IFG REGULATORY CAPITAL CONSOLIDATION GROUP

PILLAR 3 POLICY AND DISCLOSURES

AS AT 31ST DECEMBER 2017

Contents

1. Introduction

1.1 Overview

The Pillar 3 disclosure of IFG Regulatory Capital Consolidation Group ("the Group") is set out below as required by the FCA's "Prudential Sourcebook for Banks, Building Societies and Investment Firms" ("BIPRU") specifically BIPRU 11.3.3R, and the "Prudential Sourcebook for Investment Firms" ("IFPRU"), specifically IFPRU 2.2.

The IFG Group is a diversified financial services company providing a range of financial solutions centred around its two core regulated activities of pensions administration and independent financial advice.

The following businesses comprise the Group's regulated consolidation group:

- James Hay Wrap Managers Limited – a provider of Wrap portfolio management services which allows clients and their Financial Advisers to manage investments held across different tax environments. The firm is regulated under IFPRU.
- Saunderson House Limited - a fee based independent financial adviser specialising in advice and discretionary investment management to high net worth private clients. The firm is regulated under BIPRU.
- James Hay Holdings Limited – an intermediate holding company, and the parent of James Hay Wrap Managers Limited, as such deemed to be a financial institution for regulatory consolidation purposes.
- IFG UK Holdings Limited – an intermediate holding company for the Group and likewise a financial institution.
- IFG Group Plc – the ultimate parent undertaking, an Irish registered public company, and financial institution.

The regulated consolidation group is subject to Consolidated Supervision, and the disclosures are therefore made on a consolidated basis and not by the individual firms. The disclosures are made on a going concern basis and incorporate the firms' contingent and prospective liabilities as applicable.

The disclosures are provided following the introduction of the Capital Requirements Directive which represents the introduction of the European Union's application of the Basel Capital Accord. The regulatory aim of the disclosure is to improve market discipline.

1.2 Frequency and Verification

The Group makes the Pillar 3 disclosure annually based on the Accounting Reference Date of 31st December.

The information contained in these disclosures has not been audited by the Group's external auditors and does not constitute any form of financial statement and must not be relied on in making any judgement about the Group. This Pillar 3 statement has been approved by the appropriate Board that oversees the Group.

1.3 Materiality

The Group regards information as material in disclosures if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. If the Group deems a certain disclosure to be immaterial, it may be omitted from this statement.

1.4 Confidentiality

The Group regards information as proprietary if sharing that information with the public would undermine its competitive position. Proprietary information may include information on products or systems which, if shared with competitors, would render the Group's investments therein less valuable. Further, the Group must regard information as confidential if there are obligations to customers or any other counterparty relationships binding the firm to confidentiality. In the event that any such information is omitted, we shall disclose such and explain the grounds why is has not been disclosed.

1.5 Media and Location

These disclosures are published on the IFG Group website (www.ifggroup.com/investor-relations/reports-presentations/2017).

1.6 Disclaimer

This information has been prepared for the purpose of explaining the basis on which the Group has developed and disclosed certain capital requirements and information about the management of risks relating to those requirements and for no other purpose. This document does not constitute any form of financial statement on the Group, nor does it constitute any current or future record or opinion of any business within the Group.

2. Summary

2.1 Regulatory Context

The Capital Requirements Directive ("CRD") implemented the Basel capital adequacy framework. The CRD comprises three key components or 'Pillars':

- Pillar 1: Minimum Capital requirements
- Pillar 2: Risk Based Capital requirements, including the Internal Capital Adequacy Assessment Process ("ICAAP") and associated supervisory review
- Pillar 3: Market Discipline/Disclosure requirements

The aim of Pillar 3 is to improve market discipline by requiring firms to publish certain details of their risks, capital and risk management. Institutions are required to demonstrate on an annual basis that they have complied with the disclosure requirements.

2.2 IFG Regulatory Capital Consolidation Group

IFG Group plc completed the purchase of the James Hay group of companies in March 2010; this included James Hay WRAP Managers Ltd, which from this date became responsible for complying with the minimum consolidated capital requirement provisions under Pillar 1 of the CRD and completing and maintaining an ICAAP. James Hay Wrap Managers Limited is an IFPRU €125k firm (as defined by the FCA).

