Cornish as chair of the Risk Committee on 19 August 2020. Emma Griffin, Baroness Morrissey DBE and Lesley-Ann Nash joined the Risk Committee on 22 July 2020 and Iain Cornish stepped down from the Committee on 16 September 2020. Rosemary Hilary and Baroness Morrissey DBE joined, and Simon Jefferys stepped down from, the Nomination Committee on 22 July 2020. Emma Griffin and Baroness Morrissey DBE joined the Remuneration Committee on 22 July 2020. Paul Manduca was appointed to the Board and the Nomination Committee on 1 January 2021.

Other Committees reporting to the Board

In addition to the wholly Non-executive Committees, the Board has also delegated specific responsibilities to three further Committees, the members of which are Executive Directors. The terms of reference of the Committees are regularly reviewed and are included in the Management Responsibilities Map.

Board/Committee	Purpose
Technology Advisory Group (TAG)	Chaired by the Chief Operations and Technology Officer, the TAG comprises a Non-executive Director, two members of the senior management team and two 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.
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 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.
Defence Committee	Comprises the Chair, 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.
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, Partner and restricted share plans.

Board composition, succession and evaluation continued

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 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 contributing 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 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>Iain Cornish was appointed as Chair in October 2018 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 Leeds Building Society. He has a full attendance record at the Company's Board meetings in 2020 and has also attended the vast majority of Board Committee meetings in addition to spending a substantial amount of time engaging with the business outside formal Board and Committee meetings. 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 2020, 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 101 provides an insight into how inductions have been tailored in 2020 to take account of the pandemic. For Paul Manduca, a programme of activities has been established in addition to his induction programme, to support his transition when taking on the role of Chair.

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 2020
Specific development sessions and training	Specific development sessions and events have been provided for the Directors during the year and these have included further training on financial crime prevention, the implications of SM&CR, the use of derivatives in fund portfolio construction, operational resilience, and developments in technology and cyber security. 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.
Visits to head office, other locations and service providers to meet with employees and members of the Partnership	The Directors would normally be provided with a wide range of opportunities to visit offices. Whilst this was not possible for the majority of 2020, Directors were able to attend virtual meetings held by our regional offices, providing further insight into the support provided to the Partnership and the engagement with individual advisers.
Attendance at subsidiary board meetings, executive committees and management forums	During the year, the Non-executive Directors attended a number of meetings of the boards of subsidiary companies and committees that report to the Executive Board to gain further insight. They were also invited to attend Directors' lunches hosted by senior management as part of the workforce engagement programme.
Attendance at seminars or other events which assist Directors in carrying out their duties	Directors receive invitations from time to time to attend seminars and conferences that provide opportunities to network and enhance their knowledge and experience. In 2020, most of these events have been held virtually and the number of events has increased, providing Directors with greater opportunity to further their knowledge.

Engagement Directors' induction

Induction programmes typically run for around six months for new Directors and are tailored to meet their individual needs. The programmes are based around three key elements:

Element	What the element provides	Examples
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.	<ul style="list-style-type: none"> Board/Committee papers and minutes for the previous 18 months. Specific papers covering strategically important topics. Information on key stakeholders, including employee and Partnership surveys, top shareholders and regulators.
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.	<ul style="list-style-type: none"> Meetings are set up with all Board Directors and members of Executive Board. Meetings are set up with the chairs of material subsidiaries, such as St. James's Place International plc and Rowan Dartington Limited.
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 executive committees reporting to the Executive Board. They are also invited to attend other key forums operating across 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.	<ul style="list-style-type: none"> 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 UTG Limited. Partner conferences and regional meetings enable first-hand experience of interaction with the Partnership.

As three new Non-executive Directors joined the Board in 2020, their induction programmes were impacted partially or entirely by the COVID-19 pandemic. Although this meant that many of the office visits and face-to-face meetings that had been planned could not go ahead, virtual meetings were held where possible and Directors were given more opportunities to engage thanks to the greater number of virtual board, committee, departmental and regional meetings held. The Board has also already moved away from hard-copy documents, so information and materials are available to each new Director via a secure board portal.

Board composition, succession and evaluation continued

2020 Board effectiveness review

Reflecting on the 2019 review

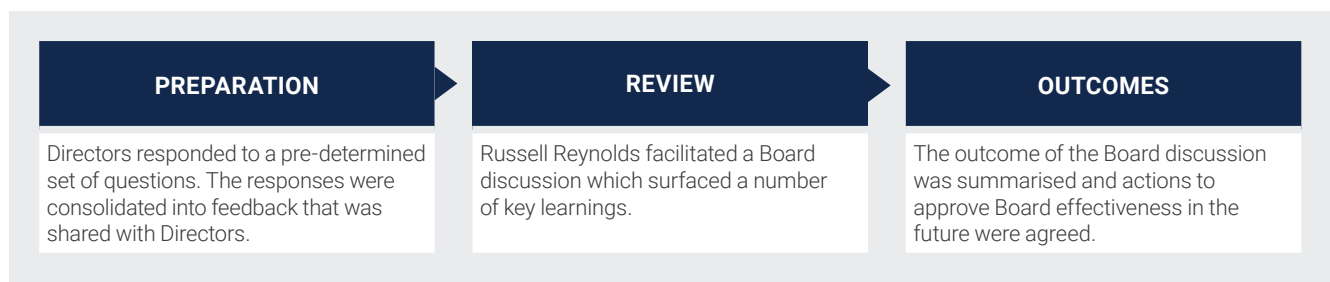
In 2019, the Board carried out an internally facilitated review, building upon the key themes identified in the review led by appointed Boardroom Review Limited in 2018. This review was led by the Chair and identified the following themes:

Area	Update on progress in 2020
Deepening the collective understanding of the business of today and shaping the business of tomorrow	The appointment of a number of new Non-executive Directors, who have brought with them experience gained from their varying backgrounds, has undoubtedly stimulated wider debate that has extended to the evolution of the business and the changing expectations and demands of our clients. These appointments, combined with the enforced change in working practices during the pandemic, have provided increased opportunities to refresh the knowledge of existing Directors and look more deeply at emerging trends. Virtual interaction has provided a platform for more collective engagement with management and opportunities to explore topical and important themes impacting the business. An example area of focus has been the acceleration in the demand and use of technology by a number of key stakeholders which, in common with many other businesses, we have experienced as a result of the pandemic.
Board operations and dynamics	Inevitably, the pandemic meant that interaction was almost entirely virtual during 2020, heavily influencing the dynamics of the Board and limiting the quality time the Board could spend outside formal interactions. Newly appointed Directors have done most or all of their induction remotely, and the Board, management and the Partnership have made themselves available to support this. Despite the virtual nature of interactions, it has been a 'high-touch' environment, meaning frequent contact has helped with relationship building, both one to one and collectively (as a Board and as Committees). Rosemary Hilary's appointment as Chair of the Risk Committee has provided an opportunity to review and refresh the operation of that Committee and the Board's other committees. The 2020 review has enabled us to check progress made, as well as providing the Chair and Chair-designate with insight to support further planning for 2021 and beyond.
Reflections on lessons learned	Given the speed and volume of Board and Committee activity in 2020, and the challenges that we have all had with the volume of interaction via screens, it has proved difficult to create the ideal space for the Board to reflect. However, the Board and its Committees have been keen to safeguard the time set aside to consider strategy and provide opportunities to reflect on lessons learned. Going forward, the intention will be to ensure that the Board has quality time, away from the Board meetings, in which it can reflect on lessons learned as well as focus on future planning.
Management succession	While we are fortunate to have a strong management team with a deep knowledge and experience of St. James's Place and its marketplace, we have continued our focus on establishing a diverse pipeline for succession. An update on progress can be found in the Report of the Nomination Committee on page 118.

The 2020 review

The Code does not require us to carry out an externally facilitated review in 2020, having appointed Boardroom Review to deliver our 2018 Board evaluation. However, following a year of considerable activity and change for the Board, including the appointment of multiple new Directors and planned Chair succession against the backdrop of COVID-19, the Board agreed that it would be useful to undertake a 'light touch' board assessment. Whilst focusing predominantly on the future, the review sought to capture thoughts from the new Directors joining in 2020 and the learnings from COVID-19.

The Board appointed Russell Reynolds Associates to carry out the review. Areas considered were Purpose, Strategy and Risk Alignment; Board Culture and Behaviours; Board Leadership; Structure and Processes; People and Composition; External stakeholders; ESG Risks and Opportunities.



Actions agreed by the Board

The 2020 review identified several themes and the Board intends to focus on these as areas for development in 2021. Specific actions will drive progress in addressing each of the themes summarised below:

Purpose, strategy and risk alignment	A number of topics were identified for greater consideration by the Board in 2021 and will be added to the Board's agenda as appropriate. These spanned strategic, business and regulatory themes, reflecting a dual focus on entrepreneurial growth and risk mitigation.
Structure and processes	Building on the learnings from operating in a virtual environment for much of 2020, the format and frequency of Board meetings will be kept under review and opportunities for further informal communication and team building will be sought. While recognising the benefits of virtual communication, all Board members are keen to find opportunities to meet physically, both as a group and with the extended business, when restrictions ease.
People and composition	Work to increase the size, diversity and range of skills amongst Board directors and consider succession planning resulted in the appointment of three new Non-executive Directors in 2020. With the arrival of the Chair-designate, the Board is mindful that its dynamics and culture will continue to evolve and will require focus and further reflection as the year progresses.

By order of the Board:

IAIN CORNISH
Chair

24 February 2021

Report of the Audit Committee



SIMON JEFFREYS
On behalf of the Audit Committee

KEY OBJECTIVE OF THE 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.

COMMITTEE MEMBERSHIP

Member	Joined
SJ Simon Jeffreys (Chair)	1 January 2014
RH Rosemary Hilary	17 October 2019
LAN Lesley-Ann Nash	22 July 2020
RY Roger Yates	1 July 2014

Note: Baroness Wheatcroft was a member of the Audit Committee from 8 October 2018 to 22 July 2020.

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

Dear Shareholder,

I am pleased to present the Audit Committee's report for the year ended 31 December 2020. 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.

The Audit Committee provides the Board with assurance as to the integrity of the Group's financial reporting and, together with the Risk Committee, monitors the effectiveness of the second line of defence, which forms an integral part of our internal control environment. 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.

A significant challenge for the Group and the Audit Committee this year has been the impact of, and response to, the COVID-19 pandemic. In light of this some Group procedures changed, and so priorities for Internal Audit had to be realigned to provide assurance over the continued integrity of our internal controls. The Audit Committee monitored this process closely and reassured itself that the adequacy and effectiveness of the internal control and risk management systems were maintained. Further information is detailed on pages 109 to 111.

In addition to the impact of the COVID-19 pandemic, the Audit Committee gave its attention to all areas under our remit, with focus on particular topics including: the appointment of a new Internal Audit Director, where the Audit Committee ensured the continued independence and effectiveness of the internal audit function; the asset valuation approach for properties; the impacts of the FRC's Revised Ethical Standard; the impact of the operational readiness prepayment impairment judgement; and the implementation of a new risk and internal controls platform. The Audit Committee also referred appropriate items to the Risk Committee, including the Group's use of derivatives and the suitability of the Diversified Assets Fund disclosures.

This year has seen the first full annual audit cycle for the Group's Senior Statutory Auditor, Andrew Moore, and for Grant Thornton, as external auditor for the Irish and Asian businesses. Both relationships have been monitored and assessed by the Audit Committee and are working well.

Following changes to the composition of the Audit Committee, I would like to thank Baroness Wheatcroft for her invaluable contribution during her time on the Audit Committee, and to welcome Lesley-Ann Nash.

Looking ahead to next year, the Audit Committee will be focusing on the continuing uncertainty and challenges associated with the COVID-19 pandemic, and will continue to monitor closely developments in the UK's withdrawal from the EU and the delivery of audit reform following the Competition and Markets Authority (CMA), Kingman and Brydon reviews.

I hope that shareholders feel confident that the Audit Committee has worked hard to maintain the high level of assurance during this unprecedented period.

SIMON JEFFREYS
On behalf of the Audit Committee

24 February 2021

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, capital management, financial control breaches, fraud and whistleblowing activity, and key policies. Attendance by Audit Committee members at these meetings is shown on page 99. 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. 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. In 2020 these topics included the financial results of the Asia and Discretionary Fund Management businesses, audit reform including the Revised Ethical Standard for auditors, environmental reporting requirements and capital management. The Audit Committee also considered the participation of members in 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 102 and 103). The Board and the Audit Committee remain satisfied that the Audit Committee operated effectively and has the experience and qualifications necessary to successfully perform its role, noting in particular that the Chair of the Audit Committee is a qualified accountant and former Senior Audit Partner, and 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 2020.

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 our activities. The calendar starts in 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 at this stage with informal working group meetings to review with management key messages for the Annual Report and Accounts, and to explore in more depth any complicated issues arising. 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, St. James's Place UK plc, the Audit Committee also carries out this work specifically for that company.

Report of the Audit Committee 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?
COVID-19	<p>The main impact of COVID-19 has been the stress it has placed on existing systems and processes. In order to reassure itself of the continuing integrity of the financial control environment the Audit Committee initiated:</p> <ul style="list-style-type: none"> • Consultancy reviews by Internal Audit of key financial processes. • Challenge to management and auditors about effectiveness of audit under remote-working conditions. • Review of the Property Fund suspension process, including financials. • Additional stress and scenario testing of judgements and impairment testing of goodwill, prepayment assets, Partner lending balances and tax judgements. • Additional challenge in relation to the Going Concern judgement and Viability Statement. 	<p>The Audit Committee reassured itself that the financial control environment remained secure, noting the innovations and developments which had been achieved which enhanced processes and controls in 2020.</p> <p>The Audit Committee was also able to assess a wide range of scenarios to support Going Concern and the Viability Statement, including Bank of England forecasts, and conclude positively about the resilience of the Group.</p>
Asset valuations	<ul style="list-style-type: none"> • The Audit Committee received regular reports from management about the investment control framework and reviewed the reports from the auditors of the St. James's Place Unit Trusts covering c. 90% of the Group's assets. • Following the decision by the industry to declare a 'material uncertainty' clause on the valuation of properties in April, the Audit Committee requested management to explain and justify the valuation approach for half-year reporting. The Audit Committee also agreed these with management and monitored the ongoing situation. • With the growth of the Diversified Assets Fund, the Audit Committee continued to monitor the valuation process for the Level 3 Private Credit and Private Asset stocks. The Audit Committee also considered and agreed (alongside the Risk Committee) the Group's use of derivatives. 	<p>The Audit Committee was pleased that the Unit Trust audits were positive, and concluded that the approach to valuing properties for the half-year accounts was robust.</p> <p>Changes had been planned during the year in response to recommendations from Internal Audit and the external auditor about the valuation process for Private Credit and Private Equity assets. The Audit Committee ensured these changes were made.</p> <p>The Audit Committee was satisfied with the current use of derivatives and will continue to monitor their use as practice develops.</p>
Accounting judgements and actuarial assumptions	<ul style="list-style-type: none"> • In addition to enhancing stress and scenario testing of accounting judgements in light of COVID-19, the Audit Committee also asked management to take into account Brexit and the challenges raised by new ways of working. • The Audit Committee requested specific analysis of the impact on the operational readiness prepayment impairment judgement of both the contract extension with SS&C and the reduction in new business volumes. • In a year of unusual demographic experience the Audit Committee sought reassurance from management and confirmed that actuarial assumptions remained appropriate for the long term, but also were appropriate for the short term. • As a result of the volatility of asset movements during the year, the quantum of utilisation of tax losses varied significantly during the year. Management proposed using a central estimate to clarify presentation in the half-year report. The Audit Committee challenged management both on its approach and valuation at half year, and also the value of the outcome as it emerged. 	<p>Having reviewed the additional and enhanced analysis the Audit Committee was reassured that the judgements and assumptions were appropriate.</p> <p>In respect of the tax loss utilisation, the Audit Committee approved the judgement made and was pleased to see experience emerge broadly in line with judgement over the second half of the year.</p>

Theme	What did the Audit Committee do?	What was the conclusion and impact?
Accounting regulation and audit	<p>After a number of years of significant change in Accounting Standards the changes in 2020 were relatively minor. In particular IFRS 17 was deferred until 2023.</p> <ul style="list-style-type: none"> The Audit Committee requested a development session on environmental reporting, to understand the significant new requirements expected over the next few years, not least in relation to SECR and TCFD. The Audit Committee also received additional training on section 172(1) reporting and stakeholder reporting, and how they are developing. 	<p>The Audit Committee emphasised to management the increasing importance of non-financial reporting and was able to challenge and ensure the reporting reflected the firm's achievements.</p>
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 2020, the final results announcement, and the Group Annual Report and Accounts for 2020, including the viability and going concern statements. 	<p>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.</p>
Regulatory reporting	<p>In addition to statutory reporting, the Audit Committee also reviewed the following regulatory reporting requirements:</p> <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 Pillar 3 disclosure. CASS – audit reports on SJPIA, SJPUTG, RD, and an exception report on SJPWM. <p>Given the changes made to UK regulation as a consequence of Brexit, the Audit Committee asked for particular monitoring of how those changes should be implemented for 2020 year-end reporting.</p>	<p>Management confirmed the specifics of the rules for Solvency II reporting and the Audit Committee was able to approve the publication of the 2020 year-end SFCR and the submission of the 2020 RSR to the regulator.</p> <p>The Audit Committee also reviewed and was satisfied with the CASS external audit reports.</p>

Report of the Audit Committee 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 FRC's 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 2020 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. Following the transition of the Group's Senior Statutory Auditor in July 2019, this year has seen Andrew Moore in role for a full audit cycle. As in previous years, the external auditor 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 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 the external auditor's programme of work, the Audit Committee received and agreed their plan for the audit of the 2020 year end. The external auditor 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 the auditors, and the Audit Committee concurred with management's response to the recommendations identified. The Audit Committee asked PwC to pay particular attention to the work supporting the recoverability of the operational readiness prepayment, noting the impacts of the SS&C contract extension, and was satisfied with the results of PwC's work and findings. The Audit Committee also challenged the Auditor on their assessment of the risk around tax reporting, given the complexity of the life insurance tax calculations in such volatile markets. Following review, the auditor concurred that it would be appropriate to raise the tax risk status to 'Elevated' for this year.

During the year, an internal evaluation was carried out to assess the independence, objectivity, and effectiveness of the external auditor and the effectiveness of the 31 December 2019 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 also reviewed the FRC's audit quality inspection report, and challenged PwC on the FRC findings and their response.

The Audit Committee found that PwC demonstrated robust challenge and professional scepticism during the 2019 year-end process and that Andrew Moore had been highly visible and effective as the new 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 matters on which the Audit Committee asked them to focus, for example the operational readiness prepayment. In particular the Audit Committee challenged management's approach to sensitivity testing, suggesting consideration of the Bank of England scenario in addition.

Whilst there was no change in conclusion about the recoverability and valuation of the asset, the use of a publicly available scenario complemented the existing stress tests by providing a useful benchmark.

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 performance of Grant Thornton, 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 2020 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 2020, the Audit Committee continued to closely monitor developments arising from 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 impacts of the FRC's Revised Ethical Standard issued in 2019. The Audit Committee also monitored trends in financial reporting reflected in the annual reports in other companies.

The Audit Committee carried out its annual review of the Policy on Auditor Independence during the year. A number of enhancements were made to the policy in light of the Revised Ethical Standard. The Revised Ethical Standard is intended to strengthen auditor independence, prevent conflicts of interest and ensure the UK is seen as a destination to do business because of stronger investor protection resulting from high-quality audit.

The updated Policy on Auditor Independence now aligns to the Revised Ethical Standard, such that non-audit fees may now only be paid to the Group auditor in relation to activities that are included on the prescribed list of permitted activities.

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 review of half-year reporting and review of EEV reporting. Full details of PwC's remuneration for 2020 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.

Internal audit

The 2020 Internal Audit Plan (the Plan) was approved by the Audit Committee in November 2019. 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.

However, at a relatively early stage in the delivery of the 2020 Plan, COVID-19 struck and the country entered lockdown. The unprecedented circumstances in which the Group found itself operating led Internal Audit and the Audit Committee to revise the original Plan, to enable Internal Audit to provide assurance over new and/or elevated risks and areas in which changes were required to underlying procedures.

The revised Plan incorporated an additional 13 targeted assurance reviews, which were carried out between April and June across business areas and processes which were under increased strain or where process adaptations were necessary to accommodate remote working.

The Audit Committee reviewed the revised Plan regularly to ensure that it continued to provide appropriate coverage of the Group's key risks. Having approved the revised Plan, the Audit Committee oversaw its implementation, including the targeted assurance reviews which provided assurance that changes had been appropriately designed and implemented and that the internal control environment remained robust.

Following a risk assessment by Internal Audit and the Audit Committee, a small number of audits from the original Plan were deferred during the reprioritisation as they had become less relevant for 2020. These were added to a risk-ranked watchlist. The Audit Committee continued to review and monitor the revised Plan and watchlist throughout the year, which led to various further changes being agreed as the situation continued to evolve, including the addition of an audit of the governance surrounding the suspension of transactions in the St. James's Place property funds. All updates and changes were specifically considered and approved by the Audit Committee.

The Plan addressed three key themes, all of which increased in importance during the lockdown period. The themes, and examples of audits undertaken are:

Theme	Description	Example audits undertaken
Client 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"> • St. James's Place Academy • Stewardship Code publication and SRD II • Business assurance function • InRetirement portfolios • Investment Division Governance and Oversight • Alternative Investment Manager Review
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"> • IT asset management • End-to-end critical processes • Bluedoor administration system • Introduction of new technology • Governance of Salesforce programme • Supplier management
Regulation and reputation	The regulatory landscape, including significant recent and 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"> • AML controls • Cyber controls • Implementation of CRS and FATCA • Regulatory developments in the pensions market • Risk and compliance functions of St. James's Place International and Rowan Dartington

Report of the Audit Committee continued

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 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 to enhance controls further, for example through the rollout of Salesforce to support evidencing of client servicing, and further enhancement of management information held in respect of supplier relationships. Internal Audit and the Audit Committee are monitoring the progress of the completion of those plans. In addition, in October 2020, the Audit Committee considered and approved the proposed 2021 Internal Audit Plan.

The Chair of the Audit Committee participated in the selection of a new Internal Audit Director by carrying out a detailed formal recruitment process, involving both internal St. James's Place employees and a thorough external search and interviews to identify the best possible candidate. The Audit Committee approved the appointment of the new Internal Audit Director in April, subject to regulatory approval which was received in September.

Following a competitive tender process completed in late 2018, Deloitte LLP continued to provide co-sourcing services for specialist expertise, for example actuarial and IT specialists, and additional resources to maintain and enhance the level of assurance provided to the Audit Committee.

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, which have continued to be progressed during 2020. For example, the function has been working to embed agile auditing techniques and has continued to explore opportunities to use data analytics within audits. A memorandum of understanding has also been agreed with the compliance assurance function, to ensure the respective remits of the second and third lines are clear.

An internal quality assessment was carried out and presented to the Audit Committee in May 2020. 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.

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. The Risk Committee plays a key role in the oversight of the Risk Management Framework, more information on which can be found in the Risk and Risk Management Report. 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, the results of which are reviewed quarterly. As a result of these reviews, during the year improvements were made to fund suspension processes and third-party oversight, as set out below. 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 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.

In addition, the Audit Committee received, discussed and evaluated the quarterly updates on the results from Group Risk on the effectiveness of the internal control model. These updates are underpinned by management risk and control assessments captured through the newly implemented risk and internal controls platform (OSCAR) and provided the Audit Committee with holistic updates on management's view of the Group risk environment. Following our review further focus was given to key areas of the business, including anti-money laundering controls and third-party procurement oversight. 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. 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, the emergence and impact of COVID-19 was a major external risk event which could not be precisely forecast, and therefore resulted in various changes in operational practice around the business. This situation has been a reassuring test of the resilience of our business and has provided good evidence of the robustness of our internal control systems. The situation has also allowed for enhancements to be made to existing controls including technological upgrades which support the Partnership in advising clients remotely, specifically:

- 'DocuSign' software, which enables clients to sign documents electronically, reducing the need for wet signatures;
- 'Qwil', an encrypted messaging system to facilitate the secure transfer of documents; and
- an upgrade to the existing 'Capture Application' product, which allows automated client identity checks with Experian (including PEP/sanction screening).

As noted in the Internal Audit section of this report, the Audit Committee has monitored the effectiveness of the Group's response in handling changes in operational practice, and evaluated the outputs of a series of internal audit reviews assessing the resilience of key control activities where changes were required.

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, it was identified that our processes to enable any suspension of our funds required enhancement and, as a result, additional actions were undertaken. Following review of the output by the Audit Committee, actions were taken by management to ensure that, when industry-wide Material Valuation Uncertainty (MVU) clauses were imposed as a result of COVID-19, the relevant boards within the Group were able to temporarily suspend transactions in our property funds in a well-controlled manner. Further areas that were identified for improvement include our handling of third-party procurement oversight and continued process improvements to handle the increased regulatory burden for Money Laundering Directives in a scalable manner. The Audit Committee continues to track progress on these items throughout the year to ensure actions are completed.