Sanderson House Limited is designated a BIPRU Limited Licence €50k firm.

The Group is assessed under a Group Consolidation process, with the holding companies James Hay Holdings Limited, IFG UK Holdings Limited and IFG Group Plc also forming part of the regulatory consolidation group. The Group is a Limited Licence investment group, as defined by BIPRU.

Whilst the firms are regulated, the principal activities of James Hay Wrap Managers Ltd and Saunderson House Limited fall largely outside the scope of IFPRU and BIPRU respectively.

Note, the wider IFG group of companies also comprises four entities that, whilst regulated, are not subject to consolidation due to their relative regulatory permissions, or size. These are:

- James Hay Administration Company
- James Hay Insurance Company Limited (regulated by the Jersey Financial Services Commission)
- IPS Pensions Limited
- IPS Partnership plc

As a regulated group, the ICAAP has been prepared in line with the requirements of BIPRU 2.2 and IFPRU 2.2. The Group ICAAP has been designed to capture and address any risks not fully considered under Pillar 1 and to ensure that adequate measurement and assessment of any such risks is considered in determining the capital requirements.

James Hay Wrap Managers Ltd and Saunderson House Limited are operated and managed independently of each other within the Group.

2.3 Capital Assessment Process

The high level process for determining the capital requirements for the Group is:

- Pillar 1
  - Consider and assess the Pillar 1 capital in accordance with regulatory requirements.
  - Apply any Individual Capital Guidance determined to the capital requirements as advised by the FCA.
- Pillar 2
  - Consider and assess the key risks as recorded through use of the firms' risk registers.
  - Determine appropriate scenarios and the key risks to determine which risks could cause the Group to incur losses within that stressed scenario, and project capital requirements to identify the maximum capital impacts.
  - Identify credible management actions that could be taken to mitigate the stress impacts and identify the capital requirements that may arise in the scenario after such actions.
  - The combination of these outputs constitutes the minimum Pillar 2 capital requirement.
- Determine the greater capital requirements under Pillar 1 or Pillar 2 and assess against capital resources.
- Determine the capital required should the firm face such an event that would lead to its orderly wind down.

The Group's capital assessment is reviewed, approved and monitored on an ongoing basis by the IFG Group Risk Committee and the IFG Group Board.

2.4 Remuneration Code

The purpose of the IFG Group Remuneration Committee is to oversee IFG Group's arrangements for ensuring that the company's performance management and reward system supports and encourages behaviours consistent with the IFG Group's purpose, values, strategy and business model and to ensure they do not encourage undue risk taking but reflect the risk appetite of the Group.

The IFG Group Remuneration Committee will annually review, challenge and approve the remuneration policies within the IFG Group to ensure that they are appropriate and in the best interests of the IFG Group and its shareholders. It will oversee remuneration structures for the Group and subsidiary senior management and ensure that the level and structure of the remuneration encourages long term sustainability, value creation and success of the Group,

The IFG Group Remuneration Committee is also responsible for the content of the remuneration policy and remuneration statement and ensuring the fair remuneration of 'Code Staff' of the IFG Regulatory Capital Consolidation Group.