Whistleblowing

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. 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. The Audit Committee agreed that the whistleblowing arrangements were appropriate and consistently in force across the entire Group. The Audit Committee also reviewed, challenged and approved the Annual Whistleblowing Report and the Whistleblowing Policy, which were presented to the Board.

Bribery and fraud review

The Audit Committee monitors and receives regular reports on the Group's policies, systems and controls to prevent bribery and fraud from the Money Laundering Reporting Officer. The Audit Committee uses these reports to inform their consideration for potential fraud within the business (including due to heightened risk associated with changes in the external environment), and noted that no material heightened fraud risk had been identified in the year. COVID-19 had introduced increased levels of attempted phishing attacks to exploit the remote working environment, however there had been no notable increase in the success of these. 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. A number of immaterial control enhancements are currently being introduced.

Report of the Risk Committee



ROSEMARY HILARY
On behalf of the Risk Committee

KEY OBJECTIVE OF THE 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 principal regulated companies: St. James's Place UK plc (SJPUK), St. James's Place Investment Administration Limited (SJPIA), St. James's Place Unit Trust

Group Limited (SJPUTG) and St. James's Place Wealth Management plc (SJPWM).

REGULAR ATTENDEES AT MEETINGS

The Chairman, Chief Executive Officer, Chief Financial Officer, Managing Director, 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.

COMMITTEE MEMBERSHIP

Member	Joined
RH Rosemary Hilary (Chair)	17 October 2019 and became Chair on 19 August 2020
EG Emma Griffin	16 September 2020
SJ Simon Jeffreys	1 January 2014
BM Baroness Morrissey DBE	16 September 2020
LAN Lesley-Ann Nash	16 September 2020
BW Baroness Wheatcroft	2 April 2012
RY Roger Yates	1 January 2014

Note: Iain Cornish was a member of the Committee from 1 January to 16 September 2020 and stepped down as Chair on 19 August 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.

Dear Shareholder,

I am delighted to present to you my first report as Chair of the Risk Committee (the Committee). I would like to take this opportunity to thank Iain Cornish for his strong leadership, guidance and support as the former Committee Chair. I would also like to welcome Emma Griffin, Baroness Morrissey DBE and Lesley-Ann Nash, three new Committee members appointed during the year, and to offer thanks to all the Committee members for their continued efforts.

The rapid spread of COVID-19 represented the crystallisation of a severe risk in 2020. It has sadly taken many lives and reshaped all our lives through national restrictions, and its ramifications will continue to impact individuals, society and business for many years to come. Thankfully we ended the year with positive news about vaccines which we hope will quickly reduce the number of deaths and soon allow restrictions to be eased. I was delighted to hear of the many ways the St. James's Place community promoted caring for one another through the year and I would like to thank everyone for their continued hard work in what has been a

particularly challenging year. At the heart of our concern have been our clients and in particular those that have been vulnerable; our staff and the Partnership who adapted magnificently to working from home; and our suppliers and other stakeholders to ensure they could maintain their services.

During the year, the Committee took a number of steps to increase monitoring and scrutiny of the Group's risk profile and operational resilience. As events were unfolding in March and April 2020 we considered a range of scenarios to assess the potential risks to the Group's liquidity and capital in order to inform the Board's final dividend decision. From a business perspective the impact of COVID-19 and related national restrictions was less severe in 2020 than the more extreme scenarios deemed possible in March. However, we recognise that we have not been immune as a business and much of the economic impact is yet to be felt, both in the UK and abroad. We held an extra meeting in June which focused primarily on the impacts of the pandemic on the business and the SJP Group. We worked closely with the Audit Committee to ensure the appropriate actions were taken in response to new

or heightened risks flagged during the internal audit review of those processes that had been introduced during the pandemic. That review found that changes had been appropriately designed and implemented. The pandemic also resulted in a need to suspend the Group's property funds due to the triggering of a 'material valuation uncertainty' clause. A risk-based judgement was taken to unsuspend the Group's funds as soon as this clause was removed, and the Committee was involved in reviewing and challenging the risk analysis work ahead of that decision.

In addition to our response to the pandemic, we continued to focus on the Committee's core responsibilities. We progressed with our series of risk 'deep dives' from the business and focused reports from senior executives to support the Committee's assessment of the Group's principal risks. Emphasis continued to be placed on rolling out developments in the risk management framework and enhancing the risk culture across the SJP Group.

The Group's risk and compliance functions sit under the executive leadership of Mark Sutton, the Group's Chief Risk Officer (CRO). As part of the transition from Iain Cornish to myself as Chair, we both worked closely with Mark to select the content of the Committee meetings and discuss key issues.

It is difficult to say whether 2021 will be as tumultuous a year as we have witnessed in 2020, though vaccines give great cause for optimism. 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 lay ahead.

ROSEMARY HILARY
On behalf of the Risk Committee

24 February 2021

Operation and performance of the Committee

The Committee comprises seven independent Non-executive Directors. The Committee Chair meets regularly with the CRO, the Chief Executive, the Chief Financial Officer and the Executive team 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 effectiveness has been reviewed by the Board as part of its overall assessment of its effectiveness (see page 102) and the Board remains satisfied 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 senior members of the risk and compliance function, who have direct access to the Chair of the Risk Committee 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 2020, the Group's principal risks and emerging risks were inevitably influenced by the emergence and impact of COVID-19 and this was evident in the Committee's focus over the majority of the year. 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.

Assessing the implementation of risk mitigation in the business is another area where 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 we monitor and manage risk in the business can be found on pages 73 to 80. The Committee reviewed and commented on the Group's Risk Appetite Statement in detail 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 considered all material interactions with the Group's principal regulators. It monitors progress against any actions to conclusion. 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. During the year, our ongoing interaction with regulators has been supplemented by engagement in relation to our response to COVID-19, as regulators have sought to establish comfort that capital adequacy, customer focus and operational resilience are being maintained.

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
- emerging risks and any significant changes in the risk environment.

The Committee also approves the annual Compliance Monitoring Plan.

Report of the Risk Committee continued

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 10 Risk Areas.

Risk area	What did we do?	What were the conclusions?
Administration service	Administration performance – The Committee received updates on the operational impact of the transition to remote working following the lockdown restrictions arising under COVID-19.	The Committee was satisfied that SLAs continued to be met by administration centres in the UK, Ireland and Mumbai, with our third-party administrators responding effectively to the challenges of remote working.
Client proposition	<p>Investment risk landscape – The Committee received a review of the evolution of risks within the investment proposition, including the actions underway to ensure this remains relevant to client needs. Specifically, the Committee requested a deep dive on the use of derivatives within the St James' Place funds. The Committee also considered the risks regarding valuation uncertainties arising from COVID-19 in the property funds.</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. Additionally, updates were provided on third-party tax-advantaged products.</p> <p>Discretionary fund management (DFM) risks – The Committee received an overview of the Rowan Dartington DFM risk profile, including the impact of COVID-19 on the business.</p>	<p>The Committee challenged and was satisfied that the development and delivery of the investment proposition strategy appropriately considered the need to meet client expectations. At the Committee's request additional work was presented on derivatives, their role within fund strategies and how risks are controlled.</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> <p>The Committee satisfied itself that the risks within the DFM business were well understood and managed, recognising the positive response to the operational stresses of the shift to remote working due to COVID-19.</p>
Conduct	<p>Clients with vulnerable characteristics – The Committee reviewed an update on the key measures and oversight in place across the business to support clients with vulnerable characteristics, and how this framework was evolving in the context of the guidance paper from the FCA (GC19/3) published in late 2019.</p> <p>COVID-19: heightened conduct risk assessment – The Committee requested an assessment be undertaken by the business to identify heightened areas of conduct risk arising generally from the COVID-19 pandemic, giving particular consideration to vulnerable clients. The assessment provided by the business included changes in client needs and circumstances, as well as the impact of market volatility on advice suitability.</p>	<p>The Committee discussed the actions being taken in the business to enhance its approach to identifying and supporting vulnerable clients, including providing appropriate support to those unfamiliar with using, and meeting via, technology. A dedicated resource to lead in this area was recruited and this remained an area of key focus for the Committee throughout 2020 and will continue into 2021.</p> <p>The Committee reviewed and challenged management's assessment of the risks and how they were being mitigated. This included requesting and subsequently receiving further evidence regarding the client impact of the switch to digital servicing necessitated by lockdown conditions.</p>
Financial	<p>COVID-19 scenarios – The Committee reviewed the output of various different scenarios which considered the financial impact on the business from a capital and liquidity perspective, including the financial resilience of Partner businesses.</p> <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 for the Group, and UK and Irish insurance entities, as well as analysis and challenge of reverse stress testing.</p>	<p>The Committee acknowledged a high degree of uncertainty over potential impacts to drivers of business performance. In order to be confident of remaining resilient in even the most extreme scenario, the Committee supported the decision to withhold part of the planned dividend.</p> <p>The Committee was involved in challenging the planned schedule of work to ensure the appropriate coverage of stress and scenario testing and was comfortable that the Group remained financially resilient. The Committee requested that documentation of emerging risk and reverse stress testing activity be enhanced as part of the ORSA. The findings of a comprehensive emerging risk exercise were discussed with the Committee, which was also actively engaged in selecting scenarios for reverse stress testing as part of planned activity in 2021.</p>

Risk area	What did we do?	What were the conclusions?
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>Outsource provider exit management – The Committee reviewed and challenged management’s assessment of contingency planning in the event of an exit from a material outsourced administration provider.</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.</p> <p>The Committee was supportive of the contingency planning work and noted its comprehensiveness. The Committee challenged some aspects of practicality and was satisfied with management’s responses.</p>
Partner proposition	<p>Technology support – The Committee received a briefing on the developments underway to enable the automation of data collection and increased insight through adoption of the Salesforce platform.</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>Recruitment and retention of advisers – The Committee received updates on the competitive landscape for adviser recruitment and retention, and increased buyout activity of Individual Financial Adviser businesses by competitors.</p>	<p>The Committee supported the strategy of implementing Salesforce to further support Partner businesses and to facilitate enhanced centralised evidence of client servicing.</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 discussed the increased competitive activity and was satisfied that St. James’s Place remained well positioned in the market in respect of recruitment, and was on pace with paying true value for businesses it was seeking to acquire.</p>
People	<p>The Committee received a number of updates on employee-related risks, including remuneration, employee wellbeing, impact of remote working and key person dependence, as part of the COVID-19 reviews.</p> <p>The Committee’s role is to work with the Remuneration Committee to ensure that the SJP Group’s remuneration policies for Directors and employees are aligned with its strategy.</p>	<p>Resources were made available to employees to manage their wellbeing during the pandemic, and employee absences were monitored. Areas of key person dependence were identified as part of the future and critical skills assessment of St. James’s Place.</p> <p>The Committee obtained assurance around the actions taken by management to ensure that appropriate measures were in place prior to the reopening of office facilities after the first lockdown, including the risk assessment undertaken.</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 remained satisfied that remuneration policies continued to mitigate potential conflicts of interest and did not encourage inappropriate risk-taking.</p>

Report of the Risk Committee continued

Key Matters Considered During the Year continued

Risk area	What did we do?	What were the conclusions?
Regulatory	<p>Regulatory change – The Committee reviewed and discussed the impact of upcoming regulatory change and management’s response, for example, to the FCA’s Asset Management Market Study and the FCA and PRA Consultation Papers on Operational Resilience.</p> <p>Client money and client assets – The Committee reviewed and approved the CASS Annual Report for 2019</p> <p>Regulator engagement – The Committee received reporting on the more material topics of discussion with the Group’s regulators, as well as progress reporting on the actions taken to address matters raised by the regulators as part of ongoing supervision and wider industry communications.</p>	<p>The Committee was satisfied with the progress against each of the areas outlined by management.</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 compliance of the CASS Resolution Packs.</p> <p>The Committee discussed and agreed the actions being taken to address both firm-specific and industry-wide themes identified by regulators.</p>
Security and resilience	<p>Operational resilience – The Committee reviewed the Group’s approach to Business Continuity and Operational Resilience and requested an update on the Group’s progress in response to consultation papers issued by the PRA and the FCA in late 2019.</p> <p>Data and cyber risks – The Committee was provided with an assessment of St. James’s Place’s information and cyber security risks, and activities contributing to the cyber maturity programme.</p>	<p>The Committee were actively engaged in overseeing the activities ongoing to enhance operational resilience in the Group. This area will remain in focus throughout 2021 and beyond.</p> <p>The Committee discussed the results of the testing and assurance activities over cyber security, including the results of 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 St. James’s Place cyber security framework had developed in maturity and an increased level of engagement in these areas had heightened awareness of the risks.</p>
Strategy, competition and brand	<p>Strategy impact on clients – The Committee considered and debated the potential impacts of the Group’s 2025 Strategy on current and prospective clients.</p> <p>Emerging risks – The Committee considered and challenged management’s view of the emerging risks to the Group which could impact on the ability to achieve the strategy.</p>	<p>The Committee gained assurance that the strategy was aligned with client interests and did not create risks outside of appetite.</p> <p>The Committee was comfortable that suitable emerging risks had been identified and that appropriate focus was being placed on managing the risks. The Committee requested further ‘horizon scanning’ assessments on risks which might not yet have management’s attention and more regular reporting on 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.

Report of the Nomination Committee



IAIN CORNISH
On behalf of the Nomination Committee

KEY OBJECTIVE OF THE COMMITTEE

The Committee has overall responsibility for planning Board succession, leading the process for new appointments and ensuring that these appointments bring the required skills, experience and diversity to the Board. As part of this, the Committee takes into consideration and oversees senior management succession and also reviews

the governance framework, including the structure, size and composition of the Board and its Committees to ensure they are made up of the right people with the necessary skills and experience to direct the Company in the successful execution of its strategy.

REGULAR ATTENDEES AT MEETINGS

The Chief Executive, Company Secretary and representatives of external consultants.

COMMITTEE MEMBERSHIP

Member	Joined
IC Iain Cornish (Chair)	1 October 2011
RH Rosemary Hilary	22 July 2020
PM Paul Manduca	1 January 2021
BM Baroness Morrissey DBE	22 July 2020
BW Baroness Wheatcroft	1 January 2014
RY Roger Yates	8 October 2018

Note: Simon Jeffreys was a member of the Committee from 1 January to 22 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.

Dear Shareholder,

The Committee's main priorities for 2020 included the completion of the critical phase of the Board's succession planning and achieving further progress in relation to the medium-term succession planning for Non-executive Directors and senior management, with a particular focus on increasing diversity. Working closely with specialist external consultants to achieve its objectives, the Committee continued to develop a structured Board and oversee the senior management succession planning programme. Baroness Morrissey DBE, Emma Griffin and Lesley-Ann Nash were all appointed to the Board in 2020 and a sub-committee of the Nomination Committee has overseen the appointment of Paul Manduca as my planned successor as Chair of the Board and this Committee, subject to regulatory approval. Details of the selection and appointment process are covered in an update from Roger Yates, our Senior Independent Director, later in this report.

As we have previously reported, the Committee has been particularly conscious that, over the next few years, a number of the existing Non-executive Directors will be retiring from the Board. The succession programme established a clear view of the mix of skills, experience and diversity that will be required to continue to deliver effective oversight in the future and the appointments made have ensured that these skills and experiences will be in place when the longer-serving Non-executive Directors retire.

Having successfully appointed and inducted the new Directors, the time is now right for me to step down, having surpassed the nine-year tenure for chairs envisaged by the UK Corporate Governance Code. Following the forthcoming Annual General Meeting (AGM) both Baroness Wheatcroft (who will have also reached nine years on the Board) and I intend to step down from the Board.

We have also received regular updates from the Chief Executive Officer on Executive succession planning, including a summary of leadership portrait work conducted by specialist external consultants.

The importance of cyber and technology skills and experience has increased considerably in recent years and the Board has recognised that this is an area where further expertise was required. It is a fast-moving area of any business and has the capacity to impact many areas of operation, and the Committee did not believe it was prudent to place the responsibility for oversight with an individual Director. Instead it concluded that it would be more appropriate to establish a Technology Advisory Group that could advise and educate the Board and keep it abreast of the latest developments. More information can be found later in this report.

Inclusion and diversity have been in the global spotlight in 2020, with events in the US and elsewhere elevating BAME inequality in the public's consciousness. As an organisation, St. James's Place recognised that these

significant events undoubtedly had a bearing on the wellbeing of our community and we were keen to provide support and assistance where possible. The Executive team took a key role in supporting our response and were prominent in the engagement and dialogue we have had with our community. My colleagues on the Board and I also attended and participated in a number of the events that were run to educate and support our people. As responsibility for overseeing St. James's Place's inclusion and diversity programme rests with the Committee, we took a close interest in activities and have also closely monitored progress against our commitments and strategy. More details of the progress made and planned future activity can be found on page 120.

Finally, the Committee has continued to oversee progress in relation to our Group governance programme, culminating in an in-depth review of progress and next steps later in the year. It also took responsibility for recommending the approach to be taken for the 2020 Board effectiveness review, as well as overseeing progress made against the action plans and themes identified in previous reviews. We have set out in this report, and in the Corporate Governance Report on pages 102 and 103, further details of the progress made.

IAIN CORNISH
On behalf of the Nomination Committee

24 February 2021

Report of the Nomination Committee continued

Activities during the year

Topic	Summary of activity	Find out more
Board composition	The size, structure and composition of the Board was reviewed against a matrix setting out the collective set of skills and experience required by the Board. The review concluded that, with the exception of certain technology-based experience, the Board had the appropriate skills and experience to deliver the longer-term strategy. To address the identified gap a Technology Advisory Group was established.	▶ See below
Committee composition	In light of the appointment of new Non-executive Directors, the composition of the Board's Audit, Risk, Nomination and Remuneration Committees were each reviewed and changes were recommended to the Board.	▶ See below
Chair succession	A sub-committee of the Nomination Committee was appointed to identify, select and recommend to the Board a successor to Iain Cornish as Chair of the Board.	▶ See below
Management succession	The Committee oversaw the implementation of the standardised programme for senior management succession created in 2019, and supported management in the establishment of development plans for executives.	▶ See below
Inclusion and diversity	The Committee approved a Board Diversity Policy and assessed 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.	▶ See below
Group governance	The Committee reviewed progress in formalising the Group-wide governance framework, reflecting on the key learnings and agreeing refinements and key milestones for the future. The Committee was also responsible for endorsing non-executive appointments to subsidiary boards.	▶ See below
Board effectiveness	The Committee reflected on the themes that emerged in the 2018 and 2019 effectiveness reviews, prepared for and planned the approach to the 2020 Board effectiveness review, and proposed this to the Board.	▶ See page 102

Operation and performance of the Committee

The Committee comprises the Chair of the Board and four independent Non-executive Directors. Membership was reviewed and revised in 2020, with Simon Jeffreys stepping down from the Committee and Rosemary Hilary and Baroness Morrissey DBE joining the Committee. The Committee's effectiveness has been reviewed by the Board as part of its overall assessment of its effectiveness (see pages 102 and 103) and it remains satisfied that, as a whole, the Committee has the experience and qualifications necessary to perform its role.

Board and Executive succession

Over the last 18 months, the robust and detailed succession plans established by the Committee to manage the transition of Board membership have been successfully implemented, with four new Non-executive Directors having been appointed. Following Rosemary Hilary's appointment in October 2019, Baroness Morrissey DBE (1 January), Emma Griffin (5 February) and Lesley-Ann Nash (1 June) all joined the Board in 2020 and have spent considerable time being inducted into St. James's Place (see page 101 for more information on their inductions).

With all of the new Directors in place, the Committee undertook a review of the size, structure and composition of the Board, taking account of possible Board changes, including Iain Cornish's and Baroness Wheatcroft's plans to step down at the forthcoming AGM.

The Committee analysed the adequacy of the collective skills and experience of the Board against a matrix of skills and experience deemed appropriate for a Board of a FTSE 100 company in St. James's Place's sector. This matrix showed that, with the exception of certain technology-related experience, the Board had the appropriate skills and experience to deliver its longer-term strategy. Having considered the most appropriate means of addressing the gaps identified, the Committee concluded that it was appropriate to establish a Technology Advisory Group (TAG) with the responsibility of advising and educating the Board in terms of technology and keeping it abreast of the latest developments relevant to the Group's strategy.

Working with the Group's cyber and technology partners, the Committee drew up terms of reference for the TAG and agreed its initial membership, which included representation from the Non-executive Directors and senior management, alongside external members with specialist expertise. The TAG was formally constituted by the Board in December 2020 and will meet regularly in the coming year.

Succession planning at the Executive and senior management levels has continued to progress well during the year and the CEO has provided updates to the Committee, including in relation to the Executive Board's own review of its effectiveness. The Board and the Committee have engaged closely with the Executive Board in relation to the challenges faced during 2020, and the resilience of the business is in no small part down to their commitment, engagement and drive.

An update on the process followed by that sub-committee is set out below.

Appointing a successor to the Chair

The Nomination Committee agreed that, in accordance with the provisions of the Code, the sub-committee should be composed of independent Non-executive Directors who did not intend to apply for the role as Chair of the Board. Having spoken to all eligible Directors and determined their interest in the role, Roger confirmed back to the Nomination Committee, which confirmed the membership of the sub-committee Terms of reference for the sub-committee, which set out its key considerations and responsibilities, were approved by the Nomination Committee. The key considerations to be taken into account when identifying suitable candidates included:

- the use of open advertising or external advisers;
- searching for candidates from a wide range of backgrounds;
- assessing candidates on their merit and against objective criteria, having given due regard to the benefits of diversity on the Board;
- the fitness and propriety of the candidates, by reference to regulations and rules; and
- the ability of candidates to commit sufficient time to the role.

The sub-committee considered the suitability of advisers to support it in the process and agreed to appoint Russell Reynolds Associates, recognising that it had a strong track record of appointing diverse candidates to FTSE 350 board roles in recent years and is accredited within the FTSE 350 category of the Enhanced Voluntary Code of Conduct for Executive Search Firms. The sub-committee noted that, whilst Russell Reynolds had been involved in the appointment of a number of the existing Non-executive Directors and had provided other support to the Committee, they had no other connections with the Company or the Directors. Working with Russell Reynolds, the sub-committee agreed the specifications for the role, including the criteria against which candidates would be assessed. Russell Reynolds was then instructed to carry out a formal search process, open to external and internal candidates.

The search process identified a longlist consisting of nine candidates, three of whom were women. All candidates were formally assessed on the same basis, and market views on them were also sought. After reviewing these assessments, the sub-committee identified Paul Manduca as the preferred candidate as he satisfied more of the criteria for the role than any other candidate and was the best appointment in light of the skills, experience and diversity of the rest of the current Board. Prior to making a recommendation to the Board, the sub-committee considered Paul's other commitments, and noted that he and Simon Jeffreys were both directors of Templeton Emerging Markets Investment Trust plc. The sub-committee was satisfied that no material conflicts existed, that Paul would be independent upon appointment and that he had sufficient time to commit to the role. The sub-committee recommended to the Board that Paul be appointed as a Non-executive Director on 1 January 2021 before being elected as Chair, subject to regulatory approval, following the 2021 AGM.

ROGER YATES
Senior Independent Director

As mentioned in last year's Annual Report and Accounts, the Board decided to extend Iain Cornish's tenure as Chair to enable him to oversee the initial phases of the planned Board succession. The appointment of Lesley-Ann Nash in June 2020 meant that planned successors were in place and it was then agreed that the search for a new Chair should begin. The Nomination Committee agreed that, in accordance with the provisions of the UK Corporate Governance Code (the Code) and the Committee's terms of reference it was not appropriate for Iain to be involved in the selection of his successor. Having confirmed that he would not apply for the role, Roger Yates, as Senior Independent Director, was asked to chair a sub-committee of the Nomination Committee with the aim of identifying and selecting the next Chair of the Board.

Group governance

Last year we highlighted the progress that had been made with regard to the evolution of our governance framework and the Committee has taken the opportunity in 2020 to reflect upon not only this progress, but the impact that this evolution has had on the business. Our principal aim is to ensure we have in place appropriate, proportionate and sustainable governance which underpins our business model both now and for the future. The framework will continue to evolve to take account of any learnings during its implementation and beyond. As with any complex group, ensuring consistency and proportionality is critical and so we established governance principles which set out the Board's expectations and help to guide the boards of each subsidiary. The Committee has also agreed the high-level plan for the next phase of evolution. The Committee will continue to closely monitor the implementation of the governance framework.

The Committee continues to play a role in the appointment of non-executive directors to subsidiaries across the Group and is required to endorse any candidate proposed by a Group company before the appointment is made. During the year the Committee endorsed Rosemary Hilary's appointment as chair of St. James's Place UK plc and Emma Griffin's appointment as chair of St. James's Place Unit Trust Group Limited.

Report of the Nomination Committee continued

Inclusion and diversity

Positive progress has been made with regard to gender diversity both on the Board and on the Executive Board in recent years and we are pleased that we are also addressing diversity in other ways, ensuring that our Board has diversity of perspective that better reflects our key stakeholders and society at large. The appointment of Lesley-Ann Nash in 2020 means that we now meet the target set by the Parker Review and the appointment of four female Directors in the last 18 months means that we also meet the board target set by the Hampton-Alexander Review. Whilst each of the appointments made to the Board in the last 18 months has contributed to a Board composition that is better positioned to reap the rewards that diversity of thought provides, the Nomination Committee and the Board recognise that the journey has just begun. During the year, the Committee approved and recommended to the Board a Board Diversity Policy, the objective of which is to set out our commitment to demonstrate change from the top. During 2020, the number of women in senior roles has increased to 23% and we are also pleased to report that the results of an anonymous diversity study of our employees, in which 75% of our workforce participated, indicated that the number of BAME employees in leadership roles is 6% (nearly double the FTSE 100 average). However, there is still more progress to be made both at the Executive level and throughout the St. James's Place community - in relation to both gender diversity and also social, ethnic and cognitive diversity - and a key area of focus remains the identification of and active support for our talent pipeline. Our latest gender pay gap report also shows improvements in our median gender pay and bonus gaps.

The Committee receives a report at each meeting from the CEO and the Inclusion and Diversity Steering Group (which is attended by at least one Non-executive Director), via the Head of Inclusion and Diversity, to enable it to closely monitor our performance against our Inclusion and Diversity Strategy and against the targets which have been factored into Executive team bonus performance criteria and Board KPIs. In 2020, these updates have highlighted the findings of a review of recruitment and promotion processes which have resulted in recommendations being included in planned revisions to St. James's Place's approach to promotions. A review of pay and reward processes was also carried out in 2020 and the results and any recommendations will be reported to the Committee in 2021. We have also seen positive progress in terms of education and training via the introduction of learning modules and hosting of events, which have brought people from across the community, including the Board, together to share and learn from their experiences. Whilst there remains a lot more for us to do, the external recognition and awards we have received in 2020 provide the Committee with assurance that we are making progress and remain on track.

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 2021 AGM.

The Board undertook an internally facilitated effectiveness review last year and identified key themes that built upon the actions agreed following the review conducted by Boardroom Review in 2018. The Committee has reflected on those themes and the circumstances that have prevailed in 2020 and proposed an externally facilitated 'light touch' board review to the Board for 2020, focusing predominantly on the future but taking the opportunity to capture thoughts from the new Directors joining in 2020 and learnings from COVID-19. Further details of the 2020 review and progress made against the themes arising from the 2019 review are set out on page 102. Further details on the training and development provided to Directors (including induction programmes) can also be found on page 101.

Report of the Remuneration Committee



ROGER YATES
On behalf of the Remuneration Committee

KEY OBJECTIVE OF THE 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, Director – People, and Chief Risk Officer

COMMITTEE MEMBERSHIP

Member	Joined
RY Roger Yates (Chair)	1 January 2014
EG Emma Griffin	22 July 2020
SJ Simon Jeffreys	1 January 2014
BM Baroness Morrissey DBE	22 July 2020
BW Baroness Wheatcroft	3 May 2012

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.

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Section 3: 2020 Directors' Remuneration Policy

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 2020 (the Report).

Impact of COVID-19

As reported elsewhere in our Annual Report and Accounts, the impact of COVID-19 on society and our business has been significant, with the additional challenges it has presented influencing the everyday lives of all our stakeholders, as well as having a profound effect on financial markets. Against this backdrop, the business has had to work harder and deal with significantly more uncertainty than could have been anticipated. It is therefore a great testament to the Executive team and the St. James's Place community as a whole that the business has been able to deliver such robust performance during this period.

As we announced on 30 April 2020, in recognition of the uncertainty that prevailed at the time the Board made the difficult decision to withhold one-third of the proposed 2019 final dividend, until such time as the impacts of COVID-19 become clearer.

Recognising the importance of supporting those who have played an important role in helping to support the response to COVID-19, the St. James's Place Charitable Foundation launched an appeal to support the efforts of two leading charities: National Emergencies Trust and NHS Charities Together. In recognition of the extreme circumstances experienced during the first national lockdown, the Board and Executive Board agreed to give up 20% of their salaries or fees for a period of three months.

The Committee has continued to monitor and assess the implications of the pandemic and associated market performance on in-flight awards. Although markets fell sharply in the lead-up to granting the 2020 LTIP awards to Executive Directors, the Committee concluded that the LTIP award sizes did not require downward adjustment. However, when the 2020 awards vest in 2023 the Committee will consider whether to exercise discretion in the light of the Group's overall performance and the experience of the Company's shareholders.

Report of the Remuneration Committee continued

Remuneration outcomes 2020

Given the more difficult external environment, it was perhaps inevitable that the financial performance targets attaching to the annual bonuses of Executive Directors and employees would not be met in 2020. Whilst the resilient performance of the business during this most challenging of years demonstrates that Executive Directors and employees had continued to deliver against their non-financial performance targets, the difficult decision was made by the business not to pay annual bonuses to any employees for 2020 or salary rises for 2021. The Committee believes that this was the right decision to make in the circumstances and accepted the recommendation from ExBo to apply the same approach to the remuneration of those individuals that the Committee is responsible for setting. However, we would like to take this opportunity to acknowledge the dedication and hard work of the Executive team and the wider workforce. A brief summary of the Executive Directors' strategic objectives for 2020 can be found on pages 126 and 127.

In relation to the Performance Share Plan (PSP) award granted in 2018 and vesting in March 2021, the three year period has also been more challenging, particularly relative to the stretching growth metrics set by the Committee. The Earnings Per Share (EPS) threshold of the PSP scheme was therefore not met although the threshold for the Total Shareholder Return (TSR) metric was. Overall the payout of the awards granted in 2018 was 9%.

Changes to the Board

As I mentioned in my statement last year, Baroness Morrissey DBE, Emma Griffin and Lesley-Ann Nash joined the Board as Non-executive Directors during 2020. Baroness Wheatcroft will be retiring from the Board at the Annual General Meeting (AGM) on 17 May 2021 and I would like to express my gratitude for the support and counsel she has provided during her term on the Committee. I am also delighted to welcome Paul Manduca who, subject to regulatory approval, will be Chair of the Board following the AGM. Details of the Chair's remuneration for 2021 can be found later in the Report.

Remuneration for 2021

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 Committee remains satisfied that the current Policy is operating effectively and its strategic rationale (as set out in the Policy's objectives summarised below) remains aligned with the Group's strategy. The targets set for Directors' annual bonuses (both financial and strategic) and the performance conditions attaching to LTIP awards are also aligned with the strategy for the Company.

The Committee considered the overall remuneration arrangements for the Executive Directors in 2021 in accordance with the Policy and has decided not to increase their base salaries for 2021, which is in line with the overall approach taken for the workforce. The maximum annual bonus opportunity and maximum performance share awards for 2021 will remain at the same levels as 2020. No discretion to override variable pay outcomes has been exercised during the year.

As I have outlined above, the business has made the difficult decision not to award pay rises to employees for 2021 and this extends to the Board as a whole. As a result, the Non-executive Director fees (including any fees for additional responsibilities) will not increase in 2021. We remain mindful that the base salaries of the Executive Directors and base fees of the Non-executive Directors are below the median level for financial services companies of our size and will continue to keep this position under review.

During 2020 we concluded our search for Iain Cornish's successor as Chair of the Board. As we have reported over the last few years, the Chair's fee was markedly below the benchmark level for the role of Chair of a FTSE 100 financial services organisation and in order to ensure we were able to attract appropriate candidates to the role, the Committee agreed to increase the fee for the new Chair of the Board to £375,000 per annum. Reflecting his responsibilities and time commitments as Chair designate during his induction, the Board agreed that Paul Manduca's fee for acting as a Non-executive Director for the period from 1 January 2021 until his appointment as Chair of the Board, subject to regulatory approval, would be £187,500 per annum.

Engagement with stakeholders and best practice

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 at general meetings of the Company or otherwise have been considered by the Committee when reviewing the continuing appropriateness of the Policy and its application for remuneration in 2021. The Committee understands the important and increasing focus on clear and transparent disclosure of remuneration outcomes to demonstrate the alignment of remuneration and performance, and the Committee believes it provides complete disclosure in this Report. The Committee has consulted with major shareholders and proxy voting agencies and has met 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 2021. The 2021 Investment Association Principles of Remuneration, the 2021 ISS Voting Guidelines and the 2021 Glass Lewis Guidelines have also been taken into account in the review of the Policy during the year. The Group's Employee Reward Policy is 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. When announcing the decision not to pay bonuses for 2020 or salary rises in 2021 it was explained that the decision also applied to all Directors.

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 new reporting requirements coming into force under the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 and the guidance received from institutional investors, proxy agencies and the Investment Association setting out their expectations on the approaches of organisations as a result of the COVID-19 pandemic. 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 Code: clarity, simplicity, risk, predictability, proportionality, and alignment to culture. The Committee remains satisfied that each factor has been taken into account. For example, we have refined the structure and disclosures in relation to the strategic bonus objectives to demonstrate alignment to culture better, simplify the process and improve overall clarity. The fact that bonuses were not awarded for 2020 also demonstrates that the operation of the Policy affords the Committee the discretion to take actions to mitigate potential risks arising from the formulaic aspects of target-based incentives.

Conclusion

The remuneration for 2020 reflects the demanding environment that prevailed during the year; these outcomes do not fully reflect the efforts of the Executive Directors. However, these circumstances were exceptional and the remuneration was appropriate in the circumstances, and so 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 would encourage you to vote in favour of the resolution relating to the Directors' Remuneration Report for 2020, at the 2021 AGM.

ROGER YATES

On behalf of the Remuneration Committee

24 February 2021

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.

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 (audited)

How were our Executive Directors rewarded?

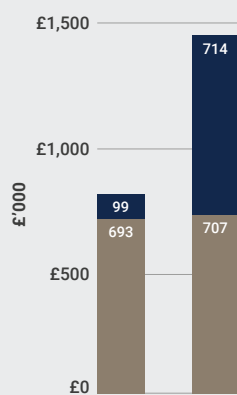
The base salaries in the table and chart below were lower in 2020 than in 2019 because the Directors agreed to a 20% reduction in their base salaries for May, June and July 2020.

Single figure remuneration for performance period ending 31 December 2020, compared with 2019

Fixed Variable

ANDREW CROFT

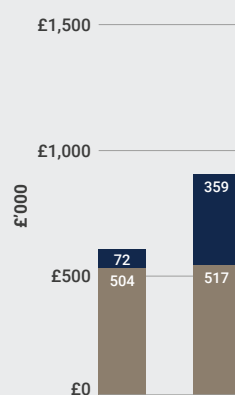
Chief Executive



	2020	2019
Base salary	537,049	548,990
Benefits	48,329	48,317
Pension	107,410	109,798
Annual bonus (cash) ²	–	155,156
Annual bonus (deferred) ²	–	155,157
Total ³	692,788	1,017,418
PSP vested ¹	99,286	404,136

CRAIG GENTLE

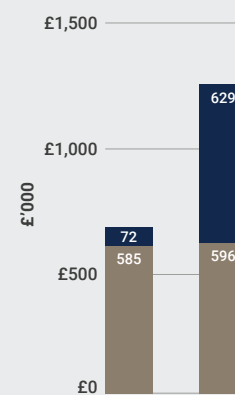
Chief Financial Officer



	2020	2019
Base salary	388,327	396,962
Benefits	38,358	40,854
Pension	77,665	79,392
Annual bonus (cash) ²	–	112,190
Annual bonus (deferred) ²	–	112,190
Total ³	504,350	741,588
PSP vested ¹	71,791	134,364

IAN GASCOIGNE

Managing Director



	2020	2019
Base salary	388,327	396,962
Benefits	118,668	119,184
Pension	77,665	79,392
Annual bonus (cash) ²	–	112,190
Annual bonus (deferred) ²	–	112,190
Total ³	584,660	819,918
PSP vested ¹	71,791	404,136

1 The value of the PSP vested corresponds to the long-term incentives in the Total remuneration table on page 125.

2 The annual bonus awards are in respect of performance during the years ending 2019 and 2020 respectively.

3 The totals in the chart and table above excludes 'Other' remuneration as set out in the Single figure table, which relates to all-employee share plans.

Linking remuneration to achievement of key business goals (audited)

		Weighting (maximum potential percentage points per item)	Outturn (actual points earned)	Percentage of base salary earned ¹
Annual bonus for 2020 (max 150% of base salary)	EEV operating profit	50%	0	0%
	Strategic and operational KPIs	50%	0	0%
	Total bonus opportunity	100%	0	0%
PSP (2018 award) (max 200% of base salary ¹)	Relative TSR	33%	9	18%
	EPS growth (including the unwind of the discount rate) in excess of RPI	33%	0	0%
	EPS growth (excluding the unwind of the discount rate) in excess of RPI	33%	0	0%
	Total PSP opportunity	100%	9	18%

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.

This Directors' Remuneration Report, excluding the Directors' Remuneration Policy, will be put to an advisory shareholder vote at the 2021 AGM. This part of the Report explains the work of the Remuneration Committee, sets out how we implemented our Policy during 2020 and how we intend to implement our Policy in 2021. The information on pages 124 to 136 has been audited where indicated.

2.1 How the Remuneration Policy was applied in 2020

2.1.1 Remuneration payable in respect of performance in 2020 (audited)

Summary of total remuneration

The remuneration received by Executive Directors and Non-executive Directors in respect of the years ended 31 December 2020 and 2019 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	2020	537,049	48,329	–	99,286	107,410	178	792,252	692,788	99,464
	2019	548,990	48,317	310,313	404,136	109,798	175	1,421,729	707,105	714,624
Craig Gentle	2020	388,327	38,358	–	71,791	77,665	–	576,141	504,350	71,791
	2019	396,962	40,854	224,380	134,364	79,392	175	876,127	517,208	358,919
Ian Gascoigne	2020	388,327	118,668	–	71,791	77,665	178	656,629	584,660	71,969
	2019	396,962	119,184	224,380	404,136	79,392	175	1,224,229	595,538	628,691

Non-executive Director		Fees	Benefits	Total
		£	£	£
Iain Cornish	2020	210,622	10,017	220,639
	2019	215,250	21,545	236,795
Emma Griffin	2020	88,632	1,192	89,824
	2019	–	–	–
Rosemary Hilary	2020	95,089	692	95,781
	2019	13,858	–	13,858
Simon Jeffreys	2020	102,339	1,291	103,630
	2019	89,353	1,963	91,316
Baroness Morrissey DBE	2020	80,418	–	80,418
	2019	–	–	–
Lesley-Ann Nash	2020	49,379	–	49,379
	2019	–	–	–
Baroness Wheatcroft	2020	80,418	–	80,418
	2019	66,950	1,873	68,823
Roger Yates	2020	108,240	–	108,240
	2019	95,384	–	95,384

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 (2020: £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 £6,000 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. None of the Executive Directors participate in defined benefit pension schemes.

Annual bonus

As explained on page 138, 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.

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 £9,931 for Andrew Croft and Ian Gascoigne and £7,181 for Craig Gentle. The long-term incentive figures for 2020 have been calculated using the average of the Company's share price in the three-month period to 31 December 2020, being £10.27, as the actual vesting date of the PSP award is on 26 March 2021. The figures for 2019 have been updated from the three-month

average figures used in last year's report (being £535,976 for Andrew Croft and Ian Gascoigne and £178,197 for Craig Gentle) to take into account the Company's share price on the date of vesting on 27 March 2020, being £7.696. The LTIP figure for 2020 in the table above 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. The LTIP figure for 2019 in the table above includes the following: £2,763 each for Andrew Croft and Ian Gascoigne, and £919 for 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 0.52% 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 the value of the Matching shares (one for every ten Partnership shares) under the Share Incentive Plan for Andrew Croft and Ian Gascoigne, whereby 25 shares were purchased on 25 March 2020 at £7.13 and 17 shares were purchased on 25 March 2019 at £10.26.

Remuneration/waiver

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 (2020: £23,075 and 2019: 22,403).

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) with effect from 30 September 2019 (2019: £5,000).

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 2020.

Report of the Remuneration Committee continued

2.1.2 Summary of total annual bonus for 2020 performance (audited)

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%	£965m	£1,055m	£919m	0%	0%
Strategic	75%	50%	Assessment by the Committee of the performance of the Executive Directors			0%	0%
Total payout						0%	0%

Annual bonus strategic targets performance assessment

As described in other parts of the Annual Report and Accounts, the Company delivered good performance in 2020 for each of our key stakeholders: shareholders; clients, the Partnership, employees; and society. The Committee considered these groups when setting the strategic targets for 2020, together with other objectives set out in the 2020 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.

Whilst the Committee noted that the Executive team had achieved many of the objectives set at the beginning of the year, it accepted the recommendation not to pay annual bonuses. Although the Committee did not make a formal assessment to determine bonus outcomes, we explain below how the Committee set objectives using a balanced scorecard approach, setting guide weightings against categories of strategic objectives. Underlying performance against each of the categories was monitored against quantitative and qualitative measures to help support the Committee's determination of the overall success against those objectives.

The main categories of strategic objectives are highlighted below, together with examples of performance against measures set by the Committee which, together with other measures which we have not disclosed as they remain commercially sensitive, would have informed the Committee's decision regarding the annual bonus. Rather than set specific objectives under the heading of ESG, targets set under a number of the categories in the balanced scorecard reflect how ESG factors are embedded in our short- and long-term strategic objectives.

Category (scorecard weighting – total 75%)	Examples of achievements
<p>Clients Delivering positive outcomes to an increasing population of clients is a strategic objective, and the value of trusted advice was clear in a turbulent 2020. In such uncertain times, supporting Partners to ensure continuity of a high level of service was demonstrated by strong client retention rate and complaint volumes that remain well below industry averages. St. James's Place's first Value Assessment Statement provided clients with a better picture of the value received from St. James's Place and also highlighted areas where the business can do better and do more. The Group received a number of awards that recognise the strength of our offering to our clients.</p>	<ul style="list-style-type: none"> • Client retention – 96.9% (target: 93%) • Investment performance – 43 of our 48 funds are delivering value (March 2020 Value Assessment Statement) • Complaints – The numbers of both administrative and client complaint volumes reduced during the year • Awards received during 2020 included Best Wealth Manager (Share Awards), Wealth Management Company of the Year (City of London Awards), Best Advisory Service (Online Personal Wealth Awards) and Best Financial Adviser (The Personal Finance Awards)
<p>The Partnership The aim to continue to grow and develop the Partnership was significantly impacted by the COVID-19 pandemic during 2020. Although commitment to providing professional development for the Partnership continued digitally, unfortunately the Chartered Insurance Institute's decision to cancel exams meant that many advisers were unable to complete their qualifications and achieve Chartered status.</p>	<ul style="list-style-type: none"> • Academy – 156 graduates (target: 170 graduates) • Recruitment – 1.6% growth (target: 5%) • Partner and adviser retention – 92.3% (target: 93%) • Chartered status – 23.4 % of the Partnership (target: 25%)
<p>Administration/operational excellence To continue to support clients and Partners St. James's Place needs to ensure that interactions with the Group are easy and reliable. Successful migration of business to the Bluedoor platform has provided a strong basis from which to further enhance the efficiency and quality of services to clients. In spite of the disruption caused by the COVID-19 pandemic, during 2020 service levels were maintained, digital support for Partners was enhanced and the Salesforce customer relationship management platform was rolled out to the Partnership. Salesforce will further strengthen the base from which the Group can support Partners in looking after their clients.</p>	<ul style="list-style-type: none"> • Service levels – Average performance far exceeded SLAs throughout 2020 • Salesforce – Was rolled out and became available to all Partner businesses by the end of 2020
<p>People and culture St. James's Place recognises that people are its most important asset, are key to its culture and represents a fundamental element of its success. The Group's purpose and values reflect the importance of diversity, respect, relationship-building and doing the right thing. In extremely challenging circumstances in 2020, the welfare of people was paramount and was reflected in the support provided across the St. James's Place community.</p>	<ul style="list-style-type: none"> • Employee engagement – 85% responded favourably to the question whether they would recommend SJP as a great place to work (target: 82%) • Women in senior roles – Women in senior roles increased to 23% during 2020
<p>Social value The Group's purpose is to give you the confidence to create the future you want and it recognises that responsibilities to its stakeholders extend beyond its commercial offering. Giving back is at the heart of the Group's culture and everyone in the business can be part of the contribution it makes to society, making a difference by doing the right thing in everything it does. Whilst the circumstances of 2020 made it more challenging to fundraise, volunteer and deliver financial education, the Group is proud of the efforts made by the St. James's Place community and this was recognised at the end of 2020 when the Business in the Community – Community Mark was achieved.</p>	<ul style="list-style-type: none"> • Charitable fundraising – £4.9m raised (target: £5.6m) • Volunteering – 9.8% of employees using at least one day of volunteering leave (target: 35%) • Financial education – Delivered face-to-face financial education to 2,461 school children (target: 15,000)
<p>Reputation and risk Section 172 of the Companies Act (duty to promote the success of the company) emphasises the desirability of the Company maintaining a reputation for high standards of business conduct. The Group's approach to risk management is explained in the Risk and Risk Management section of the Annual Report and Accounts and the Directors acknowledge that failure to manage risks could significantly damage the Group's reputation. The COVID-19 pandemic saw the crystallisation of a number of risks, in particular in relation to operational resilience, and the action taken to maintain this resilience is explained elsewhere in the Annual Report.</p>	<ul style="list-style-type: none"> • Media relations – Ranked 7th by PressChoice for familiarity for business & city (target: >17th) and 11th for personal finance (target: >11th)

Report of the Remuneration Committee continued

2.1.3 Long-term incentive awards (audited)

Vesting of Performance Share Plan (PSP) awards

On 31 December 2020, the awards made on 26 March 2018 under the PSP reached the end of their three-year performance period. These will vest on 26 March 2021, 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 2018 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 150 ¹		Average annual adjusted EPS growth (including the unwind of the discount rate) in excess of RPI ²		Average annual adjusted EPS growth (excluding the unwind of the discount rate) in excess of RPI ³	
	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	42.43 out of 85 companies	27%	(0.3)%	0%	(3.2)%	0%

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 2018 PSP awards vesting was 9%, 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 (£) ¹
Andrew Croft	96,656	9	8,699	89,355
Craig Gentle	69,890	9	6,290	64,610
Ian Gascoigne	69,890	9	6,290	64,610

1 As these awards will not actually vest until 26 March 2021, 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 2020 being £10.27.

Granting of PSP awards in 2020

Details of PSP awards (at nil-cost option) granted to the Executive Directors in 2020 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	£7.13	159,387	1,136	25%
Craig Gentle	Nil-cost option	200% of salary of £410,865	£7.13	115,249	822	25%
Ian Gascoigne	Nil-cost option	200% of salary of £410,865	£7.13	115,249	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 26 March 2020, being £7.13 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 £7.13.

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 2020 were based on the achievement of two equally weighted metrics: (a) Average annual adjusted EPS growth, based on EEV, in excess of RPI, with the scale starting at RPI+5% and extending to RPI+16%; 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. 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.

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 2020 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 2020
Andrew Croft	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
	26 March 2018	£10.80	96,656	1,043,885	–	26 March 2021	96,656
	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
Craig Gentle	26 September 2016	£9.53	48,805	465,112	41,662	26 September 2019	41,662
	27 March 2017	£10.57	23,741	250,942	14,932	27 March 2020	14,932
	26 March 2018	£10.80	69,890	754,812	–	26 March 2021	69,890
	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
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
	26 March 2018	£10.80	69,890	754,812	–	26 March 2021	69,890
	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

¹ The face value of the award figure is calculated by multiplying the number of shares awarded by the average share price figure of £7.13.

Deferred Bonus Scheme – shares held during 2020

The table below sets out details of the awards held by the Executive Directors under the deferred element of the annual bonus scheme during 2020:

Director	Balance at 1 January 2020	Released in year ¹	Awarded in year ²	Balance at 31 December 2020 ³	Vesting date
Andrew Croft	24,344	24,344	–	–	28 July 2020
	23,930	–	–	23,930	26 March 2021
	24,806	–	–	24,806	25 March 2022
	–	–	15,346	15,346	25 March 2023
Craig Gentle	9,431	9,431	–	–	28 July 2020
	23,930	–	–	23,930	26 March 2021
	17,936	–	–	17,936	25 March 2022
	–	–	11,096	11,096	25 March 2023
Ian Gascoigne	24,344	24,344	–	–	28 July 2020
	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 24 March 2017 and were equal in value to 50% of the Director's 2016 total annual bonus.

² These deferred share awards were awarded on 25 March 2020 and were equal in value to 50% of the Director's 2019 total annual bonus. These shares will be held for a restricted period ending on 25 March 2023. The price used to calculate the award was the three-day average prior to the invitation (28 February, 2 and 3 March 2020) which was £10.11.

³ Outstanding awards at the year end relate to deferred share awards awarded in 2018, 2019 and 2020 (see (2) above). The share price used to calculate the 2018 award was £9.63 and that for the 2019 award was £10.04.

⁴ The vesting period for these awards which were due to vest on 27 March 2020 was extended to 28 July 2020. During this period awards remained at risk of forfeiture.

Further details of the deferred element of the annual bonus scheme are set out on page 138. 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 138.