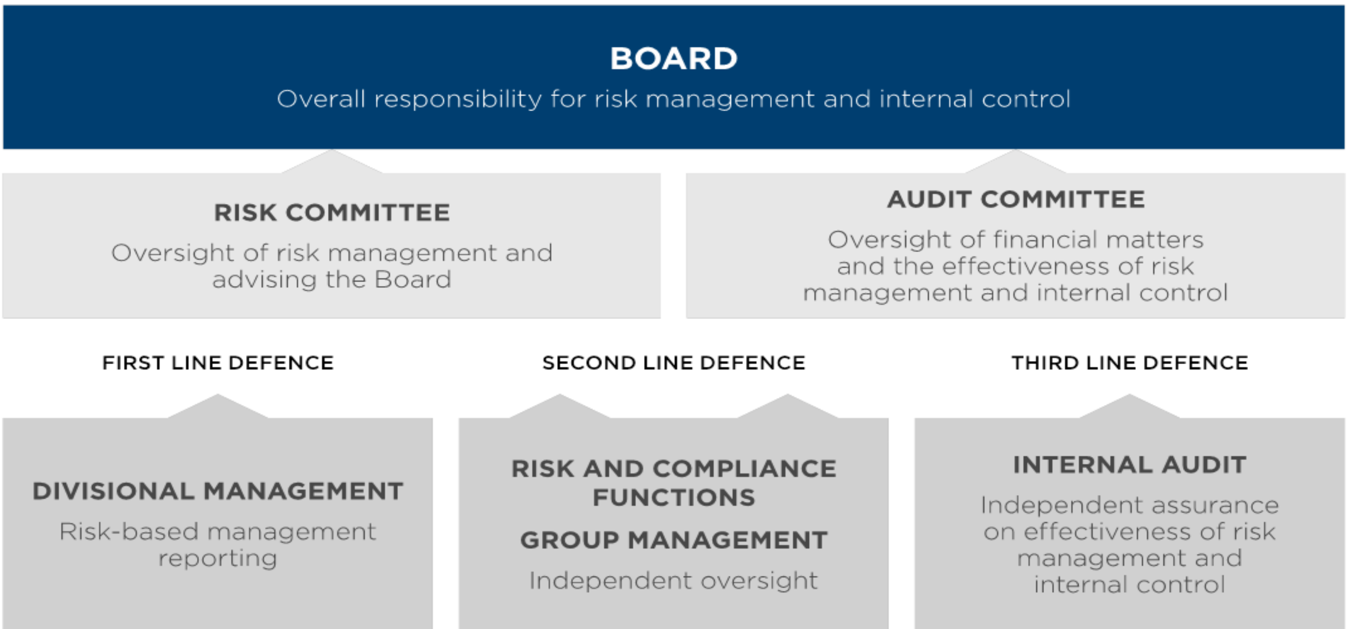
3. Risk Management Objectives and Policies

3.1 Risk Management Objectives

The Group has a risk management objective to develop systems and controls to mitigate risks to within its risk appetite.

3.2 Governance Framework

The below summaries of the principal activities within the main Boards and Committees within the governance framework:



IFG Group plc Board of Directors – The Board is collectively responsible for the long-term success of the Group. Its role is to provide leadership and direction to the business as well as culture and values, to oversee management and to ensure that the Group provides its stakeholders with a balanced and understandable assessment of the its current position and prospects. The Board meets on at least a bi-monthly basis and has a formal schedule of matters reserved to it. The Board sets the Group's strategic plans and long term objectives of the Group, and specifies key developments towards the strategic objectives that are to be achieved by management within an agreed budget.

The Board consists of an Executive Director and Non-Executive Directors and, either directly or indirectly through of its sub Committees, brings independent judgment to bear on issues of strategy, resources and standards of conduct. The Board has delegated responsibility for the day to day management of the Group to the Group Chief Executive and, through him, to senior management. The Board has also delegated some additional responsibilities to Committees established by it whose powers, obligations, and responsibilities are set out in written terms of reference. The Executive Director and senior management have extensive experience of the financial services sector and are responsible for the operational management of the Group's businesses. This specialist knowledge is backed up by the general business skills of each of these, and by the broad based skills and knowledge of each of the Non-Executive Directors.

IFG Group Risk Committee – The Committee is primarily responsible for assisting the Board in setting risk appetite and assessing and managing the risks to which the Group is exposed, as well as overseeing its risk management structure, organisation and processes, with particular focus on the Group's Risk Appetite, risk profile and the effectiveness of the Group's Risk Management Framework. The Committee assists the Board with the oversight of compliance with the requirements of those regulatory bodies that authorise the Group's business, including, but not limited to monitoring the regulatory capital position of the Group, and the provision of positive and compliant customer outcomes. The Committee liaises with the Group Audit Committee as appropriate. The evaluation of business risk is conducted through a formal risk control assessment review of each trading subsidiary company in each of the operating segments. The Committee is comprised of Non-Executive Directors. The Board is responsible for the risk management framework and has delegated to the Group Risk Committee, in conjunction with the Group Chief Executive, and the senior management, the authority to approve the risk framework of the operating subsidiaries.