Report of the Remuneration Committee continued

2.1.4 Share awards (audited) continued

Save As You Earn (SAYE) share option scheme – shares held during 2020

Details of the options held by the Directors in 2020 under the SAYE scheme and any movements during the year are as follows:

Director	Options held at 1 January 2020	Granted in year	Lapsed in year	Exercised in year	Options held at 31 December 2020	Exercise price	Dates from which exercisable
Andrew Croft	987	–	–	–	987	£9.11	01 May 2021 to 31 October 2021
Craig Gentle	1,066	–	–	1,066	–	£8.44	01 May 2020 to 31 October 2020
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 2020 the mid-market price for the Company's shares was £11.34. The range of prices between 1 January 2020 and 31 December 2020 was between £6.60 and £11.96. The share price on the date Craig Gentle exercised 1,066 options was £9.77.

Share Incentive Plan – shares held during 2020

The table below sets out details of the awards held by the Directors under the Share Incentive Plan during 2020:

Director	Balance at 1 January 2020	Partnership shares allocated in year ¹	Matching shares allocated in year ²	Dividend shares allocated in year ³	Balance at 31 December 2020	Holding period (matching shares)
Andrew Croft	642	–	–	–	642	26 March 2010 to 26 March 2013
	325	–	–	–	325	26 March 2013 to 26 March 2016
	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
	–	252	25	–	277	25 March 2020 to 25 March 2023
Craig Gentle	188	–	–	–	188	24 March 2017 to 24 March 2020
	192	–	–	–	192	25 March 2019 to 25 March 2022
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
	–	252	25	–	277	25 March 2020 to 25 March 2023

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 2020 at a price of £7.13 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 2020 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 2021 and 24 February 2021 there were no exercises or other dealings in the Company's share awards by the Directors.

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, except for Craig Gentle, have already met the shareholding requirements (as shown in the table overleaf). As Craig Gentle joined the Board on the 1 January 2018, under the Policy, he has five years in which to build up his shareholding to meet the requirements. 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 14 for further details on our values).

Director	Shares held at 1 January 2020	Shares held at 31 December 2020	Percentage of base salary held in SJP shares as at 31 December 2020 ¹
Andrew Croft	728,268	719,547	1,383%
Craig Gentle	51,677	59,390	96%
Ian Gascoigne	763,940	749,802	2,011%
Iain Cornish	6,500	6,500	
Emma Griffin	–	–	
Rosemary Hilary	–	–	
Simon Jeffreys	18,364	18,364	
Baroness Morrissey DBE	–	–	
Lesley-Ann Nash	–	–	
Baroness Wheatcroft	2,500	2,500	
Roger Yates	30,000	30,000	

- 1 Calculated using the mid-market price at 31 December 2020 of £11.34 and the base salary as at 31 December 2020. 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 129. The interests of the Executive Directors also include awards under the Share Incentive Plan, details of which are set out on page 130.
- 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 129 and 130 and also in Note 24 – Related Party Transactions.
- 5 Paul Manduca was not a Director of the Company during the year ended 31 December 2020. As at the date of this report he did not hold any shares.

Between 1 January 2021 and 24 February 2021 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 2020 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	719,547	471,555	987	64,082	2,146
Craig Gentle	59,390	319,490	–	52,962	380
Ian Gascoigne	749,802	370,871	1,388	52,962	1,891

- 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 vested but have not been exercised) are set out on page 129.
- 3 Details of the SAYE options (including options that are vested but have not been exercised) are set on page 130.
- 4 Details of DBS awards are set out on page 129.
- 5 Details of the SIP shares are set out on page 130.

Report of the Remuneration Committee continued

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 2020, 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 2020.

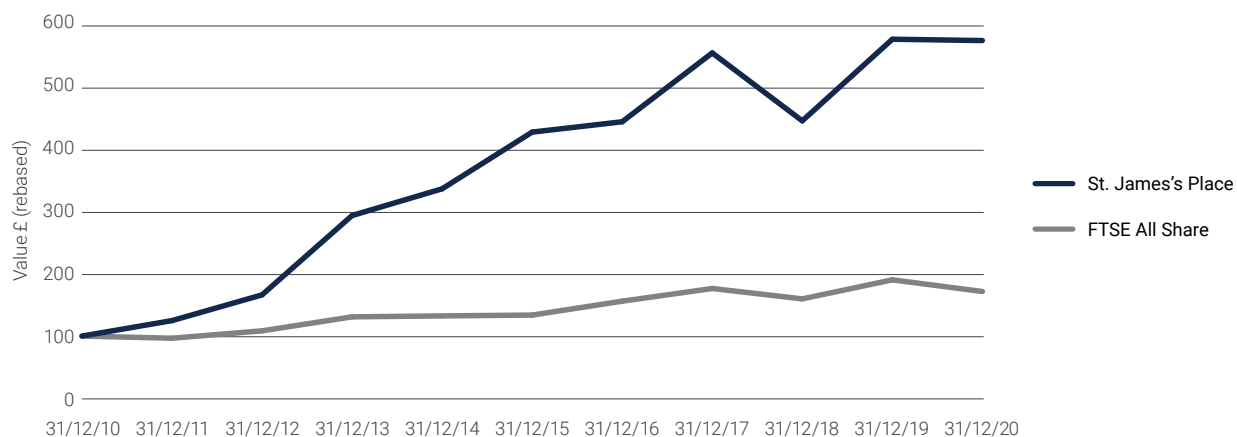
Share scheme	Number of new ordinary shares of 15 pence each	Percentage of total issued share capital as at 31 December 2020
SAYE schemes	4,013,690	0.75%
Executive share schemes	15,596,263	2.90%
Partners' share schemes	15,351,846	2.86%
Total	34,961,799	6.51%

In addition, as at 31 December 2020, the Group's Employee Share Trust held 2,367,737 shares in the Company which were acquired to meet awards made under the PSP, Company Share Option Plan, 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 2020 was 509,891.

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 2020, of £100 invested in St. James's Place on 31 December 2010, 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.



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		
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total remuneration	£1,998,758	£2,410,380	£3,362,651	£3,646,514	£3,115,230	£2,631,667	£2,458,020	£1,886,774	£1,421,554	£792,252
Annual bonus (% of maximum)	63%	46%	98%	95%	93.3%	96.67%	96.67%	62%	37.5%	0%
LTIP vesting (% of maximum)	83%	87%	95%	96%	100%	100%	87.94%	85.3%	62.9%	9%

1 The deemed value of the PSP award in the table above for 2020 is £99,286. This value reflects a decrease of £0.53 in the St. James's Place share price over the vesting period of -4.85% (the share price of the PSP award on the date of grant was £10.80 and the deemed share price on the date of vesting was £10.27, calculated as set out in Note 2 below).

2 As the actual vesting date for the PSP (performance period ending 31 December 2020) is not until 26 March 2021, a deemed value has been used. This is the average of the Company's share price in the three-month period to 31 December 2020, being £10.27. The 2019 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 27 March 2020, being £7.70.

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 between 31 December 2019 and 31 December 2020.

Remuneration element	Average employee (% change)	Executive Directors (% change)					Non-executive Directors (% change) ²					
		A Croft	I Gascoigne	C Gentle	I Cornish	E Griffin	S Jeffreys	R Hilary ⁵	Baroness Morissey DBE ⁴	L-A Nash ⁴	Baroness Wheatcroft	R Yates
Salary/fee ³	5.0	(2.2)	(2.2)	(2.2)	(2.2)	- ⁴	14.5	686.2	-	-	20.1	13.5
Benefits ¹	3.1	-	(0.4)	(6.1)	(53.5)	-	(34.2)	-	-	-	(100)	-
Bonus	(100)	(100)	(100)	(100)	-	-	-	-	-	-	-	-

1 See the Benefits note on page 125 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 statement in last year due to salary increases in respect of promotions and role changes being taken into account.

4 Emma Griffin, Baroness Morissey DBE and Lesley-Ann Nash were all appointed during 2020.

5 The significant increase in Rosemary Hilary's fee 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 2020, compared to the year ending 31 December 2019.

	2019	2020	Percentage change
	£'Million	£'Million	
IFRS profit after tax ¹	146.6	262.0	+79%
EEV operating profit before tax ¹	952.0	919.0	-3%
Dividends ²	267.1	206.8	-23%
Employee remuneration costs	195.2	193.2	-1%

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 233), 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 54 to 72.

2 Dividends for 2019 includes the withheld amount of 11.22 pence per share which has now been reinstated as a further 2019 interim dividend and will be paid on 24 March 2021 to shareholders on the register on 5 March 2021.

2.1.10 CEO pay ratio (unaudited)

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio	
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		537,049	30,000	37,335	59,000
Total pay		792,252	31,806	50,000	77,876

For 2020, 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 2020, and their pay figures are then used to calculate the ratio. We have chosen this option as it uses the most statistically accurate methodology.

The CEO pay ratio has fallen year-on-year across all three quartiles over the last three years. However, in 2020 it has reduced significantly and this is due to a number of factors. An agreed 20% reduction in the salaries of Directors and Executives during May, June and July resulted in the Chief Executive's base salary being lower than in 2019, whereas the workforce saw an average increase. The most significant impact relates to elements of variable pay; the annual bonus and LTIP awards vesting. All employees participate in an annual bonus scheme and, although bonuses were not paid to any employees for 2020, those received in prior years made up a larger proportion of the Chief Executive's total pay than was the case for the wider workforce. The challenging market conditions during the three-year performance period of the Chief Executive's PSP awards, which ended on 31 December 2020, resulted in lower vesting outcomes.

Report of the Remuneration Committee continued

2.1.10 CEO pay ratio (unaudited) continued

As none of the three employees identified at the 25th, 50th and 75th percentiles are eligible to receive PSP Awards it would not have impacted their total pay, whereas the Chief Executive saw the value of his PSP awards vesting falling from £404,136 in 2019, to £99,286 in 2020. The Committee continues to believe that the median ratio is consistent with our pay, reward and progression policies for employees which related pay levels to performance and market benchmarks. However, it recognises that the reduction in the ratio in 2020 has been significantly influenced by both COVID-19 and business and market performance.

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), FCA Remuneration Code Staff and Solvency II Staff (the latter two are referred to as Code Staff) are appropriate. In particular, the Committee reviews the list of those employees who are considered to be Code Staff and monitors compliance with the remuneration codes in relation 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 on 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
Bonus objectives and new awards	The Committee considered and set the strategic objectives for 2020 and approved the 2019 bonus awards, having reviewed individual and collective performance against the 2019 objectives.	▶ See page 126
Payments to EDs and Code Staff	In accordance with best practice and the requirements of relevant regulation, certain subsidiaries within the Group are required to maintain remuneration codes. The Committee considers these codes and makes recommendations to subsidiary boards as required. In addition, the Committee is responsible for agreeing the lists of Code Staff to which the codes applied.	
PSP awards and vestings	Determining the grants and performance conditions for PSP awards to be made to Directors, senior management and Code Staff. 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 128
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.	
Monitoring the remuneration of employees	Receiving regular updates on the remuneration structure for the wider workforce, including specific demographic data by region and gender and the CEO pay ratio, to assist in setting remuneration for Executive Directors that is not misaligned to that of the wider workforce.	▶ See pages 122, 133 and 134
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.	
Implications of COVID-19	Throughout the year, the Committee monitored and considered the implications of the COVID-19 pandemic on in-flight and future remuneration awards. The Committee has considered guidance published by regulators and investor bodies as well as specific feedback received from shareholders.	▶ See page 121

The Committee's effectiveness was reviewed by the Board as part of its overall assessment of its effectiveness (see page 102) 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 2020

This is set out on page 121. No Director was present when their own remuneration was considered or agreed.

2.2.3 Advisers to the Committee

In 2017 the Committee appointed, via a tender process, independent remuneration consultants from the Executive Compensation Practice of Aon plc (Aon), to advise on remuneration matters generally. During 2020, Aon announced that it would cease to offer remuneration committee advice to UK listed companies. The consultants advising the Committee subsequently joined Alvarez and Marsal (A&M), a large global consulting firm with an existing compensation and benefits practice. Given the short notice and the wider uncertainty caused

by the COVID-19 pandemic, the Committee decided that engaging A&M until the end of the current reporting cycle would ensure continuity of advice during a period of uncertainty. A&M's appointment will be reviewed during 2021. Both Aon and A&M are signatories to the Remuneration Consultants' Code of Conduct, which requires their advice to be impartial, and both firms confirmed their compliance with the Code to the Committee. Following A&M's appointment, it was agreed that Aon would be retained to provide the Committee with TSR peer group analysis.

The aggregate total fees paid to Aon and A&M for the advice provided to the Committee and TSR peer group analysis during the year were £57,315 (excluding VAT). Fees are charged on a 'time spent' basis. Of this total, £45,068 was paid to Aon (including £10,800 for TSR peer group analysis) and £12,247 to A&M.

Certain subsidiaries of Aon have provided services to the Group, not related to Directors' remuneration, during 2020 for which the fees were £8,400. The Committee had been advised of the basis on which Aon's Executive Compensation Practice was organised and managed as part of the wider Aon organisation and the basis on which its staff are remunerated and was satisfied that the additional services provided by other Aon group companies did not in any way compromise the independence of advice provided to the Committee.

2.2.4 Voting at the 2020 Annual General Meeting

The votes cast at the 2020 Annual General Meeting, held on 7 May 2020, in respect of the resolutions on the Directors' Remuneration Report and the Directors' Remuneration Policy are summarised below.

	Directors' Remuneration Report vote	Percentage of votes cast	Directors' Remuneration Policy vote	Percentage of votes cast
Votes for:	394,152,448	95.11%	421,389,944	94.71%
Votes against:	20,268,888	4.89%	23,526,651	5.29%
Total votes cast:	414,421,336		444,916,595	
Total votes withheld:	30,558,831		63,572	

2.3. Implementation of the Remuneration Policy in 2021 (unaudited)

2.3.1 2021 salary

The base salaries of the Executive Directors will remain unchanged in 2021. The current salaries as at 1 March 2020 and from 1 March 2021 are as follows:

Executive Director	Salary from 1 March 2020	Salary from 1 March 2021	Percentage increase
	£	£	
Andrew Croft	568,218	568,218	0%
Craig Gentle	410,865	410,865	0%
Ian Gascoigne	410,865	410,865	0%

2.3.2 Annual bonus for 2021

The Executive Directors' maximum bonus opportunity for 2021 will be the same as for 2020 being 150% of salary. Half of the annual bonus will be determined by EEV operating profit based on the 2021 business plan, and half by key strategic targets. Malus and clawback provisions apply to both cash and deferred elements of the bonus.

The Board considers that the performance targets for the annual bonus are commercially sensitive and is not disclosing them at this time. The performance metrics and performance against them will be disclosed in the 2021 Remuneration Report to the extent that they do not remain commercially sensitive at that time. The strategic element of the 2021 annual bonus will again be assessed using a balanced scorecard approach by reference to key strategic targets around the 2021 business plan, including elements relating to clients, shareholders and other key stakeholders. The Committee has taken the opportunity to refine the scorecard for 2021 and has aligned the assessment categories with the key strategic targets under the 2021 Business Plan, each equally weighted:

- Build community
- Making it easier to do business
- Continued financial strength
- Deliver value to clients through our IMA
- Our culture and being a leading responsible business
- Build and protect brand and reputation

As in 2020, we do not have a specific category for ESG, because the existing targets in a number of categories already reflect our desire to be a leading responsible business.

Report of the Remuneration Committee continued

2.3.3 Performance Share Plan awards for 2021

The Executive Directors will each receive a PSP award in 2021 of 200% of salary. The Policy caps PSP awards at 250% of base salary. The Committee intends to use this capacity on a prudent and restrained basis, and although the Policy permits the Committee to make awards up to the cap, without consulting with shareholders, it does not intend to increase the level of awards for 2021. 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 Fees for the Board Chair and Non-executive Directors for 2021

The fees for the Board Chair and Non-executive Directors for 2021 and 2020 are as set out below. 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. As set out in the Chair's annual statement on page 122, the Committee and the Board agreed not to increase fees in 2021, in keeping with the decision taken for all employees. The fees paid to our Non-executive Directors remain below the median for financial services companies of comparable size, consistent with the below-median positioning of the CEO's salary relative to benchmark. In order to ensure we were able to attract appropriate candidates to the role of Chair of the Board, the Committee agreed to increase the fee for the new Chair to £375,000 per annum. Mindful of Paul Manduca's responsibilities and time commitments as Chair designate during his induction, the Board agreed that his fee for acting as a Non-executive Director for the period from 1 January 2021 until his appointment as Chair of the Board, subject to regulatory approval, would be £187,500 per annum.

	Fees from	Fees from	Percentage increase from 2020
	1 January to 31 December 2020	1 January to 31 December 2021	
	£	£	
Chair ¹	221,707	221,707	0%
Base fee (including Committee membership responsibilities) ²	84,650	84,650	0%
Committee Chair	23,075	23,075	0%
Senior Independent Director	6,212	6,212	0%

1 The Chair's fee will increase to £375,000 when the new Chair is appointed (69.14% increase).

2 Paul Manduca's fee for acting as a Non-executive Director for the period from 1 January 2021 until his appointment as Chair of the Board is £187,500 per annum, reflecting his responsibilities and time commitments as Chair designate during his induction.

No separate Committee membership fees are payable.

This Report was approved by the Board of Directors and signed on its behalf by:

ROGER YATES

Chair of the Remuneration Committee

24 February 2021

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	<p>To provide the core reward for the role.</p> <p>Sufficient level to recruit and retain individuals of the necessary calibre, taking into account the required skills, experience, demands and complexity of the role.</p>	<p>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.</p> <p>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.</p> <p>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.</p>	<p>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'.</p>
Pension	<p>Helps recruit and retain Executives.</p> <p>Provides a discrete element of the package to contribute to retirement income</p>	<p>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.</p> <p>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.</p> <p>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%.</p> <p>In response to changes in legislation or similar developments, the Company may amend the form of an Executive Director's pension arrangements.</p>	N/A
Other benefits	<p>Operate competitive benefits to help recruit, retain and support the wellbeing of employees.</p>	<p>Including but not limited to:</p> <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. <p>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).</p> <p>Any reasonable business expenses (including tax thereon) may be reimbursed.</p>	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 2020. 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	The 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	The Directors' Remuneration Report
Major shareholders' interests	This Directors' Report
Authority to purchase own shares	Corporate Governance Report
Internal controls	The 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 73 to 80;
- details of branches operated by the Company on page 207; and
- the Group's impact on the environment, including those disclosures required regarding greenhouse gas emissions, on pages 42 and 43.

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 22 on pages 207 to 210.

Going concern

In conjunction with its assessment of longer-term viability as set out on pages 78 to 80, 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 2020, the Company's issued and fully paid-up share capital was 537,343,466 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 19 to the Financial Statements on page 200.

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 131.

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 2021, the Company had been notified of the following interests disclosed to the Company under DTR5:

Shareholder	Holding at 31 Dec 2020	Percentage held at 31 Dec 2020 ¹	Holding at 23 Feb 2021	Percentage held at 23 Feb 2021 ¹
M&G Plc	33,626,116	6.29%	33,626,116	6.29%
BlackRock, Inc.	34,169,141	6.36%	34,169,141	6.36%
BLS Capital Fondaesmaeglerselskab A/S	27,073,452	5.05%	26,667,589	4.96%
RBC	16,470,670	3.07%	16,470,670	3.07%

¹ Percentage provided was correct at the date of notification.

Results and dividends

The Financial Review on pages 54 to 72 sets out the consolidated results for the year.

No interim dividend was paid during 2020 in respect of the year ended 31 December 2020. In 2019, an interim dividend of 18.49 pence per share, which equates to £98.5 million, was paid in respect of the year ended 31 December 2019 on 27 September 2019. A second interim dividend of 20.00 pence per share, which equates to £107.1 million, was paid in respect of the year ended 31 December 2019 year on 27 May 2020 to shareholders on the register at the close of business on 11 May 2020. This second interim dividend in respect of the year ended 31 December 2019 year replaced the withdrawn final dividend proposed of 31.22 pence per share, with the 11.22 pence per share difference withheld until such a time as the financial and economic impacts of COVID-19 become clearer. Following further review, the Board has determined that it no longer needs to continue with this retention and has declared a 'withheld 2019 dividend' of 11.22 pence per share which equates to £60.3million. The withheld 2019 dividend will be paid as an interim dividend on 24 March 2021 to shareholders on the register at the close of business on 5 March 2021. The Directors also recommend that shareholders approve a final dividend of 38.49 pence per share, which equates to £206.8 million, in respect of the year ended 31 December 2020 to be paid on 21 May 2021 to shareholders on the register at the close of business on 16 April 2021.

Details of the Dividend Reinvestment Plan (DRP) are set out on page 230.

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 report on pages 30 to 49.

The Workforce Engagement section of the Corporate Governance report (page 91) 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 interests of employees in its discussions and when making decisions. Engagement during 2020 has contributed to the Board's consideration of key strategic topics and the determination of policies affecting the workforce and has helped to inform a future-decision making around flexible working and our strategy regarding employee awards.

Fostering business relationships

Engagement with the Board's key stakeholders, including suppliers and clients, is summarised in the Corporate Governance Report on pages 90 and 92. 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 88 to 95.

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 £457.4 million as at 23 February 2021 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 £281.0 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 £175.0 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.

Directors' Report continued

Financial instruments

An indication of the Group's use of financial instruments can be found in Note 17 to the Financial Statements on pages 188 to 198.

Directors and Directors' indemnities

Details of the Directors of the Company at the date of this Report and during the year ended 31 December 2020 can be found in the Corporate Governance Report on pages 84 and 85. Details of the indemnity provisions in place for the Directors, including qualifying third-party indemnity provisions, can be found on page 100.

Political and charitable donations

It is the Group's policy not to make any donations to political parties within the meaning of 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 £4.9 million to the St. James's Place Charitable Foundation, more details of which can be found on pages 48 and 49.

Annual General Meeting

The Company plans to hold its Annual General Meeting on **Monday 17 May 2021**. 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 2020 can be found in the Chief Executive's Report on pages 4 to 9.

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

24 February 2021

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report 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 international accounting standards in conformity with the requirements of the Companies Act 2006. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the directors to prepare the Group Financial Statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and the Parent 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 the 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 the Parent Company and of the profit or loss of the Group and Parent Company for that period. In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether, for the Group and Company, international accounting standards in conformity with the requirements of the Companies Act 2006 and, for the Group, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed for the Group Financial Statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Parent 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 Parent Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and the Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Parent Company and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

The Directors are responsible for the maintenance and integrity of the Group'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, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Parent Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Board of Directors section of the Annual Report and Accounts confirm that, to the best of their knowledge:

- the Parent Company Financial Statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law) give a true and fair view of the assets, liabilities, financial position and profit of the Parent Company;
- the Group Financial Statements, which have been prepared in accordance with IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Parent Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board:

ELIZABETH KELLY
Company Secretary

24 February 2021

IFRS profit before shareholder tax

£327.6m

IFRS profit after tax

£262.0m

IFRS basic earnings per share

49.1p



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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 2020 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 international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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 and Accounts (the "Annual Report"), which comprise: Consolidated and Parent Company Statements of Financial Position as at 31 December 2020; 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.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in Note 1 to the Group Financial Statements, the Group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 to the Group.

Other than those disclosed in Note 5 to the Financial Statements, we have provided no non-audit services to the Group in the period under audit.

Our audit approach

Overview

Audit scope

- The Group Financial Statements comprise the consolidation of approximately 65 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 nine components that required audit procedures for the purpose of the audit of the Group Financial Statements.
- Eight of the nine components are based in the UK and were audited by the PwC UK audit team. The remaining component is based in the Republic of Ireland and was audited by Grant Thornton Ireland.
- By performing audit procedures on these nine components 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, derivatives 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)
- Impact of the COVID-19 pandemic (Group and Parent)

Materiality

- Overall Group materiality: £14,000,000 (2019: £15,000,000) based on 5.3% of underlying cash generated in the year.
- Overall Parent company materiality: £14,600,000 (2019: £12,300,000) based on 1% of total assets.
- Performance materiality: £10,500,000 (Group) and £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.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the Financial Statements section, 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 breaches of 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 preparation of 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 posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates specifically investments with a judgemental valuation, being investment properties, derivatives and level 3 investments in the Diversified Assets Fund, and the valuation of the prepayment asset in respect of the development of an administration platform at an outsourced provider (see Key Audit Matters). 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:

- Enquiries of compliance, risk, internal audit, and the Group's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- 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, Audit Committee and Risk Committee;
- Reviewing data regarding policyholder complaints, and the Group's register of litigation and claims, in so far as they related to non-compliance with laws and regulations and fraud;
- Procedures relating to the valuation of investments with a judgemental valuation, being investment property, level 3 assets in the Diversified Assets Fund and derivatives and the valuation of the prepayment asset in respect of the development of an administration platform at an outsourced provider described in the related key audit matters below.
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- Testing disclosure Note 18 affected by the regulatory solvency requirements of the Prudential Regulation Authority.

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.

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.

Independent Auditors' Report to the Members of St. James's Place plc continued

This is not a complete list of all risks identified by our audit.

Impact of the COVID-19 pandemic is a new key audit matter this year. 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, derivatives and level 3 investments in the Diversified Assets Fund (Group)</i></p> <p>As disclosed in the Audit Committee report (Page 106) and Note 17 (Page 188)</p> <p>As at 31 December 2020, the Group held £126.5 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, £2.9 billion of these investments are in derivatives, 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 derivatives valued by State Street, assets in the DAF to Kohlberg Kravis Roberts & Co. Inc ("KKR"), whilst the investment property portfolio is managed by Orchard Street with regular valuations performed by CBRE</p>	<p><i>Investment properties</i></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. 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. • Agreed key data inputs to the valuations to supporting evidence on a sample basis. <p><i>Level 3 assets in the Diversified Assets Fund</i></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 valuation 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.</p> <p><i>Derivatives</i></p> <p>We obtained and read the International Standard on Assurance Engagements (ISAE) 3402 'Assurance Reports on Controls at a Service Organisation' for State Street's Global Fund Accounting and Custody operations, which provided a description of the systems and controls in place and the results of testing of the operational effectiveness of those controls. We assessed the controls and concluded that they met our audit objectives. We placed reliance on the controls described in the ISAE 3402 report over the valuation of the portfolio, including derivatives. We engaged our valuation specialists to independently reprice a sample of derivative contracts as at the year-end, comparing them to those provided by State Street. From the evidence obtained when testing the valuation of derivatives, investment properties and level 3 assets in the DAF, we found the assumptions and methodology used, and the resulting valuations, to be appropriate.</p>
<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 106) and Note 12 (Page 181).</p> <p>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 has been extended by 5 years during 2020. The balance of the prepayment asset at 31 December 2020 was £313.9 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>

Key audit matter**Impact of the COVID-19 pandemic (Group and Parent)**

As disclosed in the Audit Committee report (Page 106) and Note 1 (Page 157). The measures taken by governments around the world to tackle the COVID-19 pandemic have had wide reaching impacts on the economy and on companies. In particular, our areas of focus for the audit of the Group and Parent Company were: Going Concern - The Directors have considered the potential impact of COVID-19 on the future performance of the business, including the wider economic impacts. In addition to monitoring the Groups' Solvency Capital Requirements under the Solvency II regime and the associated scenario testing performed within the Groups' Own Risk and Solvency Assessment, management have undertaken additional stress tests focusing on reductions in new business and investment markets. From this, the Directors have concluded that the basis of going concern remains appropriate. Estimates and judgements - The increased market volatility and other impacts of the pandemic have resulted in an increased subjectivity and estimation uncertainty in certain areas of the Financial Statements such as the operational readiness prepayment and investments with judgemental valuations referred to above. The market volatility also impacts on both the policyholder and shareholder taxation, including deferred taxation. The Directors have therefore considered the impact COVID-19 has had on these estimates and the associated disclosures to accompany them.

How our audit addressed the key audit matter

In assessing management's consideration of the impact of the COVID-19 pandemic, we have:

- Obtained and read the going concern assessment for the Group and challenged management on the assumptions used, any wider considerations to factor in outside of forecasts and projections, as well as the conclusions reached.
- Considered information obtained throughout our audit and publicly available information that might contradict management's assessment.
- Read correspondence from regulators, minutes of board meetings and attended all Audit Committee meetings to understand actions taken by management in response to the pandemic;
- Challenged management on the consideration of the impact of the pandemic within the key judgemental investment valuations and prepayment assets mentioned above, as well as other areas of the Financial Statements such as the valuation of subsidiaries in the Company Statement of Financial Position and recognition of renewal income assets and goodwill.
- In testing the taxation balances, we challenged management to ensure suitable disclosure was made to explain the causes of the significant movements in policyholder and shareholder taxation.

We concurred with management's conclusion regarding the going concern of the Group and determined that the judgements, estimates and associated disclosures have appropriately reflected the impact of the COVID-19 pandemic.

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 remaining component (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 components aside from St. James's Place International plc 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 three 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.

Independent Auditors' Report to the Members of St. James's Place plc continued

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	£14,000,000 (2019: £15,000,000).	£14,600,000 (2019: £12,300,000).
How we determined it	5.3% of underlying cash generated in the year	1% of total assets
Rationale for benchmark applied	The engagement team concluded that £14.0 million is the most appropriate figure when setting an overall materiality on the engagement. The quantum of £14.0 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. £14.0 million represents 5.3% of underlying cash generated in the year.	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 £10.3 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% of overall materiality, amounting to £10,500,000 for the Group Financial Statements and £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 £0.7 million (Group audit) (2019: £0.8 million) and £0.7 million (Parent Company audit) (2019: £0.6 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

In accordance with guidance on the audit of insurers issued in the United Kingdom issued by the Financial Reporting Council we have applied a higher materiality of £583 million solely for the purpose of identifying and evaluating the effect of misstatements that are likely only to lead to a reclassification between line items within assets and liabilities.

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 Parent Company's 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. 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 2020 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 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 and Accounts 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.

Independent Auditors' Report to the Members of St. James's Place plc continued

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.

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.

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 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 12 years, covering the years ended 31 December 2009 to 31 December 2020.

ANDREW MOORE (SENIOR STATUTORY AUDITOR)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
24 February 2021

Consolidated Statement of Comprehensive Income

		Year ended 31 December 2020	Year ended 31 December 2019
	Note	£'Million	£'Million
Insurance premium income		40.1	42.6
Less premiums ceded to reinsurers		(25.1)	(26.8)
Net insurance premium income		15.0	15.8
Fee and commission income	4	2,096.4	2,374.1
Investment return	6	5,949.6	14,173.6
Net income		8,061.0	16,563.5
Policy claims and benefits			
– Gross amount		(54.0)	(56.0)
– Reinsurers' share		20.4	22.4
Net policyholder claims and benefits incurred		(33.6)	(33.6)
Change in insurance contract liabilities			
– Gross amount		(5.9)	(48.5)
– Reinsurers' share		3.6	5.9
Net change in insurance contract liabilities		(2.3)	(42.6)
Movement in investment contract benefits	6	(5,910.7)	(14,070.6)
Expenses	5	(1,688.0)	(1,707.8)
Profit before tax	3	426.4	708.9
Tax attributable to policyholders' returns	7	(98.8)	(521.8)
Profit before tax attributable to shareholders' returns		327.6	187.1
Total tax expense	7	(164.4)	(562.3)
Less: tax attributable to policyholders' returns	7	98.8	521.8
Tax attributable to shareholders' returns	7	(65.6)	(40.5)
Profit and total comprehensive income for the year		262.0	146.6
Loss attributable to non-controlling interests		–	–
Profit attributable to equity shareholders		262.0	146.6
Profit and total comprehensive income for the year		262.0	146.6
		Pence	Pence
Basic earnings per share	19	49.1	27.6
Diluted earnings per share	19	48.6	27.5

The results relate to continuing operations.

The Notes and information below and on pages 157 to 213 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					Total	Non-controlling interests	Total equity
		Share capital	Share premium	Shares in trust reserve	Retained earnings	Misc. reserves			
		£'Million	£'Million	£'Million	£'Million	£'Million			
At 1 January 2019		79.4	174.5	(23.7)	787.3	2.5	1,020.0	(0.9)	1,019.1
Profit and total comprehensive income for the year		–	–	–	146.6	–	146.6	–	146.6
Dividends	19	–	–	–	(256.0)	–	(256.0)	–	(256.0)
Issue of share capital	19	0.1	3.9	–	–	–	4.0	–	4.0
Exercise of options	19	0.7	4.0	–	–	–	4.7	–	4.7
Consideration paid for own shares		–	–	(0.1)	–	–	(0.1)	–	(0.1)
Shares sold during the year		–	–	7.4	(7.4)	–	–	–	–
Proceeds from exercise of shares held in trust		–	–	–	0.2	–	0.2	–	0.2
Retained earnings credit in respect of share option charges		–	–	–	28.7	–	28.7	–	28.7
At 31 December 2019		80.2	182.4	(16.4)	699.4	2.5	948.1	(0.9)	947.2
Profit and total comprehensive income for the year		–	–	–	262.0	–	262.0	–	262.0
Dividends	19	–	–	–	(107.1)	–	(107.1)	–	(107.1)
Exercise of options	19	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)	859.4	2.5	1,113.0	(0.9)	1,112.1

The number of shares held in the Shares in trust reserve is given in Note 19 Share capital, earnings per share and dividends on page 200.

Miscellaneous reserves represent other non-distributable reserves.

The Notes and information below and on pages 157 to 213 form part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position

	Note	As at 31 December 2020 £'Million	As at 31 December 2019 £'Million
Assets			
Goodwill	8	31.0	15.6
Deferred acquisition costs	8	424.5	490.0
Intangible assets			
– Purchased value of in-force business	8	17.6	20.8
– Computer software	8	23.5	8.9
Property and equipment	9	174.4	166.3
Deferred tax assets	7	14.4	131.1
Reinsurance assets	14	92.3	88.6
Other receivables	12	2,579.2	2,127.1
Investments			
– Investment property	11	1,526.7	1,750.9
– Equities	11	83,359.2	72,694.2
– Fixed income securities	11	27,701.4	26,275.6
– Investment in Collective Investment Schemes	11	5,890.2	5,166.4
– Derivative financial instruments	11	1,386.8	1,342.9
Cash and cash equivalents	11	6,660.1	7,013.6
Total assets		129,881.3	117,292.0
Liabilities			
Borrowings	16	341.8	403.7
Deferred tax liabilities	7	378.1	493.7
Insurance contract liabilities	14	562.6	556.6
Deferred income	8	579.9	614.7
Other provisions	15	34.3	40.6
Other payables	13	2,038.0	1,782.7
Investment contract benefits	11	93,132.7	83,558.5
Derivative financial instruments	11	749.9	948.8
Net asset value attributable to unit holders	11	30,919.1	27,830.0
Income tax liabilities		32.7	115.4
Preference shares		0.1	0.1
Total liabilities		128,769.2	116,344.8
Net assets		1,112.1	947.2
Shareholders' equity			
Share capital	19	80.6	80.2
Share premium		185.3	182.4
Shares in trust reserve		(14.8)	(16.4)
Miscellaneous reserves		2.5	2.5
Retained earnings		859.4	699.4
Equity attributable to owners of the Parent Company		1,113.0	948.1
Non-controlling interests		(0.9)	(0.9)
Total equity		1,112.1	947.2
		Pence	Pence
Net assets per share		207.0	177.1

The Consolidated Financial Statements on pages 153 to 213 were approved by the Board of Directors on 24 February 2021 and signed on its behalf by:

ANDREW CROFT
Chief Executive

CRAIG GENTLE
Chief Financial Officer

The Notes and information on pages 157 to 213 form part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

		Year ended 31 December 2020	Year ended 31 December 2019
	Note	£'Million	£'Million
Cash flows from operating activities			
Profit before tax for the year		426.4	708.9
Adjustments for:			
Amortisation of purchased value of in-force business	8	3.2	3.2
Amortisation of computer software	8	4.2	1.4
Depreciation	9	24.1	20.7
Loss on disposal of property and equipment, including leased assets	9	1.9	–
Share-based payment charge	20	10.6	29.2
Interest income		(33.1)	(45.4)
Interest expense		11.6	12.6
(Decrease)/increase in provisions	15	(6.3)	6.7
Exchange rate losses		–	0.4
Changes in operating assets and liabilities			
Decrease in deferred acquisition costs	8	65.5	68.5
Decrease in investment property		224.2	69.8
Increase in other investments		(12,858.5)	(22,170.3)
Increase in reinsurance assets		(3.7)	(5.8)
Increase in other receivables		(443.0)	(169.3)
Increase in insurance contract liabilities		6.0	48.5
Increase in financial liabilities (excluding borrowings)		9,375.3	16,193.8
Decrease in deferred income	8	(34.8)	(33.6)
Increase in other payables		239.8	369.0
Increase in net assets attributable to unit holders		3,089.1	5,327.1
Cash inflow from operating activities		102.5	435.4
Interest received		33.1	45.4
Interest paid		(11.6)	(12.6)
Income taxes paid	7	(248.1)	(102.8)
Net cash (outflow)/inflow from operating activities		(124.1)	365.4
Cash flows from investing activities			
Acquisition of property and equipment	9	(8.0)	(17.3)
Acquisition of intangible assets	8	(18.8)	(8.9)
Acquisition of subsidiaries and other business combinations, net of cash acquired		(22.4)	(3.0)
Net cash outflow from investing activities		(49.2)	(29.2)
Cash flows from financing activities			
Proceeds from the issue of share capital and exercise of options		3.3	8.7
Consideration paid for own shares		(3.9)	(0.1)
Proceeds from exercise of shares held in trust		–	0.2
Additional borrowings	16	270.0	390.0
Repayment of borrowings	16	(332.1)	(334.8)
Principal lease payments		(10.0)	(8.1)
Dividends paid	19	(107.1)	(256.0)
Net cash outflow from financing activities		(179.8)	(200.1)
Net (decrease)/increase in cash and cash equivalents		(353.1)	136.1
Cash and cash equivalents at 1 January	11	7,013.6	6,877.6
Exchange losses on cash and cash equivalents		(0.4)	(0.1)
Cash and cash equivalents at 31 December		6,660.1	7,013.6

The Notes and information on pages 157 to 213 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).

The Group Financial Statements have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union (adopted IFRSs).

As at 31 December 2020, the following relevant amended standards, which the Group has adopted as of 1 January 2020, have not had any material impact on the Group's Consolidated Financial Statements:

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material;
- Amendments to IFRS 3 Business Combinations – Definition of a Business;
- Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – Interest Rate Benchmark Report; and
- Revised Conceptual Framework of Financial Reporting.

There were no new accounting standards adopted as of 1 January 2020.

ii. New and amended accounting standards not yet adopted

As at 31 December 2020, 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 EU as at 31 December 2020.

- 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.

As of 1 January 2021, the Group will use UK-adopted international accounting standards. UK-adopted international accounting standards will consist of all international accounting standards already adopted in the EU. New and amended standards, issued by the International Accounting Standards Board (IASB) and adopted by the UK Endorsement Board (UKEB), will be added to the set of UK-adopted international accounting standards.

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 2020, the Group has £96.5 million of non-unit-linked insurance contract liabilities, which are substantially reinsured, and £466.1 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 UKEB.

iii. Basis of preparation

Going concern

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, including the impact of the COVID-19 pandemic, are set out in the Chief Executive's Report, COVID-19 Update and the Chief Financial Officer's Report on pages 4 to 11 and 50 to 53. The financial performance and financial position of the Group are described in the Financial Review on pages 54 to 72.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

1. Accounting policies continued

As shown on page 71 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 underlying strength of the UK Life company at the heart of the Group was underlined by S&P recently reaffirming its A- rating, and Fitch Ratings providing an A+ rating. 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. Given the uncertainty, additional stress tests have been undertaken focussing particularly on reductions in new business and investment markets. This analysis complements the work undertaken and assurance gained through the ORSA process.

In addition, the Board has considered the operational impacts of COVID-19, including through its key outsourced providers. It noted that during the most challenging of years the business demonstrated real resilience supported by recent technological investment, together with the agility of both advisers and employees. This, along with 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 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.

(b) Fee and commission income

Fee and commission income comprises:

- (i) advice charges paid by clients who receive advice alongside their investment in a St. James's Place or third-party retail investment product. 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) discretionary fund management fees generated through the services provided by our DFM business; and
- (vii) 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 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 fee (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.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

1. Accounting policies continued

(f) Expenses continued

(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 161. 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.

(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

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 is 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:	5–15 years
Computer equipment:	3 years

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

1. Accounting policies continued

(m) Property and equipment continued

(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 164), plus expected dilapidations 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 consist 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.

(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, determined on a bid value, 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 recognised when the Group has a present legal or constructive obligation as a result of past events such that it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured as the discounted expected future cash flows taking account of the risks and uncertainties associated with the specific liability where appropriate.

(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.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

1. Accounting policies continued

(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.

(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 181. 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 who 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 adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union (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 Glossary of Alternative Performance Measures on pages 232 to 234 defines each APM, explains why it is used and, where applicable, explains how the measure can be reconciled to the IFRS Financial Statements.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

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 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 who 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 2020 and expected rates in 2021 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.

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. 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 the year COVID-19 has impacted the valuations, particularly retail and leisure assets which have fallen in value. The valuations have been prepared in accordance with the version of the RICS Valuation – Global Standards (incorporating the International Valuation Standards) and the UK national supplement (the Red Book). The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, the valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

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 2019 and 2020, 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.

During the year the impact of COVID-19 has been considered by undertaking sensitivity analysis to look at both favourable and unfavourable impacts. 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.

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.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

3. Segment reporting continued

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 cash flows within the IFRS results, but with no allowance for intangibles, principally DAC, DIR, PVIF, goodwill and deferred tax, or short-term costs associated with the back-office infrastructure project. 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 59 to 63 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 2020	Year ended 31 December 2019
	£'Million	£'Million
Underlying cash result after tax	264.7	273.1
Non-cash-settled share-based payments	(10.6)	(28.7)
Impacts of deferred tax	(8.2)	(10.4)
Back-office infrastructure	(10.0)	(38.8)
Impact in the year of DAC/DIR/PVIF	(29.6)	(26.2)
Impact of policyholder tax asymmetry (see Note 4) ¹	61.7	(10.0)
Other ¹	(6.0)	(12.4)
IFRS profit after tax	262.0	146.6
Shareholder tax	65.6	40.5
Profit before tax attributable to shareholders' returns	327.6	187.1
Tax attributable to policyholder returns	98.8	521.8
IFRS profit before tax	426.4	708.9

¹ The impact of policyholder tax asymmetry has been separated from Other for the first time for the year ended 31 December 2020. As a result, Other has decreased by £10.0 million from the amount disclosed at 31 December 2019. Further information on the impact of policyholder tax asymmetry can be found on page 169.

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 section of the Annual Report and Accounts.

	Year ended 31 December 2020	Year ended 31 December 2019
	£'Million	£'Million
EEV operating profit before tax	919.0	952.0
Investment return variance	304.4	768.6
Economic assumption changes	(47.4)	(27.0)
EEV profit before tax	1,176.0	1,693.6
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)	(465.7)	(946.6)
Movement of balance sheet unit trust and DFM value of in-force business (net of tax)	(91.9)	(310.9)
Tax of movement in value of in-force business	(287.6)	(245.8)
Profit before tax attributable to shareholders' returns	327.6	187.1
Tax attributable to policyholder returns	98.8	521.8
IFRS profit before tax	426.4	708.9

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 55, is the measure of segment assets which is monitored on a monthly basis by the Board.

	31 December 2020	31 December 2019
	£'Million	£'Million
Investment	32,220.0	31,220.0
Pension	61,310.0	52,840.0
UT/ISA and DFM	35,810.0	32,930.0
Total FUM	129,340.0	116,990.0
Exclude client and third-party holdings in non-consolidated unit trusts and DFM	(4,864.4)	(5,185.1)
Other	1,551.9	1,742.0
Gross assets held to cover unit liabilities	126,027.5	113,546.9
IFRS intangible assets (see page 64 adjustment 2) including goodwill, DAC, PVIF, reinsurance and deferred tax	605.4	658.6
Shareholder gross assets (see page 64)	3,248.4	3,086.5
Total assets	129,881.3	117,292.0

4. Fee and commission income

	Year ended 31 December 2020	Year ended 31 December 2019
	£'Million	£'Million
Advice charges (post-RDR)	767.4	749.7
Third-party fee and commission income	112.2	120.8
Wealth management fees ¹	812.4	734.8
Investment management fees	70.4	71.6
Fund tax deductions	98.8	521.8
Impact of policyholder tax asymmetry ¹	61.7	(10.0)
Discretionary fund management fees	17.5	16.2
Fee and commission income before DIR amortisation	1,940.4	2,204.9
Amortisation of DIR	156.0	169.2
Total fee and commission income	2,096.4	2,374.1

¹ Wealth management fees recognise charges levied on manufactured business (Investment, Pensions and UT/ISA) which are not separately identified elsewhere. 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 (see Fund tax deductions below). 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 overall tax position and the offsetting client balance. The positive effect of the asymmetry will be eliminated over time as future cash flows become less uncertain and are ultimately realised, so the current effect is temporary.

As previously commented, the exceptional market circumstances in 2020 from the COVID-19 pandemic saw significant market movements throughout the year. Whilst strong recoveries were experienced in the later part of 2020, certain markets did not recover as strongly which resulted in some of our funds having significant losses at year end. The asymmetry is calculated on a fund by fund basis before consolidation and the predominate reason for the large asymmetry movement in 2020 are these losses. We would expect this to reverse as markets increase. We also consider that anticipated fund changes in 2021 under our Investment Management Approach will accelerate in part the timing of this realisation. In 2021, we expect several fund mergers to take place which will have the resulting impact of unwinding and accelerating some of the asymmetry experienced in 2020.

Under normal conditions this asymmetry is small, but the market conditions in 2020 have resulted in a significant positive movement during the year, benefiting both profit before shareholder tax and profit after tax. The impact of policyholder tax asymmetry has therefore been separated from wealth management fees for the first time for 2020. As a result, wealth management fees are higher by £10.0 million from the amount disclosed at 31 December 2019.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

4. Fee and commission income continued

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 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.

Where an investment has been made into a third-party product, third-party fee and commission income is received from the product provider.

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.

Discretionary fund management fees are received from clients for the provision of DFM services.

5. Expenses

The following items are included within the expenses disclosed in the Statement of Comprehensive Income:

	Year ended 31 December 2020	Year ended 31 December 2019
	£'Million	£'Million
Payments to Partners	827.0	814.7
Fees payable to the Company's auditors and its associates		
For the audit of the Company and Consolidated Financial Statements	0.3	0.2
For other services:		
– The audit of the Company's subsidiaries (excluding unit trusts)	0.5	0.5
– Audit of the Company's unit trusts	0.5	0.4
– Audit-related assurance services	0.4	0.4
– Other assurance services	–	–
Total fees payable to the Company's auditors and its associates	1.7	1.5
Employee costs		
Wages and salaries	151.9	151.5
Social security costs	16.3	17.5
Other pension costs	15.0	13.8
Cost of employee share awards and options	10.0	12.4
Total employee costs	193.2	195.2
Average monthly number of persons employed by the Group during the year	2,746	2,575

Included within fees payable to the Company's auditors and its associates for audit-related assurance services is £0.1 million (2019: £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 121 to 139, 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 2020, 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 (2019: three), with the total cost being £0.3 million (2019: £0.3 million). Retirement benefits are accruing in defined contribution pension schemes for one (2019: one) Director at the year end.

The number of Directors who exercised options over shares in the Company during the year is two (2019: nil). The number of Directors in respect of whose qualifying services shares were receivable under long-term incentive schemes is three (2019: three), and the total amount receivable by the Directors under long-term incentive schemes is £2.0 million (2019: £1.9 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 £1.2 million (2019: £0.5 million).

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 2020	Year ended 31 December 2019
	£'Million	£'Million
Investment return on net assets held to cover unit liabilities:		
Rental income	86.3	94.1
Loss on revaluation of investment properties	(109.7)	(74.2)
Net investment return on financial instruments classified as fair value through profit and loss	4,832.4	10,741.6
	4,809.0	10,761.5
<i>Attributable to unit-linked insurance contract liabilities</i>	<i>25.4</i>	<i>65.4</i>
<i>Attributable to unit-linked investment contract benefits</i>	<i>4,783.6</i>	<i>10,696.1</i>
	4,809.0	10,761.5
Income attributable to third-party holdings in unit trusts	1,127.1	3,374.5
	5,936.1	14,136.0
Investment return on shareholder assets:		
Net investment return on financial instruments classified as fair value through profit and loss	(4.2)	18.7
Interest income on financial instruments held at amortised cost	17.7	18.9
	13.5	37.6
Total investment return	5,949.6	14,173.6

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 £1,017.4 million (2019: £1,285.6 million).

Movement in investment contract benefits

	2020	2019
	£'Million	£'Million
Balance at 1 January	83,558.5	67,796.1
Deposits	10,215.4	10,852.9
Withdrawals	(4,586.4)	(4,641.4)
Movement in unit-linked investment contract benefits	4,783.6	10,696.1
Fees and other adjustments	(838.4)	(1,145.2)
Balance at 31 December	93,132.7	83,558.5
Current	4,841.0	5,316.4
Non-current	88,291.7	78,242.1
	93,132.7	83,558.5
Movement in unit liabilities		
Unit-linked investment contract benefits	4,783.6	10,696.1
Third-party unit trust holdings	1,127.1	3,374.5
Movement in investment contract benefits in the Consolidated Statement of Comprehensive Income	5,910.7	14,070.6

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 2020	Year ended 31 December 2019
	£'Million	£'Million
Current tax		
UK corporation tax		
– Current year charge	157.9	215.7
– Adjustment in respect of prior year	(1.0)	1.0
Overseas taxes		
– Current year charge	8.5	11.0
– Adjustment in respect of prior year	–	0.2
	165.4	227.9
Deferred tax		
Unrealised capital (losses)/gains in unit-linked funds	(4.0)	333.8
Unrelieved expenses		
– Additional expenses recognised in the year	(10.4)	(11.6)
– Utilisation in the year	11.8	12.9
Capital losses		
– Revaluation in the year	–	1.1
– Utilisation in the year	13.7	10.3
– Adjustment in respect of prior year	0.8	(0.3)
DAC, DIR and PVIF	(10.0)	(11.0)
Other items	(1.9)	1.1
Overseas losses	(0.5)	(0.7)
Adjustment for change in tax rate	(1.4)	–
Adjustments in respect of prior periods	0.9	(1.2)
	(1.0)	334.4
Total tax charge for the year	164.4	562.3
Attributable to:		
– policyholders	98.8	521.8
– shareholders	65.6	40.5
	164.4	562.3

The prior year adjustment of £1.0 million in current tax above represents a credit of £1.4 million in respect of policyholder tax (2019: £0.1 million credit) and a charge of £0.4 million in respect of shareholder tax (2019: £1.3 million charge). The prior year adjustment of £0.9 million in deferred tax above represents a charge of £1.3 million in respect of policyholder tax and a credit of £0.4 million in respect of shareholder tax (2019: deferred tax prior year adjustment related entirely to shareholder tax).