Company Boards of Directors - The entity firms' Boards of Directors have responsibility for determining the firm's strategic direction and risk appetite, in line with the Group's overall strategic aims and objectives and risk. The Boards meet on at least a quarterly basis and are responsible for establishing an effective corporate governance framework and for monitoring the effectiveness of this framework on an on-going basis. The Boards are chaired by Independent Non-Executive Directors.

Company Risk Audit & Compliance Committees – The Company Risk Audit & Compliance Committees have delegated authority from the Company Boards to advise and assist the Boards in the determination and review of the Company risks, their management, the Risk Management Framework and processes. The JHP and SHL Risk Audit & Compliance Committees meet quarterly to cover the and are chaired by Independent Non-Executive Directors. Other notable attendees at both Committees include the Group Chief Risk Officer and the Head of Group Internal Audit.

Management Committees – Management Committees for each of the core businesses meet at least monthly. These meetings are a collective decision making body responsible to the entity's individual Board and the IFG Group Board. Attendees include the Managing Director, Finance Director, Heads of Risk and Compliance as appropriate.

3.3 Risk Framework

To protect the interests of stakeholders, clients, investors, shareholders and employees, the Group operates a robust control environment. This is achieved partly through the operation of the IFG Group Conduct Framework, and the IFG Group Enterprise Risk Management Framework, which describes the ways in which the Group identifies, assesses, measures, manages and monitors the risks that may impact the strategic priorities of the Group and utilises the following elements:

- Risk analysis, identification and description, assessment and tolerance via the Risk Register process.
- Risk Control, Oversight and Challenge via the Group Risk & Compliance function and the businesses' Risk, Audit & Compliance Committees.
- Risk Reporting, through structured reporting lines from each business up to the Group Risk & Compliance function with formal reporting onto the IFG Group plc Risk Committee.
- On-going monitoring and challenge via Risk Audit & Compliance Committees and embedded risk culture throughout the business.

"Conduct Risk" was defined by the FCA in the 2011 "Retail Conduct Risk Outlook" as the "risk that the firm's behaviour will result in poor outcomes for customers". The Risk Framework, consistent with regulator and advisor communications, incorporates Conduct elements throughout. Conduct, and the provision of good customer outcomes, is all encompassing and has not been included as a single risk, or risk category, it has been included as an impact against which all risks and activities are assessed.

The Risk Management Framework operates in the context of a "three lines of defence" model of governance and risk management to provide reasonable assurance of the safeguarding of the interests of all stakeholders including the customers of the Group's operating businesses.

The first line comprises subsidiary and divisional management who have day-to-day responsibility for designing, implementing and maintaining effective internal controls within the individual subsidiaries. Key controls are embedded throughout the operation within systems and processes in order to mitigate risk. The key components of the internal control framework, forming this first line of defence are listed below:

- Operational Compliance Policies – These policies document interpretation of the relevant regulations that apply to each business.
- Entity Risk Policies – Risk policies, cascaded from Group Risk and Compliance at the second line, covering specific areas such as Incident Reporting and Information Security.
- Risk Registers – Line management are responsible for providing regular updates to the risks, controls and risk gradings in their Risk Registers. They also own all risk mitigation programmes designed to reduce risk exposures outside the Group's Risk Appetite. The Risk Registers are subject to challenge at Risk Audit & Compliance Committees.
- Procedures – The Group has a suite of procedures (high level) and/or user guides (detailed processing instructions).
- Quality Assurance – A programme of quality assurance sampling reviews is undertaken against all key processes and transactions on an ongoing basis, with results used to provide further process and control improvements.
- Control Risk Self Assessment ("CRSA") – Local management are responsible for reviewing and assessing the effectiveness of controls on an ongoing basis, evidencing the effective operation of controls, or identifying further areas for strengthening.
- Recording Incidents - All reportable errors and incidents are recorded via internal systems and communicated through appropriate channels depending on materiality according to escalation protocols.
- Business specific committees and functions in place to provide oversight of the effectiveness of the internal control framework. This is re-enforced by the support and monitoring functions of Risk Management and Compliance.

The Board of each regulated company also has a key role to play in the management of risk. Their role is to set the tone and influence the culture of risk management within the Group.

The second line comprises the businesses' and then the Group's Risk and Compliance functions who provide expertise, monitor and challenge the management and specific risks.

The third line principally comprises Group Internal Audit. The Group Audit Committee receives all internal audit reports and tracks the completion of key audit recommendations. The third line of defence is responsible for providing independent assurance that the risk and control framework is effective and robust.

The Risk Management Framework is underpinned by the Risk Appetite Statement. In the statement the Board sets the types if risks the Group is willing to take and to what extent and, importantly, the risks which the Group is not willing to assume. It also sets out how the Group operates in its chosen businesses and specifies appropriate metrics for monitoring, reporting, managing, and controlling these risks. The statement also outlines the internal controls that are required to be maintained in each business

The Risk Appetite Statement is periodically reviewed by the Risk Committee and reconsidered with reference to changing business, industry and market conditions. The Risk Appetite is approved by the IFG Plc Board.

4. Pillar 1 Risk Assessment and Risk Disclosures

The Group is authorised and regulated by the FCA and designated as a Limited Licence group of companies, the Pillar 1 capital assessment is calculated as the greater of the Fixed Overhead Requirement and the sum of the Credit Risk Requirement and Market Risk Requirement of the Group.

The below summarise the compliance with the additional elements and disclosures of the Pillar 1 capital assessment requirements.

4.1 Standardised Credit Risk

The Group employs industry standard credit procedures to limit credit risk and exposure and has taken the standardised approach to determine the credit risk capital required under Pillar 1.

4.2 Internal Ratings Based Approach

The Group has not adopted the Internal Ratings Based Approach ("IRB") and therefore deems any disclosure as not applicable.

4.3 Retail Exposure

The Group confirms that as it has not adopted an IRB approach to credit risk that there is no requirement for this disclosure.

4.4 Equity Exposures

The Group confirms that as it has not adopted an IRB approach to equity risk that there is no requirement for this disclosure.

The Group does not have an exposure to equities in its non-trading book.

4.5 Operational Risk Requirement

The Group is designated a Limited Licence group and is not subject to the Operational Risk Requirement.

4.6 Market Risk

The Group does not operate a Trading Book and therefore does not trade for its own account. In addition there is no material foreign exchange exposure hence there is no market risk exposure. Therefore it has not been considered necessary to hold any additional capital for market risk.

4.7 Counterparty Risk

The Group does not operate a Trading Book and disclosure is not required.

4.8 Credit and Dilution Risk

The Group employs industry standard credit procedures to limit credit risk and exposure and has taken the standardised approach to determine the credit risk capital required under Pillar 1.

Cash and Bank risk represents the risk of loss of the firm's money held with the banks through the failure of those banks. The Group holds all cash and client cash with UK Banks. These banks are subject to regular scrutiny to ensure any banking risks are proportionate to the value of the assets. The financial crisis and the impact on the banking sector has heightened the risks but there are a number of key controls that serve to mitigate the risk.

Debtors comprise the maximum funding used to ensure that clients are not disadvantaged by the processing of delayed trading instructions due to different trading settlement periods.

A financial asset is considered past due when the counterparty fails to meet a contractually agreed date. The Group considers impairment as a reduction in the recoverable amount of an asset. The Group considers the risks of Past Due and impairments as minimal.

The Group uses the standardised approach which requires calculation of the minimum credit risk capital requirement of 8% of the total of risk weighted exposures depending on exposure class.

4.9 Value Added Adjustments and Provisions.

As the Group does not make Value Added Adjustments or Provisions for Impaired Exposures, disclosure is therefore deemed not applicable.