Included within the deferred tax on 'other items' is £nil (2019: £1.5 million charge) relating to share-based payments. Details of share-based payments are disclosed in Note 20.

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 2020	Year ended 31 December 2019		
	£'Million		£'Million	
Profit before tax	426.4		708.9	
Tax attributable to policyholders' returns	(98.8)		(521.8)	
Profit before tax attributable to shareholders' return	327.6		187.1	
Shareholder tax charge at corporate tax rate of 19% (2019: 19%)	62.2	19%	35.5	19%
Adjustments:				
Lower rates of corporation tax in overseas subsidiaries	(1.3)	0.0%	(0.5)	(0.3%)
Expected shareholder tax	60.9	18.6%	35.0	18.7%
Effects of:				
Non-taxable income	(0.9)		(1.3)	
Revaluation of historic capital losses in the Group	-		1.1	
Adjustment for change in tax rates	(1.4)		-	
Adjustment in respect of prior year				
- Current tax	0.4		1.3	
- Deferred tax	0.4		(1.5)	
Differences in accounting and tax bases in relation to employee share schemes	(0.3)		1.2	
Disallowable expenses	3.8		2.3	
Provision for future liabilities	1.7		-	
Other	0.2		(0.2)	
Tax losses not recognised	0.8		2.6	
	4.7	1.4%	5.5	2.9%
Shareholder tax charge	65.6	20.0%	40.5	21.6%
Policyholder tax charge	98.8		521.8	
Total tax charge for the year	164.4		562.3	

Tax calculated on profit/(loss) before tax at 19% (2019: 19%) would amount to £81.0 million (2019: £134.7 million). The difference of £83.4 million (2019: £427.6 million) between this number and the total tax of £164.4 million (2019: £562.3 million) is made up of the reconciling items above which total £3.4 million (2019: £5.0 million) and the effect of the apportionment methodology on tax applicable to policyholder returns of £80.0 million (2019: £422.6 million).

Tax paid in the year

	Year ended 31 December 2020	Year ended 31 December 2019
	£'Million	£'Million
Current tax charge for the year	165.4	227.9
Payments to be made due to be received in future years in respect of current year	(30.3)	(115.4)
Payments/(refunds received) made in current year in respect of prior years	113.6	(7.9)
Other	(0.6)	(1.8)
Tax paid	248.1	102.8
Tax paid can be analysed as:		
- Taxes paid in UK	233.1	91.2
- Taxes paid in overseas jurisdictions	2.4	1.9
- Withholding taxes suffered on investment income received	12.6	9.7
Total	248.1	102.8

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

7. Income and deferred taxes continued

Deferred tax balances

Deferred tax assets

	Unrelieved expenses on life insurance business	Deferred acquisition costs (DAC)	Deferred income (DIR)	Capital losses (available for future relief)	Renewal income assets	Share-based payments	Fixed asset temporary differences	Other temporary differences	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
At 1 January 2019	42.5	–	35.6	55.7	–	8.0	4.0	1.3	147.1
(Charge)/credit to the Statement of Comprehensive Income	(1.3)	–	(3.0)	(11.1)	–	(1.5)	0.9	–	(16.0)
At 31 December 2019	41.2	–	32.6	44.6	–	6.5	4.9	1.3	131.1
Reanalysis to deferred tax liabilities	(41.2)	(19.5)	–	(44.6)	(10.9)	–	–	(0.7)	(116.9)
(Charge)/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
<i>Total credit</i>	–	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

Expected utilisation period

As at 31 December 2019	6 years	14 years	14 years	7 years	20 years	3 years	6 years
As at 31 December 2020	6 years	14 years	14 years	6 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)	Renewal income assets	Unrealised capital gains on life insurance (BLAGAB) assets backing unit liabilities	Purchased value of in-force business (PVIF)	Other temporary differences	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
At 1 January 2019	–	70.9	–	10.4	86.3	4.1	1.2	172.9
Charge/(credit) to the Statement of Comprehensive Income	–	(13.4)	–	(1.7)	333.8	(0.6)	0.3	318.4
Impact of acquisitions	–	–	–	2.4	–	–	–	2.4
At 31 December 2019	–	57.5	–	11.1	420.1	3.5	1.5	493.7
Reanalysis from deferred tax assets	(41.2)	(19.5)	(44.6)	(11.1)	–	–	(0.5)	(116.9)
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)
<i>Total charge/(credit)</i>	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

Expected utilisation period

As at 31 December 2019	6 years	14 years	7 years	20 years	7 years	6 years
As at 31 December 2020	6 years	14 years	6 years	20 years	6 years	6 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.

The expected utilisation period for the deferred tax asset on capital losses was extended during 2019. This increase reflected the impact of the extension of the existing loss restriction rules to also cover capital losses, which took effect from 1 April 2020.

The current year presentation of the allocation between deferred tax liabilities and assets reflects a reassessment of the requirements of IAS 12, with reference to the netting off of certain deferred tax balances. This has resulted in some reallocation of the prior year balances between deferred tax liabilities and assets. The prior year balances have not been restated, as the changes are not material.

At the reporting date there were unrecognised deferred tax assets of £16.3 million (2019: £12.0 million) in respect of £96.5 million (2019: £71.5 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 Finance Act 2016, a reduction to the UK main rate of corporation tax to 17% effective from 1 April 2020 was enacted, with the impact incorporated into the deferred tax balances in 2016. However, in the UK Budget of 11 March 2020 it was announced that the rate will remain at 19%, rather than reducing to 17% as previously enacted. This change was substantively enacted on 17 March 2020 and as a result the relevant deferred tax balances have been remeasured. The total impact of this remeasurement in the deferred tax shown above is £1.4 million split as £9.8 million in respect of deferred tax assets and £8.4 million in respect of deferred tax liabilities.

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 2019 ¹	15.6	73.4	16.1	1,346.7	(1,464.0)
Additions	–	–	8.9	28.1	(135.6)
Disposals ¹	–	–	–	(65.0)	61.0
At 31 December 2019¹	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)
Accumulated amortisation					
At 1 January 2019 ¹	–	49.4	14.7	788.2	(815.7)
Charge for the year	–	3.2	1.4	96.6	(169.2)
Eliminated on disposal ¹	–	–	–	(65.0)	61.0
At 31 December 2019¹	–	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)
Carrying value					
At 1 January 2019	15.6	24.0	1.4	558.5	(648.3)
At 31 December 2019	15.6	20.8	8.9	490.0	(614.7)
At 31 December 2020	31.0	17.6	23.5	424.5	(579.9)
Current	–	3.2	3.4	85.7	(160.4)
Non-current	31.0	14.4	20.1	338.8	(419.5)
	31.0	17.6	23.5	424.5	(579.9)
Outstanding amortisation period					
At 31 December 2019	n/a	6 years	2–5 years	14 years	6–14 years
At 31 December 2020	n/a	5 years	5 years	14 years	6–14 years

1 The opening cost and accumulated amortisation positions at 1 January 2019 for DAC and DIR have been revised downwards by £373.7 million and £350.0 million respectively to remove business after it reaches the end of its expected life. At this point the net book value of these adjustments is £nil, and so there is no impact on the carrying values presented on the face of the Consolidated Statement of Financial Position. Balances associated with business reaching the end of its expected life in each year disclosed, are presented as disposals.

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 2020	31 December 2019
	£'Million	£'Million
Jeremy Barrett businesses (see Note 23)	0.4	–
Policy Services Group (see Note 23)	7.7	–
SJP Asia companies	10.1	10.1
Technical Connection Limited	3.7	3.7
Rowan Dartington companies	1.8	1.8
Willson Grange businesses (see Note 23)	7.3	–
Balance at 31 December	31.0	15.6

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
Pre-tax discount rate based on a risk-free rate plus a risk margin:	3.4–8.4% (2019: 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 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 2019	52.7	7.7	–	60.4
Recognised on adoption of IFRS 16 Leases	–	–	91.8	91.8
Additions	16.2	1.1	49.7	67.0
Disposals	(0.8)	(0.4)	–	(1.2)
At 31 December 2019	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
Accumulated depreciation				
At 1 January 2019	27.3	4.6	–	31.9
Charge for the year	4.0	1.8	14.9	20.7
Eliminated on disposal	(0.7)	(0.2)	–	(0.9)
At 31 December 2019	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
Net book value				
At 1 January 2019	25.4	3.1	–	28.5
At 31 December 2019	37.5	2.2	126.6	166.3
At 31 December 2020	38.5	2.2	133.7	174.4
Depreciation period (estimated useful life)				
At 31 December 2019	5–15 years	3 years	1–23 years	
At 31 December 2020	5–15 years	3 years	1–22 years	

Leased assets: properties were recognised for the first time on 1 January 2019, upon adoption of IFRS 16 Leases.

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.

The Group has not entered into any sale and leaseback transactions.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

10. Leases continued

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 2020	31 December 2019
	£'Million	£'Million
Within the property and equipment balance – refer to Note 9		
Leased assets – properties	133.7	126.6
Within the other payables balance – refer to Note 13		
Lease liabilities – properties	132.7	118.6

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 on the next page.

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 2020	Year ended 31 December 2019
	£'Million	£'Million
Depreciation charge for leased assets – properties	17.2	14.9
Interest expense on lease liabilities – properties	3.3	2.9
Lease expense relating to short-term leases	–	2.6
Lease expense relating to low-value assets	1.2	1.3
Total lease expense for the year	21.7	21.7
Total cash outflow for leases during the year	13.3	11.1

Reconciliation of lease liabilities

The following movement schedule reconciles the opening and closing lease liabilities in the Consolidated Statement of Financial Position.

	2020	2019
	£'Million	£'Million
Opening lease liabilities	118.6	–
Recognised on adoption of IFRS 16 Leases	–	83.2
Additions	25.4	43.6
Disposals	(1.3)	–
Interest charged	3.3	2.9
Lease payments made	(13.3)	(11.1)
Closing lease liabilities	132.7	118.6

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.

	2020	2019
	£'Million	£'Million
Interest paid	3.3	2.9
Principal lease payments	10.0	8.2
Lease payments made	13.3	11.1

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 64.

	31 December 2020	31 December 2019
	£'Million	£'Million
Assets		
Investment property	1,526.7	1,750.9
Equities	83,359.2	72,694.2
Fixed income securities	27,694.0	26,270.4
Investment in Collective Investment Schemes	4,625.4	4,034.6
Cash and cash equivalents	6,405.2	6,720.8
Other receivables	1,030.2	733.1
Derivative financial instruments		
– Currency forwards	999.9	588.2
– Interest rate swaps	58.5	76.7
– Index options	49.7	23.3
– Contracts for differences	11.8	359.3
– Equity rate swaps	6.1	8.1
– Foreign currency options	0.1	7.0
– Total return swaps	135.5	129.0
– Fixed income options	79.5	41.4
– Credit default swaps	45.7	109.9
Total derivative financial assets	1,386.8	1,342.9
Total assets	126,027.5	113,546.9
Liabilities		
Other payables	759.7	745.4
Derivative financial instruments		
– Currency forwards	472.9	295.2
– Interest rate swaps	79.5	81.5
– Index options	43.6	49.1
– Contracts for differences	7.2	357.7
– Equity rate swaps	11.2	40.1
– Foreign currency options	–	6.1
– Total return swaps	87.3	88.3
– Fixed income options	33.2	6.6
– Credit default swaps	15.0	24.2
Total derivative financial liabilities	749.9	948.8
Total liabilities	1,509.6	1,694.2
Net assets held to cover linked liabilities	124,517.9	111,852.7
Investment contract benefits	93,132.7	83,558.5
Net asset value attributable to unit holders	30,919.1	27,830.0
Unit-linked insurance contract liabilities	466.1	464.2
Net unit-linked liabilities	124,517.9	111,852.7

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

	2020	2019
	£'Million	£'Million
Balance at 1 January	1,750.9	1,820.7
Additions	–	42.5
Capitalised expenditure on existing properties	27.5	14.4
Disposals	(142.0)	(52.5)
Changes in fair value	(109.7)	(74.2)
Balance at 31 December	1,526.7	1,750.9

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 follow 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 maintaining 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 2020 is £1,655.0 million (2019: £1,726.7 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 2020	Year ended 31 December 2019
	£'Million	£'Million
Rental income	86.3	94.1
Direct operating expenses	21.1	8.1

At the year-end contractual obligations to purchase, construct or develop investment property amounted to £10.6 million (2019: £24.5 million). The most significant contractual obligation at 31 December 2020 was £3.4 million for the ongoing funding of a pre-let hotel development, which is scheduled for completion in 2021.

Contractual obligations to dispose of investment property amounted to £39.0 million (2019: £nil).

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 2020	31 December 2019
	£'Million	£'Million
Undiscounted contractual rental income to be received in:		
Year 1	76.0	86.8
Year 2	72.3	83.4
Year 3	67.1	77.3
Year 4	61.8	71.7
Year 5	53.2	65.0
Year 6 onwards	276.6	339.1
Total undiscounted contractual rental income to be received	607.0	723.3

Cash and cash equivalents

	31 December 2020	31 December 2019
	£'Million	£'Million
Cash and cash equivalents not held to cover unit liabilities	254.9	292.8
Balances held to cover unit liabilities	6,405.2	6,720.8
Total cash and cash equivalents	6,660.1	7,013.6

All cash and cash equivalents are considered current.

12. Other receivables

	31 December 2020	31 December 2019
	£'Million	£'Million
Receivables in relation to unit liabilities excluding policyholder interests	479.3	313.6
Other receivables in relation to insurance and unit trust business	64.3	83.6
Operational readiness prepayment	313.9	299.2
Advanced payments to Partners	54.2	59.8
Other prepayments	70.3	67.6
Business loans to Partners	476.7	476.5
Renewal income assets	87.4	85.7
Miscellaneous	0.1	5.9
Total other receivables on the Solvency II Net Assets Balance Sheet	1,546.2	1,391.9
Policyholder interests in other receivables (see Note 11)	1,030.2	733.1
Miscellaneous (see adjustment 2 on page 64)	2.8	2.1
Total other receivables	2,579.2	2,127.1
Current ¹	1,804.8	1,370.1
Non-current ¹	774.4	757.0
	2,579.2	2,127.1

¹ Business Loans to Partners have been re-presented to correct the classification of when repayments are expected to be received. The reclassification totalled £59.2 million from Current to Non-current. See Note 17 for further information.

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.

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 any 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 no 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 2020	31 December 2019
	£'Million	£'Million
Business loans to Partners directly funded by the Group	319.6	316.0
Securitised business loans to Partners	157.1	160.5
Total business loans to Partners	476.7	476.5

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.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

12. Other receivables continued

The Group has securitised £157.1 million (2019: £160.5 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 judgement in 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 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

	Stage 1 performing	Stage 2 under- performing	Stage 3 non- performing	Total
	£'Million	£'Million	£'Million	£'Million
Gross balance at 1 January 2019	383.0	7.6	7.0	397.6
Business loans to Partners classification changes:				
– Transfer to underperforming	(9.5)	9.5	–	–
– Transfer to non-performing	(3.4)	(0.1)	3.5	–
– Transfer to performing	4.7	(3.8)	(0.9)	–
New lending activity during the year	230.9	–	–	230.9
Interest charged during the year	18.2	0.4	0.3	18.9
Repayments activity during the year	(164.1)	(0.7)	(2.4)	(167.2)
Write-off for non-credit related reasons	(0.1)	–	–	(0.1)
Gross balance at 31 December 2019	459.7	12.9	7.5	480.1

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 2020 was £4.0 million (2019: £3.6 million). During the year, £1.3 million of the provision was released (2019: £0.2 million), £0.3m was utilised (2019: £nil) whilst new provisions and adjustments to existing provisions increased the total by £2.0 million (2019: £0.7 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 2020	31 December 2019
	£'Million	£'Million
Gross business loans to Partners	480.7	480.1
Provision	(4.0)	(3.6)
Net business loans to Partners	476.7	476.5

Renewal income assets

Movement in renewal income assets

	2020	2019
	£'Million	£'Million
At 1 January	85.7	72.1
Additions	16.5	17.1
Revaluation	(14.8)	(3.5)
Total renewal income assets at 31 December	87.4	85.7

The key assumptions used for the assessment of the fair value of the renewal income are as follows:

	31 December 2020	31 December 2019
Lapse rate – SJP Partner renewal income ¹	5.0%–15.0%	5.0%–15.0%
Lapse rate – non-SJP renewal income ¹	15.0%–25.0%	15.0%–25.0%
Discount rate	5.8%–10.1%	5.8%–7.5%

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.

13. Other payables

	31 December 2020	31 December 2019
	£'Million	£'Million
Payables in relation to unit liabilities excluding policyholder interests	233.6	106.8
Other payables in relation to insurance and unit trust business	488.1	411.0
Accrual for ongoing advice fees	124.0	118.1
Other accruals	66.8	72.1
Contract payment	118.1	77.9
Lease liabilities (see Note 10)	132.7	118.6
Miscellaneous	79.6	129.2
Total other payables on the Solvency II Net Assets Balance Sheet	1,242.9	1,033.7
Policyholder interests in other payables (see Note 11)	759.7	745.4
Miscellaneous (see adjustment 2 on page 64)	35.4	3.6
Total other payables	2,038.0	1,782.7
Current	1,800.7	1,605.7
Non-current	237.3	177.0
	2,038.0	1,782.7

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 £118.1 million (2019: £77.9 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. It increased by £60.0 million during the year due to an additional payment being received as part of contract negotiations to extend the life of this agreement by five years. The contract payment received in previous years 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 £72.5 million (2019: £68.6 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.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

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

	2020	2019
	£'Million	£'Million
Balance at 1 January	556.6	508.1
Movement in unit-linked liabilities	1.9	42.9
Movement in liabilities		
– New business	–	0.2
– Existing business	(1.8)	(1.8)
– Other assumption changes	4.8	4.1
– Experience variance	1.1	3.1
Total movement in liabilities	4.1	5.6
Balance at 31 December	562.6	556.6
Unit-linked	466.1	464.2
Non-unit-linked	96.5	92.4
	562.6	556.6
Current	108.8	98.8
Non-current	453.8	457.8
	562.6	556.6

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.

Reinsurance assets

	2020	2019
	£'Million	£'Million
Reconciliation of the movement in the net reinsurance balance:		
Reinsurance assets at 1 January	88.6	82.8
Reinsurance component of change in insurance liabilities	3.7	5.8
Reinsurance assets at 31 December	92.3	88.6
Current	17.8	15.7
Non-current	74.5	72.9
	92.3	88.6

The overall impact of reinsurance on the profit for the year was a net expense of £1.1 million (2019: net income of £1.5 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	Rate – 2019 and 2020		
Interest rate	The valuation interest rate is calculated by reference to the long-term gilt yield at 31 December 2020. The specific rates used are between 0.1% and 0.4% depending on the tax regime (0.6% and 0.9% at 31 December 2019).			
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 has been no change during 2020. Sample annual rates per £ for a male non-smoker are:			
	Age			
	25		0.000760	
	35		0.001334	
	45		0.003189	
Morbidity – Permanent Health Insurance	Morbidity is based on Group experience. During 2020 the assumed PHI claim inception rates have been reduced to reflect that the observed experience has been lower than that assumed in the previous years' valuations. Sample annual rates per £ income benefit for a male non-smoker are:	Rate 2020	Rate 2019	
	Age			
	25	0.00274	0.00366	
	35	0.00723	0.00965	
	45	0.01569	0.02092	
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	2020	2019	
	Protection business	£40.56	£39.26	
Persistency	Allowance is made for a prudent level of lapses within the calculation of the liabilities. The rates have not changed in 2020. Sample annual lapse rates are:	Lapses		
	2019 and 2020	Year 1	Year 5	Year 10
	Protection business	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 2020	Change in profit/(loss) before tax 2019	Change in net assets 2020	Change in net assets 2019
	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.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

15. Other provisions and contingent liabilities

	Complaints provision £'Million	Lease provision £'Million	Clawback provision £'Million	Total provisions £'Million
At 1 January 2019	19.8	–	2.9	22.7
Additional provisions	22.6	11.2	0.8	34.6
Utilised during the year	(15.3)	–	–	(15.3)
Release of provision	(1.4)	–	–	(1.4)
At 31 December 2019	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
Current	11.7	0.1	1.2	13.0
Non-current	8.7	10.3	2.3	21.3
	20.4	10.4	3.5	34.3

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 of restoring similar buildings to their original state. The clawback provision is based on estimates of the indemnity commission that may be repaid.

As more fully set out in the summary of principal risks and uncertainties on pages 76 and 77, 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 (2019: £nil).

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 Consolidation Financial Statements.

Senior unsecured corporate borrowings

	31 December 2020 £'Million	31 December 2019 £'Million
Corporate borrowings: bank loans	112.7	173.3
Corporate borrowings: loan notes	113.8	113.8
Senior unsecured corporate borrowings	226.5	287.1

The primary senior unsecured corporate borrowings are:

- a £340 million revolving credit facility which is repayable at maturity in 2023 with a variable interest rate. At 31 December 2020 the undrawn credit available under this facility was £230 million (2019: £170 million); and
- a US Dollar \$160 million private shelf facility, under which the Group has issued two tranches of loan notes: one for £50 million and another for £64 million. The note issues were denominated in Sterling, eliminating any Group currency risk. The notes are repayable in instalments over ten years, ending in 2025 and 2027 respectively, 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 2020 and 31 December 2019 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 2020	31 December 2019
	£'Million	£'Million
Senior unsecured corporate borrowings	226.5	287.1
Senior tranche of non-recourse securitisation loan notes	115.3	116.6
Total borrowings	341.8	403.7
Current	11.0	–
Non-current	330.8	403.7
	341.8	403.7

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. £70.0 million of these loan notes were issued during 2018 with a further £50.0 million issued during 2019: a movement schedule has been set out below. They are held by third-party investors and are secured on a legally segregated portfolio of £157.1 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 2020	31 December 2019
	£'Million	£'Million
Junior tranche of non-recourse securitisation loan notes	48.1	49.9
Senior tranche of non-recourse securitisation loan notes	115.3	116.6
Total non-recourse securitisation loan notes	163.4	166.5
Backed by:		
Securitised business loans to Partners (see Note 12)	157.1	160.5
Other net assets of SJP Partner Loans No.1 Limited	6.3	6.0
Total net assets held by SJP Partner Loans No.1 Limited	163.4	166.5

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 156.

	Senior unsecured corporate borrowings	Senior tranche of securitisation loan notes	Total borrowings	Senior unsecured corporate borrowings	Senior tranche of securitisation loan notes	Total borrowings
	2020	2020	2020	2019	2019	2019
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
Borrowings at 1 January	287.1	116.6	403.7	278.6	70.0	348.6
Additional borrowing during the year	270.0	–	270.0	340.0	50.0	390.0
Repayment of borrowings during the year	(331.1)	(1.0)	(332.1)	(332.0)	(2.8)	(334.8)
Costs on additional borrowings during the year	–	(0.8)	(0.8)	–	(1.0)	(1.0)
Unwind of borrowing costs (non-cash movement)	0.5	0.5	1.0	0.5	0.4	0.9
Borrowings at 31 December	226.5	115.3	341.8	287.1	116.6	403.7

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.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

16. Borrowings and financial commitments continued

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 2020	31 December 2019	31 December 2020	31 December 2019
	£'Million	£'Million	£'Million	£'Million
Bank of Scotland	63.3	57.7	70.0	70.0
Clydesdale Bank	–	–	25.0	–
Investec	25.9	18.5	50.0	25.0
Metro Bank	39.8	45.7	61.0	61.0
NatWest	22.1	15.1	50.0	25.0
Santander	49.6	44.5	50.0	50.0
Total loans	200.7	181.5	306.0	231.0

The fair value of these guarantees has been assessed as £nil (2019: £nil).

17. Financial risk

Risk management objectives and risk policies

The Group's financial risk can usefully be considered in 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 2020, 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:

	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 ³	–	–	132.7	132.7
– Other ³	–	–	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
31 December 2019				
Financial assets				
Fixed income securities	5.2	–	–	5.2
Investment in Collective Investment Schemes ¹	1,131.8	–	–	1,131.8
Other receivables ²				
– Business loans to Partners	–	476.5	–	476.5
– Renewal income assets	85.7	–	–	85.7
– Other	–	405.3	–	405.3
<i>Total other receivables</i>	<i>85.7</i>	<i>881.8</i>	<i>–</i>	<i>967.5</i>
Cash and cash equivalents	–	292.8	–	292.8
Total financial assets	1,222.7	1,174.6	–	2,397.3
Financial liabilities				
Borrowings	–	–	403.7	403.7
Other payables				
– Lease liabilities ³	–	–	118.6	118.6
– Other ³	–	–	919.0	919.0
<i>Total other payables</i>	<i>–</i>	<i>–</i>	<i>1,037.6</i>	<i>1,037.6</i>
Total financial liabilities	–	–	1,441.3	1,441.3

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 unearned commission, which are not considered financial assets.

3 Lease liabilities have been separated from total other payables for the first time for the year ended 31 December 2020, and so the comparative for the year ended 31 December 2019 has been restated accordingly.

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:

Year ended 31 December 2020	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
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)
Year ended 31 December 2019	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
Financial assets				
Fixed income securities	0.7	–	–	0.7
Investment in Collective Investment Schemes	8.0	–	–	8.0
Other receivables				
– Business loans to Partners	–	13.6	–	13.6
– Renewal income assets	(3.5)	–	–	(3.5)
<i>Total other receivables</i>	<i>(3.5)</i>	<i>13.6</i>	<i>–</i>	<i>10.1</i>
Cash and cash equivalents	–	1.8	–	1.8
Total financial assets	5.2	15.4	–	20.6
Financial liabilities				
Borrowings	–	–	(9.7)	(9.7)
Other payables				
– Lease liabilities	–	–	(2.9)	(2.9)
– Other	–	–	(1.0)	(1.0)
<i>Total other payables</i>	<i>–</i>	<i>–</i>	<i>(3.9)</i>	<i>(3.9)</i>
Total financial liabilities	–	–	(13.6)	(13.6)

Losses on renewal income assets have been recognised within the investment return line in the Statement of Comprehensive Income.

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).

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

17. Financial risk continued

The following table presents the Group's shareholder assets measured at fair value. There are no shareholder liabilities measured at fair value:

	Level 1	Level 2	Level 3	Total balance
	£'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
Renewal income assets	–	–	87.4	87.4
Total financial assets	1,272.2	–	87.4	1,359.6
31 December 2019				
Financial assets				
Fixed income securities	5.2	–	–	5.2
Investment in Collective Investment Schemes ¹	1,131.8	–	–	1,131.8
Renewal incomes assets	–	–	85.7	85.7
Total financial assets	1,137.0	–	85.7	1,222.7

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 £7.5 million and a favourable change in valuation of £9.1 million, respectively.

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

	2020	2019
	£'Million	£'Million
Renewal income assets		
Opening balance	85.7	72.1
Additions during the year	16.5	17.1
Disposals during the year	–	–
Unrealised losses recognised in the Statement of Comprehensive Income	(14.8)	(3.5)
Closing balance	87.4	85.7

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:

	AAA	AA	A	BB	Unrated	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
31 December 2020						
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
31 December 2019						
Fixed income securities	4.1	1.1	–	–	–	5.2
Investment in Collective Investment Schemes ¹	1,131.8	–	–	–	–	1,131.8
Reinsurance assets	–	88.6	–	–	–	88.6
Other receivables	–	4.7	–	–	962.8	967.5
Cash and cash equivalents	–	–	292.7	0.1	–	292.8
Total	1,135.9	94.4	292.7	0.1	962.8	2,485.9

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 £476.7 million (2019: £476.5 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 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 (2019: £3.6 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 £6.0 million (2019: £5.4 million).

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	1–5 years	Over 5 years	Total
	£'Million	£'Million	£'Million	£'Million
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
31 December 2019				
Financial assets				
Fixed income securities	5.2	–	–	5.2
Investment in Collective Investment Schemes	1,131.8	–	–	1,131.8
Other receivables				
– Business loans to Partners ¹	101.9	262.9	111.7	476.5
– Renewal income	17.0	39.9	28.8	85.7
– Other	405.3	–	–	405.3
<i>Total other receivables</i>	<i>524.2</i>	<i>302.8</i>	<i>140.5</i>	<i>967.5</i>
Cash and cash equivalents	292.8	–	–	292.8
Total financial assets	1,954.0	302.8	140.5	2,397.3
Financial liabilities				
Borrowings	2.1	356.6	48.4	407.1
Other payables				
– Lease liabilities	11.9	46.5	84.5	142.9
– Other	812.3	42.3	40.0	894.6
<i>Total other payables</i>	<i>824.2</i>	<i>88.8</i>	<i>124.5</i>	<i>1,037.5</i>
Total financial liabilities	826.3	445.4	172.9	1,444.6

¹ Business Loans to Partners have been re-presented to correct the classification of when repayments are expected to be received. The reclassification resulted in Business Loans to Partners Up to 1 year increasing by £59.2 million, 1-5 years increasing by £127.4 million and Over 5 years decreasing by £186.6 million.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

17. Financial risk continued

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 2020	31 December 2019
	£'Million	£'Million
Financial assets and investment properties		
Investment properties	(44.4)	11.8
Other assets backing unit liabilities	4,832.4	10,741.6
Total financial assets and investment properties	4,788.0	10,753.4
Financial liabilities¹		
Unit liabilities	(3,945.3)	9,558.9
Total financial liabilities	(3,945.3)	9,558.9

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.

Fair value estimation

As set out on page 191, 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 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

31 December 2019	Level 1 £'Million	Level 2 £'Million	Level 3 £'Million	Total balance £'Million
Financial assets and investment properties				
Investment property	–	–	1,750.9	1,750.9
Equities	72,524.8	–	169.4	72,694.2
Fixed income securities	7,297.4	18,891.3	81.7	26,270.4
Investment in Collective Investment Schemes	4,033.1	–	1.5	4,034.6
Derivative financial instruments	–	1,342.9	–	1,342.9
Cash and cash equivalents	6,720.8	–	–	6,720.8
Total financial assets and investment properties	90,576.1	20,234.2	2,003.5	112,813.8
Financial liabilities				
Investment contract benefits	–	83,558.5	–	83,558.5
Derivative financial instruments	–	948.8	–	948.8
Net asset value attributable to unit holders	27,830.0	–	–	27,830.0
Total financial liabilities	27,830.0	84,507.3	–	112,337.3

In respect of the derivative financial liabilities, £123.6 million of collateral has been posted as at 31 December 2020 (2019: £226.1 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 CIS 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 CIS 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.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

17. Financial risk continued

The following table presents the changes in Level 3 financial assets and liabilities at fair value through the profit and loss:

	Investment property	Fixed income securities	Equities	CIS
	£'Million	£'Million	£'Million	£'Million
2020				
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	1.8
	Investment property	Fixed income securities	Equities	CIS
	£'Million	£'Million	£'Million	£'Million
2019				
Opening balance	1,820.7	–	–	1.8
Transfer into Level 3	–	–	–	(0.1)
Additions during the year	56.9	78.7	162.7	–
Disposed during the year	(52.5)	–	–	(0.2)
(Losses)/gains recognised in the income statement	(74.2)	3.0	6.7	–
Closing balance	1,750.9	81.7	169.4	1.5
Unrealised (losses)/gains	(89.9)	3.0	6.7	–
Realised gains	15.7	–	–	–
(Losses)/gains recognised in the income statement	(74.2)	3.0	6.7	–

Unrealised and realised gains/(losses) for all Level 3 assets are recognised within investment return in the Statement of Comprehensive Income.

Level 3 valuations

Investment property

At 31 December 2020 the Group held £1,526.7 million (2019: £1,750.9 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 2020	Investment property classification			
	Office	Industrial	Retail and leisure	All
Gross ERV (per sq ft)¹				
Range	£15.00–£96.04	£4.13–£17.50	£2.50–£105.01	£2.50–£105.01
Weighted average	£42.19	£9.16	£13.56	£15.20
True equivalent yield				
Range	4.2%–9.4%	3.8%–5.7%	4.0%–15.1%	3.8%–15.1%
Weighted average	5.4%	4.5%	7.1%	5.6%

31 December 2019	Investment property classification			
	Office	Industrial	Retail and leisure	All
Gross ERV (per sq ft)¹				
Range	£14.66–£97.55	£4.13–£17.50	£2.50–£99.98 ²	£2.50–£99.98 ²
Weighted average	£36.02	£8.28	£15.47	£15.12
True equivalent yield				
Range	4.1%–8.5%	4.1%–6.3%	4.7%–13.9%	4.1%–13.9%
Weighted average	5.3%	4.6%	6.7%	5.5%

¹ Equivalent rental value (per square foot).

² The maximum ERV per square foot for retail and leisure has decreased from £159.96 to £99.98 at 31 December 2019 to provide comparable data following the implementation by the Group's professional external valuers of a revised model for valuing retail assets in 2020.

Fixed income securities and equities

At 31 December 2020 the Group held £309.3 million (2019: £169.4 million) in private credit investments, and £465.8 million (2019: £81.7 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:

1. 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
2. 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:

1. a market approach with reference to suitable market comparatives; and
2. 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 CIS 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 25-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 2020	Expected rental value/Relative yield	1,526.7	1,839.5	1,277.4
31 December 2019	Expected rental value/Relative yield	1,750.9	1,917.0	1,602.3

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

17. Financial risk continued

Fixed income securities and equities

As set out on the previous page, 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 2020	Fixed income securities	309.3	314.9	304.8
	Equities	465.8	559.2	408.4
31 December 2019	Fixed income securities	81.7	82.9	80.2
	Equities	169.4	191.3	147.9

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 unitised 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.

18. 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
Linden House Financial Services Limited	FCA: Personal Investment Firm
Perennial Financial Management Limited (known as BFS Financial Services Limited until 13 January 2020)	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 Singapore: A 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.

As an insurance group, St. James's Place is subject to the Solvency II regulations, which were implemented on 1 January 2016. 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 2020, assessed on the standard formula basis, is presented in the following table:

	31 December 2020	31 December 2019
	£'Million	£'Million
IFRS total assets	129,897.0	117,292.0
Less Solvency II valuation adjustments and unit-linked liabilities	(128,678.4)	(116,235.2)
Solvency II net assets	1,218.6	1,056.8
Solvency II VIF	4,756.3	4,303.5
Risk margin	(1,357.5)	(1,213.3)
Own funds (A)	4,617.4	4,147.0
Standard formula SCR (B)	3,506.6	3,148.0
Solvency II free assets (A-B)	1,110.8	999.0
Solvency II ratio (A/B)	132%	132%
	31 December 2020	31 December 2019
	£'Million	£'Million
Solvency II net assets	1,218.6	1,056.8
Less: management solvency buffer (MSB)	(501.3)	(476.2)
Excess of free assets over MSB	717.3	580.6

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 74.

The regulatory capital requirements of companies within the Group, and the associated solvency of the Group, are assessed and monitored by the Finance Executive Committee, 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 2020, the level of the MSB was reviewed for the Life businesses and, as a result, increased by £25.0 million, reflecting business growth and market conditions. 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

18. 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 2020	31 December 2019
	£'Million	£'Million
Share capital	80.6	80.2
Share premium	185.3	182.4
Shares in trust reserve	(14.8)	(16.4)
Miscellaneous reserves	2.5	2.5
Retained earnings	859.4	699.4
Shareholders' equity	1,113.0	948.1
Non-controlling interests	(0.9)	(0.9)
Total equity	1,112.1	947.2

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 71, 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.

19. Share capital, earnings per share and dividends

Share capital

	Number of ordinary shares	Called-up share capital £'Million
At 1 January 2019	529,453,397	79.4
– Issue of shares	388,783	0.1
– Exercise of options	4,958,446	0.7
At 31 December 2019	534,800,626	80.2
– Exercise of options	2,542,840	0.4
At 31 December 2020	537,343,466	80.6

Ordinary shares have a par value of 15 pence per share (2019: 15 pence per share) and are fully paid.

Included in the issued share capital are 2,913,822 (2019: 2,894,530) shares held in the Shares in trust reserve with a nominal value of £0.4 million (2019: £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 663,769 shares at 31 December 2020 and 438,105 shares at 31 December 2019. No dividends have been waived on shares held in the St. James's Place 2010 SIP Trust in 2020 or 2019.

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 20.

Earnings per share

	Year ended 31 December 2020	Year ended 31 December 2019
	£'Million	£'Million
Earnings		
Profit after tax attributable to equity shareholders (for both basic and diluted EPS)	262.0	146.6
	Million	Million
Weighted average number of shares		
Weighted average number of ordinary shares in issue (for basic EPS)	533.5	531.3
Adjustments for outstanding share options	5.8	2.7
Weighted average number of ordinary shares (for diluted EPS)	539.3	534.0
	Pence	Pence
Earnings per share (EPS)		
Basic earnings per share	49.1	27.6
Diluted earnings per share	48.6	27.5

Dividends

The following dividends have been paid by the Group:

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2019
	Pence per share	Pence per share	£'Million	£'Million
Final dividend in respect of 2018	–	29.73	–	157.5
Interim dividend in respect of 2019	–	18.49	–	98.5
Second interim dividend in respect of 2019	20.00	–	107.1	–
Total dividends	20.00	48.22	107.1	256.0

In the Annual Report and Accounts 2019 the Directors recommended a final dividend of 31.22 pence, which amounted to £167.0 million. Following the escalation of the COVID-19 pandemic in the UK, the Board announced that 11.22 pence per share of this proposed dividend would be withheld until such a time as the financial and economic impacts of COVID-19 become clearer. As a result, a 2019 second interim dividend of 20.00 pence, which amounted to £107.1 million, was paid on 27 May 2020 to those shareholders on the register as at close of business on 11 May 2020. Following further review, the Board has determined that it no longer needs to continue with this retention and the withheld amount of 11.22 pence per share has now been declared as a further 2019 interim dividend. This amounts to £60.3 million, to be paid on 24 March 2021 to those shareholders on the register as at 5 March 2021.

In respect of 2020 the Directors have recommended a 2020 final dividend of 38.49 pence per share. This amounts to £206.8 million and will, subject to shareholder approval at the Annual General Meeting, be paid on 21 May 2021 to those shareholders on the register as at 16 April 2021.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

20. Share-based payments

During the year ended 31 December 2020, 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. 583,171 (2019: 684,968) SAYE options were granted on 25 March 2020 (2019: 22 March 2019). 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 2020 (2019: 2,618,574) 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 2020 (2019: 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 2020 (2019: 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. 9,890 (2019: 7,346) shares were granted under the SIP on 25 March 2020 (2019: 25 March 2019).
- 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. 477,702 (2019: 578,709) shares were granted under the deferred bonus schemes on 25 March 2020 (2019: 25 March 2019).
- 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 128. Awards made to senior managers are largely only subject to the earnings growth condition of the Group. This is predominantly an equity-settled scheme. 3,398,502 (2019: 3,129,039) shares were granted under the Executive Performance Share Plan across two grants made on 25 March 2020 and 25 September 2020 (2019: three grants made on 27 February 2019, 25 March 2019 and 23 September 2019).
- Restricted Share Plan – upon acquisition of the Rowan Dartington Group a new scheme was launched for eligible employees. Employees were granted shares, 50% of which vest after 18 months, and the remaining 50% vest after three years providing the individual remains in employment within the Group and maintains any applicable professional qualifications. The plan is predominantly equity-settled. 323,300 shares were granted under the Restricted Share Plan on 29 July 2016. No grants were made in 2020 (2019: nil).

Share options and awards outstanding under the various share-based payment schemes set out above at 31 December 2020 amount to 17.6 million shares (2019: 17.5 million). Of these, 6.4 million (2019: 8.5 million) are under option to Partners and advisers of the St. James's Place Partnership, 9.8 million (2019: 7.7 million) are under option to executives and senior management (including 1.3 million (2019: 1.1 million) under option to Directors as disclosed in the Directors' Remuneration Report on pages 129 and 130) and 1.4 million (2019: 1.3 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	Share Incentive Plan	Executive Deferred Bonus	Executive Performance Share Plan ⁴	Associate Partner Plan ⁵
	Black-Scholes	Black-Scholes	Black-Scholes	Monte Carlo	Black-Scholes
Awards in 2020					
Fair value (pence)	54.9	751.4	751.4	374.9/751.4 ^{4,5}	N/A
Share price (pence)	751.4	751.4	751.4	751.4	N/A
Exercise price (pence)	813.0	0.0	0.0	0.0	N/A
Expected volatility (% pa) ¹	26	N/A	N/A	26	N/A
Expected dividends (% pa) ²	6.7	0.0	0.0	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
Awards in 2019					
Fair value (pence)	201.4	992.4	992.4	498.2/992.4 ³	N/A
Share price (pence)	1,007.0	992.4	992.4	992.4	N/A
Exercise price (pence)	771.0	0.0	0.0	0.0	N/A
Expected volatility (% pa) ¹	24	N/A	N/A	24	N/A
Expected dividends (% pa) ²	4.6	0.0	0.0	4.8	N/A
Risk-free interest rate (% pa)	0.7	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	13-47	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 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.

4 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 347.1/751.4 (2019: 462.8/921.9) to reflect the reduced marketability of the awards.

5 The fair value of the grants made under the Associate Partner Plan has been determined using the Black-Scholes valuation model. This is the most appropriate valuation method because the value of the services that the Partners and advisers are providing, for which they are being remunerated via the plan, cannot be readily separated from the overall value of the services provided by the Partners and advisers.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

20. Share-based payments continued

Share option schemes

	Year ended 31 December 2020	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2019
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
SAYE Plan				
Outstanding at start of year	1,280,599	£8.33	1,342,066	£8.27
Granted	583,171	£6.01	684,968	£8.06
Forfeited	(209,121)	£8.34	(308,670)	£8.89
Exercised	(253,722)	£8.50	(437,765)	£6.93
Outstanding at end of year	1,400,927	£7.38	1,280,599	£8.33
Exercisable at end of year	3,704	£8.44	3,116	£6.87
Partner Performance Share Plan				
Outstanding at start of year	2,126,365	£0.15	3,327,396	£0.15
Granted	–	£0.15	2,618,574	£0.15
Forfeited	(10,124)	£0.15	(744,264)	£0.15
Exercised	(1,220,189)	£0.15	(3,075,341)	£0.15
Outstanding at end of year	896,052	£0.15	2,126,365	£0.15
Exercisable at end of year	896,052	£0.15	2,126,365	£0.15
Partner and Adviser Chartered Plan				
Outstanding at start of year	499,389	£0.15	1,888,000	£0.15
Granted	–	–	–	–
Forfeited	–	–	(745,650)	£0.15
Exercised	(184,445)	£0.15	(642,961)	£0.15
Outstanding at end of year	314,944	£0.15	499,389	£0.15
Exercisable at end of year	314,944	£0.15	499,389	£0.15
Associate Partner Plan				
Outstanding at start of year	5,797,500	£10.95	5,980,000	£10.95
Granted	–	–	–	–
Forfeited	(578,750)	£10.85	(182,500)	£10.95
Exercised	(12,500)	£10.83	–	–
Outstanding at end of year	5,206,250	£10.95	5,797,500	£10.95
Exercisable at end of year	4,415,000	£10.83	–	–

The average share price during the year was 973.2 pence (2019: 1,032.8 pence).

The SAYE Plan options outstanding at 31 December 2020 had exercise prices of 844 pence (3,704 options), 911 pence (136,203 options), 906 pence (78,871 options), 771 pence (568,473 options), 813 pence (497,876 options) and a weighted average remaining contractual life of 1.6 years.

The options outstanding under the Partner Performance Share Plan and the Partner and Adviser Chartered Plan at 31 December 2020 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 2020 had an exercise price of 1,083 pence (3,883,250 options) and 1,135 pence (1,323,000 options) and a weighted average remaining contractual life of 0.2 years.

Share awards

All shares awards under the below schemes have exercise prices of nil.

	Year ended 31 December 2020	Year ended 31 December 2019
	Number of options	Number of options
Share Incentive Plan		
Outstanding at start of year	37,073	35,009
Granted	9,890	7,346
Forfeited	-	(1,079)
Exercised	-	(4,203)
Outstanding at end of year	46,963	37,073
Exercisable at end of year	9,476	8,990
Executive Deferred Bonus Scheme		
Outstanding at start of year	2,021,702	2,132,414
Granted	477,702	578,709
Forfeited	(30,618)	(5,320)
Exercised	(667,237)	(684,101)
Outstanding at end of year	1,801,549	2,021,702
Exercisable at end of year	-	-
Executive Performance Share Plan		
Outstanding at start of year	5,691,754	3,250,646
Granted	3,398,502	3,129,039
Forfeited	(536,321)	(178,643)
Exercised	(589,089)	(509,288)
Outstanding at end of year	7,964,846	5,691,754
Exercisable at end of year	599,447	521,006
Restricted Share Plan		
Outstanding at start of year	-	155,316
Granted	-	-
Forfeited	-	(6,912)
Exercised	-	(148,404)
Outstanding at end of year	-	-
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% (2019: 20%) correlated and that the comparator index has volatilities ranging between 15% p.a. and 84% p.a. (2019: 13% p.a. and 47% 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 2020 therefore include an allowance for the actual performance of the Company's share price relative to the index over the period between 1 January 2020 and the various award dates.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

20. 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 2020	Year ended 31 December 2019
	£'Million	£'Million
Equity-settled share-based payment expense	10.6	28.7
Cash-settled share-based payment expense	–	0.5
Total share-based payment expense	10.6	29.2

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 2020 or 31 December 2019 is in respect of vested cash-settled share-based payments.

	Year ended 31 December 2020	Year ended 31 December 2019
	£'Million	£'Million
Liability for cash-settled share-based payments	0.9	1.3
Liability for employer National Insurance contributions on cash-settled and equity-settled share-based payments	4.9	5.3

21. 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.

Name of entity	Percentage of ownership interest		Nature of relationship	Measurement method	Net asset value as at 31 December	
	2020	2019			2020	2019
					£'Million	£'Million
St. James's Place Property Unit Trust	0.00%	0.00%	Manager of unit trust	N/A	1,161.4	1,303.8
St. James's Place UK Equity Unit Trust	11.21%	11.24%	Manager of unit trust	Fair value through profit or loss	917.8	1,244.9
					2,079.2	2,548.7

As at 31 December 2020 the value of the Group's interests in the individual unconsolidated unit trusts were £nil (2019: £nil) in St. James's Place Property Unit Trust and £102.9 million (2019: £139.9 million) in St. James's Place UK Equity Unit Trust.

Associates

The St. James's Place UK Equity Unit Trust, registered in England and Wales, is not consolidated within the Group Financial Statements; however, it does meet the criteria of an associate. Details are provided in the table above. 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.

22. 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 2020:

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 (name changed to Tring Financial Management Limited from 23 June to 11 November 2020)	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
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
Jeremy Barrett Limited	07157544	*	England and Wales	Financial Advice	Yes
Lansdown Place Group Holdings Limited	06390547	2 Oakfield Road, Clifton, Bristol, BS8 2AL, United Kingdom	England and Wales	Holding Company	Yes
Lansdown Place Wealth Management Limited	05458948	2 Oakfield Road, Clifton, Bristol, BS8 2AL, United Kingdom	England and Wales	Financial Advice	Yes
Lifestyle Financial Solutions Limited	05411977	2 Oakfield Road, Clifton, Bristol, BS8 2AL, United Kingdom	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
LP Auto Enrolment Solutions Limited	08257531	2 Oakfield Road, Clifton, Bristol, BS8 2AL, United Kingdom	England and Wales	Pension Auto-enrolment	Yes

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

22. Subsidiary undertakings continued

Entity	Company number	Registered office	Country of incorporation	Principal activity	Audit exemption
LP Financial Management Limited	02195886	2 Oakfield Road, Clifton, Bristol, BS8 2AL, United Kingdom	England and Wales	Financial Advice	Yes
LP Holdco Limited	08323278	*	England and Wales	Holding Company	No
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 (name changed from BFS Financial Services Limited on 13 January 2020)	04609753	*	England and Wales	Financial Advice	Yes
Policy Services Limited	SC230167	Oracle Campus, Blackness Road, Linlithgow, West Lothian, EH49 7BF	Scotland	Financial Advice	Yes
Reflect Financial Limited (name changed from Hale Financial Solutions Limited on 24 July 2020)	04373946	*	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	Nominee Company	Yes
SJP Legacy Holdings Ltd (name changed from Policy Services Holdings Limited on 26 May 2020)	SC492906	Oracle Campus, Blackness Road, Linlithgow, West Lothian, EH49 7BF	Scotland	Holding Company	Yes
SJP Partner Loans No.1 Limited	11390901	Level 37, 25 Canada Square, Canary Wharf, London, E14 5LQ, 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

Entity	Company number	Registered office	Country of incorporation	Principal activity	Audit exemption
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
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 (name changed from St. James's Place Client Solutions Limited on 12 November 2020)	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.

Policy Services Limited (SC230167), Policy Services Holdings Limited (SC492906, name subsequently changed to SJP Legacy Holdings Ltd on 26 May 2020) and Virtue Money Limited (SC346827) were acquired by the Group on 30 April 2020. Jeremy Barrett Limited (07157544) was acquired by the Group on 4 December 2020.

In addition, Jamie Lewington & Co. Limited (04290504) was acquired by the Group on 4 January 2021: refer to Note 25 for further information.

The following wholly-owned subsidiary companies were dissolved during the year:

- St. James's Place Wealth Management (PCIS) Limited (on 18 February 2020); and
- St. James's Place International Assurance Group Limited (on 1 December 2020).