4.10 Interest Rates

Interest rate risk is the exposure to adverse movements in interest rates. Changes in interest rates affect earnings by changing net interest income and the level of other interest sensitive income and operating expenses.

Interest Rate Risk to the Group comes in the form of the Bank of England Base Rate ("BBR") moving up or down and the impact this would have on Group income from client accounts. Presently the only negative effect to the Group would be if the BBR was to reduce. Were the BBR to move upwards then it would result in an upside benefit for the Group.

The Group and its firms do not have non trading books and as such there is no associated interest rate risk.

4.11 Securitisation and Leverage

The Group has not engaged in any securitisation or leverage related activities and does not intend to do so. As such it is not necessary to hold any additional capital for such risks.

4.12 Encumbrance and Collateralisation

The Group does not, and did not hold during the period, any collateralised or encumbered assets.

5. Pillar 2 Risk Assessment

5.1 Summary Assessment

The Group has adhered to the overall Pillar 2 rule as per GENPRU 1.2.30 to GENPRU 1.2.39R (Systems, strategies, processes and reviews), GENPRU 1.2.42 R (Main Requirements: Stress and scenario tests) and GENPRU 1.2.60R to GENPRU 1.2.61R (Documentation of risk assessments) as they apply on a consolidated level.

In order to assess, and to maintain on a continuing basis the amounts, the types of financial resources, capital resources and internal capital that it considers sufficient to cover, the Group has considered:

- The nature and level of the risks to which the Group are exposed;
- The appropriate financial adequacy levels in order to comply to any financial adequacy regulations;
- The risk that the firm is unable to meet its Capital Resource Requirements in the future.

In order to identify and manage the major sources of risks identified in the Group, the following risk categories have been considered (where relevant) to the Group - Credit Risk; Market Risk; Liquidity Risk: Operational Risk; Insurance Risk; Concentration Risk; Residual Risk; Securitisation Risk; Business Risk; Interest Rate Risk; Pensions Obligation Risk; Outsourcer Risk; Group Risk, as well as the impact of an orderly wind down of the business.

5.2 Risk Exposures

The principal material risks faced by the Group are operational, strategic and business, and reputational. Specifically these are:

- Increased levels of risk arising from the changing market and regulatory environment;
- Failures in operational processes, such as errors whilst processing client transactions, resulting in increased regulatory oversight and customer detriment; and,
- Issues damaging the Group brand which result in a failure to attain new clients whilst being unable to retain existing clients

The Group intends to mitigate these risks through both the holding of sufficient capital and also through stringent controls including, but not limited to:

- Regularly assessed risk appetites and operational controls;
- Robust governance under the risk management framework;
- A well-resourced, knowledgeable and experienced first line; and
- Robust oversight from the second and third lines of defence.

The Group performs scenario stress testing to ensure that the capital adequacy calculation is robust.

6. Capital Assessment Summary

The Pillar 1 Capital Resource Requirement has been calculated using the Credit Risk Requirement and the Fixed Overhead Requirement only as the Group consider that it has no Market Risk. The Group has Capital Resources of £49.5m compared to its Pillar 1 requirement of £6.6m, a coverage ratio of over 7.5.

The Group has assessed its Pillar 2 Capital Resource Requirements and confirms that it has sufficient Capital Resources to meet these requirements for the foreseeable future.

The individual members of the Regulatory Capital Consolidation Group have their own individual capital requirements, which have all been met.

The below table lists the Group's Capital Resource position, as defined in GENPRU 2 Annex 4:

	£m
Total tier one capital before deductions	118.2
Total tier one capital after deductions from tier one	61.4
Tier two capital	-
Total tier one capital plus tier two capital	61.4
Total tier one capital plus tier two capital after deductions	49.5
Total tier three capital	-
Total capital after deductions	**49.5**

7. Remuneration Policy

7.1 Objectives of the IFG Group Remuneration Committee

The Remuneration Committee ("the Committee") is the Committee of the Board responsible for ensuring that the Company's overall reward philosophy is consistent with achievement of the Company's strategic objectives and with the Company's values and risk appetite. The Committee also oversees, challenges and approves the Group's overall remuneration policy ensuring it is and in the best interests of the IFG Group, its stakeholders, customers and its shareholders.