Where indicated on the previous page, 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 2020 of these companies, with the exception of Lansdown Place Group Holdings Limited, LP Financial Management Limited, Lansdown Place Wealth Management Limited, Lifestyle Financial Solutions Limited and LP Auto Enrolment Solutions Limited where LP Holdco Limited has guaranteed all the outstanding liabilities as at 31 December 2020.

All Group companies have an accounting reference date of 31 December, except for Jeremy Barrett Limited, Policy Services Limited, SJP Legacy Holdings Ltd and Virtue Money Limited which were acquired during 2020 and have an accounting reference date of 31 March. Unless otherwise stated, the tax residency of each subsidiary is the same as the country of incorporation.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

22. Subsidiary undertakings continued

100% of the equity share capital is held for the subsidiaries listed on the previous page with the exception of:

- a. LP Holdco Limited (08323278), where 43.14% of equity share capital is held (comprising 100% of the nominal value of the Class A ordinary shares, which confer 52.83% of voting rights along with a 75.62% holding of the nominal value of the Class C ordinary shares, which carry voting rights but are not defined as equity);
- b. All subsidiaries of LP Holdco Limited (being Lansdown Place Group Holdings Limited (06390547), Lansdown Place Wealth Management Limited (05458948), Lifestyle Financial Solutions Limited (05411977), LP Auto Enrolment Solutions Limited (08257531) and LP Financial Management Limited (02195886)), where 100% of the equity share capital is owned by LP Holdco Limited. As detailed above, the Group holds 43.14% of the equity share capital for this entity; and
- c. 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.

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 (known as St. James's Place Worldwide Opportunities Unit Trust until 14 December 2020)
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 (known as the St. James's Place Global Equity Income Unit Trust until 20 July 2020)
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 (launched during 2020)	St. James's Place Growth InRetirement Unit Trust (launched during 2020)
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 (launched during 2020)
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 & General Progressive Unit Trust
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 Growth Unit Trust
St. James's Place Global Equity Unit Trust	St. James's Place UK Income Unit Trust
St. James's Place Global Growth Unit Trust	St. James's Place Worldwide Income Unit Trust
St. James's Place Global High Yield Bond Unit Trust (known as St. James's Place International Corporate Bond Unit Trust until 14 December 2020)	

23. 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
Policy Services Group			
Policy Services Holdings Limited	Investment Holding Company	100%	30 April 2020
Virtue Money Limited	Investment Holding Company	100%	30 April 2020
Policy Services Limited	Provision of Financial Services	100%	30 April 2020
Willson Grange businesses	Provision of Financial Services	N/A1	3 September 2020
Jeremy Barrett businesses			
Jeremy Barrett Limited	Provision of Financial Services	100%	4 December 2020
J D & E S Barrett business	Provision of Financial Services	N/A2	4 December 2020

1 Acquisition of trade and assets from Willson Grange Limited and Willson Grange Wealth Management Limited.

2 Acquisition of trade and assets from J D & E S Barrett LLP.

Acquisition-related costs of £0.6 million have been charged to administration expenses in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2020.

Policy Services Group

The net assets, fair value adjustments and consideration for these acquisitions are summarised below (all values shown as at their acquisition dates):

	Book value	Fair value adjustment	Total
	£'Million	£'Million	£'Million
Financial assets	4.0	0.3	4.3
Cash and cash equivalents	4.1	–	4.1
Financial liabilities	(2.7)	(0.4)	(3.1)
Total	5.4	(0.1)	5.3
Consideration			
Cash consideration on completion			9.9
Cash consideration due on agreement of net assets			0.3
Contingent consideration			2.8
Total consideration			13.0
Goodwill			7.7

Goodwill comprises the value placed on the strengthened Partner recruitment proposition, as a result of bringing into the Group the Policy Services Group which is responsible for servicing Partners' legacy, non-St. James's Place books of business upon its admission to the Partnership.

Notes to the Consolidated Financial Statements under International Financial Reporting Standards continued

23. Business combinations continued

The contingent consideration of £2.8 million falls due on 30 April 2022, subject to the terms and conditions of the sale and purchase agreement, which includes the requirement that the services of specific key management personnel and consultants have been retained at the date it becomes due.

Willson Grange businesses

The net assets, fair value adjustments and consideration for these acquisitions are summarised below (all values shown as at their acquisition dates):

	Book value	Fair value adjustment	Total
	£'Million	£'Million	£'Million
Financial assets	0.3	6.3	6.6
Financial liabilities	–	(1.2)	(1.2)
Total	0.3	5.1	5.4
Consideration			
Cash consideration on completion			9.4
Deferred consideration			3.3
Total consideration			12.7
Goodwill			7.3

Goodwill comprises the value placed upon the training provided to trainee advisers up to the point of acquisition and the future value to be generated from the new business opportunities generated by the advisers after completion of their training.

It is expected that the deferred consideration will be paid in full with no changes to the amount initially recognised. The carrying amount of the deferred consideration at the statement of financial position date is £3.3 million. Of the remaining balance to be settled, £0.3 million was due as at 31 December 2020, with the remaining balances of £0.4m and £2.6m due to be settled on 6 January 2021 and 3 November 2022 respectively.

Jeremy Barrett businesses

The net assets, fair value adjustments and consideration for these acquisitions are summarised below (all values shown as at their acquisition dates):

	Book value	Fair value adjustment	Total
	£'Million	£'Million	£'Million
Financial assets	2.0	1.9	3.9
Financial liabilities	–	(0.4)	(0.4)
Total	2.0	1.5	3.5
Consideration			
Cash consideration			3.1
Deferred consideration			0.8
Total consideration			3.9
Goodwill			0.4

Goodwill comprises the value placed upon new business opportunities generated from the acquisition.

It is expected that the deferred consideration will be paid in full with no changes to the amount initially recognised on 4 June 2022.

In aggregate and in relation to the above acquisitions, the Consolidated Statement of Comprehensive Income for the period has included fee and commission income of £11.0 million and a loss before tax of £1.0 million. Had the above acquisitions been consolidated from 1 January 2020, they would have contributed £19.0 million to Group fee and commission income, taking the total for the year £8.0 million higher at £2,104.4 million and no material impact to the reported Group profit before tax for the year ended 31 December 2020.

24. 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 losses recognised of £18.2 million (2019: gains of £12.3 million) and the total value of transactions with those non-consolidated unit trusts was £35.1 million (2019: £28.0 million). Net management fees receivable from these unit trusts amounted to £8.0 million (2019: £11.3 million). The value of the investment into the non-consolidated unit trusts at 31 December 2020 was £101.1 million (2019: £139.9 million). These transactions are all with the Group's associate, as set out in Note 21.

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 121 to 139, in addition to the disclosure below.

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.

Compensation of key management personnel is as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
	£'Million	£'Million
Short-term employee benefits	4.3	4.6
Post-employment benefits	0.5	0.4
Share-based payment	2.0	2.3
Total	6.8	7.3

The total value of Group FUM held by related parties of the Group as at 31 December 2020 was £31.9 million (2019: £27.1 million). The total value of St. James's Place plc dividends paid to related parties of the Group during the year was £0.4 million (2019: £0.9 million).

Commission, advice fees and remuneration of £4.7 million (2019: £4.2 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 2020 was £0.3 million (2019: £0.3 million).

Outstanding at the year end were Partner loans of £4.0 million (2019: £4.9 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 (2019: £1.2 million) was advanced and £1.0 million (2019: £0.6 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 that adviser. Interest of £0.2 million was received during 2020 (2019: £0.2 million).

At the start of the year, related parties of key management personnel held 31,017 (2019: 33,517) shares and options under various St. James's Place plc share option schemes. During the year nil (2019: nil) shares and options were granted, 2,500 (2019: nil) options lapsed and nil (2019: nil) options were exercised.

25. Events after the reporting period

On 4 January 2021 the Group acquired 100% of the ordinary share capital of Jamie Lewington & Co. Limited for total consideration of £20.3 million. Jamie Lewington & Co. Limited is an appointed representative of St. James's Place Wealth Management plc and its acquisition supports the Group's strategic objective of growing and supporting the Partnership. The initial accounting for this business combination is incomplete as at 24 February 2021 and hence detailed accounting information has not been provided.

In addition, on 12 January 2021 the Group announced a redundancy programme which will affect approximately 200 employees across the St. James's Place business. As at 24 February 2021 the Group is still in the consultation phase of this process and as such it is too early to quantify the financial impact of the redundancy programme.

Parent Company Financial Statements under Financial Reporting Standard 101

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Parent Company Statement of Financial Position

Registered number: 03183415

	Note	As at 31 December 2020 £'Million	As at 31 December 2019 £'Million
Investment in subsidiaries	2	404.4	384.8
Current assets			
Amounts owed by Group undertakings	6	1,051.6	846.0
Cash and cash equivalents		0.1	0.1
Current liabilities			
Corporation tax liabilities		(2.2)	(2.9)
Other payables		-	(0.1)
Net current assets		1,049.5	843.1
Net assets		1,453.9	1,227.9
Equity			
Share capital	3	80.6	80.2
Share premium		185.3	182.4
Share option reserve		233.2	222.6
Miscellaneous reserves		0.1	0.1
Retained earnings		954.7	742.6
Total shareholders' funds		1,453.9	1,227.9

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 £319.2 million (2019: £336.2 million) which can be seen in the Statement of Changes in Equity on page 216.

The Parent Company Financial Statements on pages 215 to 220 were approved by the Board of Directors on 24 February 2021 and signed on its behalf by:

ANDREW CROFT
Chief Executive

CRAIG GENTLE
Chief Financial Officer

The Notes and information on pages 217 to 220 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 2019		79.4	174.5	193.9	0.1	662.4	1,110.3
Profit and total comprehensive income for the year		–	–	–	–	336.2	336.2
Dividends	5	–	–	–	–	(256.0)	(256.0)
Issue of share capital	3	0.1	3.9	–	–	–	4.0
Exercise of options	3	0.7	4.0	–	–	–	4.7
Cost of share options expensed in subsidiaries		–	–	28.7	–	–	28.7
At 31 December 2019		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

The Notes and information on pages 217 to 220 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 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 amended accounting standards

As at 31 December 2020, the following amended standards, which the Company adopted as of 1 January 2020, have not had any material impact on the Company's financial statements:

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material;
- Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – Interest Rate Benchmark Report; and
- Revised Conceptual Framework of Financial Reporting.

Adoption of new accounting standards

There were no relevant new accounting standards adopted during the year.

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.

Notes to the Parent Company Financial Statements continued

1. Accounting policies continued

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	Share awards	Impairment provision	Net book value
	£'Million	£'Million	£'Million	£'Million
At 1 January 2019	338.0	193.9	(23.9)	508.0
Share awards granted	–	28.7	–	28.7
Share capital injection	6.0	–	–	6.0
Impairment expense	–	–	(157.9)	(157.9)
At 31 December 2019	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

The carrying value of the investments has been tested for impairment. The investments are supported by the value in use of the subsidiaries. The investment in subsidiaries net book value is broken down as follows:

	31 December 2020	31 December 2019
	£'Million	£'Million
St. James's Place Wealth Management Group Limited	87.6	87.6
Cirencio Limited	–	–
St. James's Place DFM Holdings Limited	83.6	74.6
Directly held investments	171.2	162.2
St. James's Place Management Services Limited	166.5	156.8
St. James's Place Wealth Management plc	62.5	61.8
St. James's Place International plc	0.2	0.2
Rowan Dartington & Co Limited	3.8	3.6
Stafford House Investments Limited	0.2	0.2
Investments held due to share awards granted	233.2	222.6
Total	404.4	384.8

3. Share capital

	Number of ordinary shares	Called-up share capital £'Million
At 1 January 2019	529,453,397	79.4
– Issue of shares	388,783	0.1
– Exercise of options	4,958,446	0.7
At 31 December 2019	534,800,626	80.2
– Exercise of options	2,542,840	0.4
At 31 December 2020	537,343,466	80.6

Ordinary shares have a par value of 15 pence per share (2019: 15 pence per share) and are fully paid.

The Company received consideration of £3.3 million (2019: £4.7 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 170. The audit fee charged to the Company for the year ended 31 December 2020 is £23,193 (2019: £22,400), which is borne by another entity within the Group.

5. Dividends

The following dividends have been paid by the Company:

	Year ended 31 December 2020 Pence per share	Year ended 31 December 2019 Pence per share	Year ended 31 December 2020 £'Million	Year ended 31 December 2019 £'Million
Final dividend in respect of 2018	–	29.73	–	157.5
Interim dividend in respect of 2019	–	18.49	–	98.5
Second interim dividend in respect of 2019	20.0	–	107.1	–
Total dividends	20.0	48.22	107.1	256.0

In the Annual Report and Accounts 2019 the Directors recommended a final dividend of 31.22 pence, which amounted to £167.0 million. Following the escalation of the COVID-19 pandemic in the UK, the Board announced that 11.22 pence per share of this proposed dividend would be withheld until such a time as the financial and economic impacts of COVID-19 become clearer. As a result, a 2019 second interim dividend of 20.00 pence, which amounted to £107.1 million, was paid on 27 May 2020 to those shareholders on the register as at close of business on 11 May 2020. Following further review, the Board has determined that it no longer needs to continue with this retention and the withheld amount of 11.22 pence per share has now been declared as a further 2019 interim dividend. This amounts to £60.3 million, to be paid on 24 March 2021 to those shareholders on the register as at 5 March 2021.

In respect of 2020 the Directors have recommended a 2020 final dividend of 38.49 pence per share. This amounts to £206.8 million and will, subject to shareholder approval at the Annual General Meeting, be paid on 21 May 2021 to those shareholders on the register as at 16 April 2021.

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 2020 £'Million	31 December 2019 £'Million
<i>Amounts owed by Group undertakings</i>		
St. James's Place Partnership Services Limited	1,051.6	846.0
Total	1,051.6	846.0

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).

During the year, the Company received £310.0 million (2019: £480.0 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 2020 was £31.9 million (2019: £27.1 million). The total value of dividends paid to related parties of the Company during the year was £0.4 million (2019: £0.9 million).

Notes to the Parent Company Financial Statements continued

6. Related party transactions and balances continued

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 2020 of:

Arbor Wealth Management Limited	10735786
Baxter Holding Company Limited (known as Tring Financial Management Limited from 23 June to 11 November 2020)	09805128
Baxter & Lindley Financial Services Limited	02307706
Cabot Portfolio Nominees Limited	03636010
CGA Financial & Investment Services Limited	02666180
Cirence Limited	01773177
Dartington Portfolio Nominees Limited	01489542
Future Proof Limited	07608319
Jeremy Barrett Limited	07157544
Linden House Financial Services Limited	02990295
Linden House Group Limited	08464570
M.H.S. (Holdings) Limited	00559995
M.S. Estates and Financial Services Limited	02224813
Perennial Financial Management Limited (name changed from BFS Financial Services Limited on 13 January 2020)	04609753
Reflect Financial Limited (name changed from Hale Financial Solutions Limited on 24 July 2020)	04373946
Rowan Dartington Holdings Limited	07470226
SJP AESOP Trustees Limited	04089795
SJP Legacy Holdings Ltd (name changed from Policy Services Holdings Limited on 26 May 2020)	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 (name changed from St. James's Place Client Solutions Limited on 12 November 2020)	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 121 to 139.

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 2020	Year ended 31 December 2019
	Note	£'Million	£'Million
Fee and commission income		2,011.3	2,355.4
Investment return	6	13.5	37.6
Net income		2,024.8	2,393.0
Expenses		(1,601.3)	(1,600.8)
Profit before tax		423.5	792.2
Tax attributable to policyholders' returns		(98.8)	(521.8)
Tax attributable to shareholders' returns		(70.0)	(41.0)
Total Cash result for the year		254.7	229.4
		Pence	Pence
Cash result basic earnings per share	III	47.7	43.2
Cash result diluted earnings per share	III	47.2	43.0

The Note references above cross refer to the Notes to the Consolidated Financial Statements under IFRS on pages 153 to 213, 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					Total	Non-controlling interests	Total equity
		Share capital	Share premium	Shares in trust reserve	Retained earnings	Misc. reserves			
		£'Million	£'Million	£'Million	£'Million	£'Million			
At 1 January 2019		79.4	174.5	(23.7)	876.2	2.5	1,108.9	(0.9)	1,108.0
Cash result for the year		–	–	–	229.4	–	229.4	–	229.4
Dividends	19	–	–	–	(256.0)	–	(256.0)	–	(256.0)
Issue of share capital	19	0.1	3.9	–	–	–	4.0	–	4.0
Exercise of options	19	0.7	4.0	–	–	–	4.7	–	4.7
Consideration paid for own shares		–	–	(0.1)	–	–	(0.1)	–	(0.1)
Shares sold during the year		–	–	7.4	(7.4)	–	–	–	–
Proceeds from exercise of shares held in trust		–	–	–	0.2	–	0.2	–	0.2
Change in deferred tax		–	–	–	(10.4)	–	(10.4)	–	(10.4)
Change in tax discounting		–	–	–	(10.0)	–	(10.0)	–	(10.0)
Change in goodwill, intangibles and other non-cash movements		–	–	–	(13.0)	–	(13.0)	–	(13.0)
At 31 December 2019		80.2	182.4	(16.4)	809.0	2.5	1,057.7	(0.9)	1,056.8
Cash result for the year		–	–	–	254.7	–	254.7	–	254.7
Dividends	19	–	–	–	(107.1)	–	(107.1)	–	(107.1)
Exercise of options	19	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)
Change in tax discounting		–	–	–	62.5	–	62.5	–	62.5
Change in goodwill, intangibles and other non-cash movements		–	–	–	(39.5)	–	(39.5)	–	(39.5)
At 31 December 2020		80.6	185.3	(14.8)	965.9	2.5	1,219.5	(0.9)	1,218.6

The Note references above cross refer to the Notes to the Consolidated Financial Statements under IFRS on pages 153 to 213, except where denoted in Roman numerals.

Consolidated Statement of Financial Position on a Cash Result Basis (unaudited)

		31 December 2020	31 December 2019
	Note	£'Million	£'Million
Assets			
Property and equipment	9	174.4	166.3
Deferred tax assets		0.7	98.5
Other receivables		1,546.2	1,391.9
Fixed income securities	17	7.4	5.2
Investment in Collective Investment Schemes	17	1,264.8	1,131.8
Cash and cash equivalents	17	254.9	292.8
Total assets		3,248.4	3,086.5
Liabilities			
Borrowings	16	341.8	403.7
Deferred tax liabilities		378.0	436.2
Other provisions	15	34.3	40.6
Other payables		1,242.9	1,033.7
Income tax liabilities		32.7	115.4
Preference shares		0.1	0.1
Total liabilities		2,029.8	2,029.7
Net assets		1,218.6	1,056.8
Shareholders' equity			
Share capital	19	80.6	80.2
Share premium		185.3	182.4
Shares in trust reserve		(14.8)	(16.4)
Miscellaneous reserves		2.5	2.5
Retained earnings		965.9	809.0
Shareholders' equity		1,219.5	1,057.7
Non-controlling interests		(0.9)	(0.9)
Total shareholders' equity on a Cash Result Basis		1,218.6	1,056.8
		Pence	Pence
Net assets per share		226.8	197.6

The Note references above cross refer to the Notes to the Consolidated Financial Statements under IFRS on pages 153 to 213, 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 pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union (adopted IFRSs) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) for items which do not reflect the cash emerging from the business. The adjustments are as follows:

1. 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.
2. 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.
3. 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 20 to the Consolidated Financial Statements.
4. 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.
5. 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.
6. 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.

Notes to the Consolidated Financial Statements on a Cash Result Basis (unaudited) continued

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 155), 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 2020 is set out on page 64. The reconciliation as at 31 December 2019 is set out below.

31 December 2019	IFRS Balance Sheet £'Million	Adjustment 1 £'Million	Adjustment 2 £'Million	Solvency II Net Assets Balance Sheet £'Million
Assets				
Goodwill	15.6	–	(15.6)	–
Deferred acquisition costs	490.0	–	(490.0)	–
Purchased value of in-force business	20.8	–	(20.8)	–
Computer software	8.9	–	(8.9)	–
Property and equipment	166.3	–	–	166.3
Deferred tax assets	131.1	–	(32.6)	98.5
Reinsurance assets	88.6	–	(88.6)	–
Other receivables	2,127.1	(733.1)	(2.1)	1,391.9
Income tax assets	–	–	–	–
Investment property	1,750.9	(1,750.9)	–	–
Equities	72,694.2	(72,694.2)	–	–
Fixed income securities	26,275.6	(26,270.4)	–	5.2
Investment in Collective Investment Schemes	5,166.4	(4,034.6)	–	1,131.8
Derivative financial instruments	1,342.9	(1,342.9)	–	–
Cash and cash equivalents	7,013.6	(6,720.8)	–	292.8
Total assets	117,292.0	(113,546.9)	(658.6)	3,086.5
Liabilities				
Borrowings	403.7	–	–	403.7
Deferred tax liabilities	493.7	–	(57.5)	436.2
Insurance contract liabilities	556.6	(464.2)	(92.4)	–
Deferred income	614.7	–	(614.7)	–
Other provisions	40.6	–	–	40.6
Other payables	1,782.7	(745.4)	(3.6)	1,033.7
Investment contract benefits	83,558.5	(83,558.5)	–	–
Derivative financial instruments	948.8	(948.8)	–	–
Net asset value attributable to unit holders	27,830.0	(27,830.0)	–	–
Income tax liabilities	115.4	–	–	115.4
Preference shares	0.1	–	–	0.1
Total liabilities	116,344.8	(113,546.9)	(768.2)	2,029.7
Net assets	947.2	–	109.6	1,056.8

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.

III. Earnings per share

	Year ended 31 December 2020	Year ended 31 December 2019
	£'Million	£'Million
Earnings		
Cash result after tax attributable to equity shareholders (for both basic and diluted EPS)	254.7	229.4
	Million	Million
Weighted average number of shares		
Weighted average number of ordinary shares in issue (for basic EPS)	533.5	531.3
Adjustments for outstanding share options	5.8	2.7
Weighted average number of ordinary shares (for diluted EPS)	539.3	534.0
	Pence	Pence
Earnings per share (EPS)		
Basic earnings per share	47.7	43.2
Diluted earnings per share	47.2	43.0

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.



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Shareholder Information

Analysis of number of shareholders

Analysis by number of shares	Holders	Percentage	Shares held	Percentage
1–999	2,277	46.14%	815,152	0.15%
1,000–9,999	1,834	37.16%	5,488,167	1.02%
10,000–99,999	492	9.97%	16,952,443	3.16%
100,000 and above	332	6.73%	514,087,704	95.67%
	4,935	100.00%	537,343,466	100.00%

2021 financial calendar

Ex-dividend date for the further 2019 interim dividend	4 March 2021
Record date for the further 2019 interim dividend	5 March 2021
Payment date for the further 2019 interim dividend	24 March 2021
Ex-dividend date for 2020 final dividend	15 April 2021
Record date for 2020 final dividend	16 April 2021
Announcement of first-quarter new business	29 April 2021
Annual General Meeting	17 May 2021
Payment date for 2020 final dividend	21 May 2021
Announcement of Interim Results and second-quarter new business	28 July 2021
Ex-dividend date for 2021 interim dividend	26 August 2021
Record date for 2021 interim dividend	27 August 2021
Payment date for 2021 interim dividend	24 September 2021
Announcement of third-quarter new business	26 October 2021

The above dates are subject to change and further information on the 2021 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 231.

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 0370 703 0084.

An internet share dealing service is also available. Further information about share dealing services can be obtained by logging on to: www.computershare.trade.

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

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Bank of America Securities Incorporated

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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 adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union (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> <ol style="list-style-type: none"> 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 2. Adjustment to remove the matching client assets and the liabilities as these do not represent shareholder assets. <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 64.
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, Operating cash result and Underlying cash result	<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"> 1. The movement in deferred tax is removed to reflect just the cash realisation from the deferred tax position; 2. The movements in goodwill and other intangibles are included; and 3. Other changes in equity, such as dividends paid in the year and non-cash-settled share option costs, are excluded. <p>The Operating cash result reflects the regular emergence of cash from the business operations. The Underlying cash results additionally reflects the cash impact of the strategic investments we are making.</p> <p>Finally, 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 and Operating cash results are particularly useful for monitoring the expected long-term rate of cash emergence, which supports dividends and sustainable dividend growth.</p>	Refer to pages 59, 60 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 153.
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 153.
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 58.

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.

Capita

A provider of business process outsourcing and integrated professional support service solutions, which is our third-party outsourced provider, responsible for the administration of our Dublin-based life insurance company, SJPI.

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.

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.

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.

Glossary of Terms continued

Gross inflows

Total new funds under management accepted in the period. New funds accepted by Rowan Dartington count for Gross inflows from the date of acquisition.

Group

The Group refers to the Company together with its subsidiaries as listed in Note 22 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 adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union (adopted IFRSs). Note for financial periods beginning on or after 1 January 2021, UK-registered listed companies will be required to use UK-adopted international accounting standards when preparing their consolidated financial statements.

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 advised by respected independent investment research consultancies, including Stamford Associates, Redington and Aon Consulting. 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 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 30 and 31 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 the its investment products are both part of the Group.



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