The key responsibilities of the IFG Group Remuneration Committee are:

- To determine and agree with the Board the policy for the remuneration of Directors and certain Group senior executives (as determined by the Committee). No director is involved in setting his or her own remuneration.
- To determine the remuneration packages of the Chairman, Executive Directors, Group senior executives and Code staff, including salary, bonuses, pension rights and compensation payments.
- To ensure that remuneration packages do not encourage undue risk taking but reflect the risk appetite of the Group, promote the Group's values and culture and demonstrate the right 'tone from the top'.
- To oversee remuneration structures for Group and subsidiary senior management and ensure that the level and structure of remuneration encourages long term sustainability, value creation and success of the Group.
- To recommend to the Board the establishment of any employee share plans (which require the approval of the Group's shareholders) and exercise all the powers of the Board in relation to the operation of same – including the granting of awards and options, the setting and testing of performance conditions (where appropriate) the exercise of any discretions on behalf of the board allowed under the rules of the plans, and any material amendments to the rules of the plans not requiring the approval of shareholders.
- To ensure that contractual terms on termination or redundancy, and any payments made, are fair to the individual and the Company.
- To obtain reliable, up to date information about remuneration in other companies of comparable scale and complexity.
- To agree the policy for authorising claims for expenses from the Directors.

The FCA term 'Code Staff' applies to relevant employees who are connected with JHWM and SHL, and who are included within the firm's interpretation of 'Code Staff' for the Remuneration Policy Statement.

7.2 Performance Related Remuneration

The current remuneration policy allows certain permanent employees, including Directors (excluding Non-Executive Directors), senior management and Code Staff, the opportunity to earn discretionary bonuses in addition to their basic annual salary.

Discretionary bonuses are based on pre-determined criteria, including the performance of the company and the IFG Group and the measurement of the employee's achievements against their role-specific objectives.

When formulating a performance related bonus the IFG Group Remuneration Committee will:

- Ensure that the risk appetite of the IFG Group is not contravened.
- Ensure that the following is encouraged:
    - continual improvement of the client experience and client base;

- positive conduct outcomes for clients;
- long term retention of clients;
- long term sustainability and profitability of the firm;
- positive culture towards risk management and Compliance.

The IFG Group Remuneration Committee is able to reduce, defer or potentially cancel, any performance or contractually based bonus in the event that the Company or Group, or individual, fail to meet any defined performance objectives.

The total sum available for variable remuneration purposes is only agreed upon once the business has met its own financial targets and any parent company financial obligations.

7.3 Discretionary Pension Benefits

The IFG Group may facilitate discretionary pension benefits, however these are neither contractual or within a performance related bonus package.

7.4 Ancillary Benefits

Where applicable, the member of staff will also receive ancillary benefits including (but not limited to):

- Group Personal Pension
- Permanent Health Insurance
- Permanent Medical Insurance

7.5 Code Staff Remuneration

There are 3 designated Code Staff who are the executive Board Directors of JHWM, although no Board members are remunerated for their role as a Director by the entity. However, during 2017, all of the JHWM Directors received remuneration from the IFG Group in recognition of the overall activities undertaken for and on behalf of the IFG regulated entities including JHWM.

To the year ending 31 December 2017, the remuneration received by the Code Staff, which was reasonably attributable to activities relating to JHWM, was under £250k (representing less than 10% of their total remuneration).

There are 9 designated Code Staff who are the current senior management and executive Board Directors of SHL. To the year ending 31 December 2017, the remuneration received by the Code Staff was £6.1m. The majority of remuneration is attributable to activities outside the scope of BIPRU.

There are no further Code Staff at an IFG Regulatory Consolidation Group level who are not already deemed to be Code Staff above, and none have remuneration packages attributable to the IFG Regulatory consolidation Group in excess of €1m.