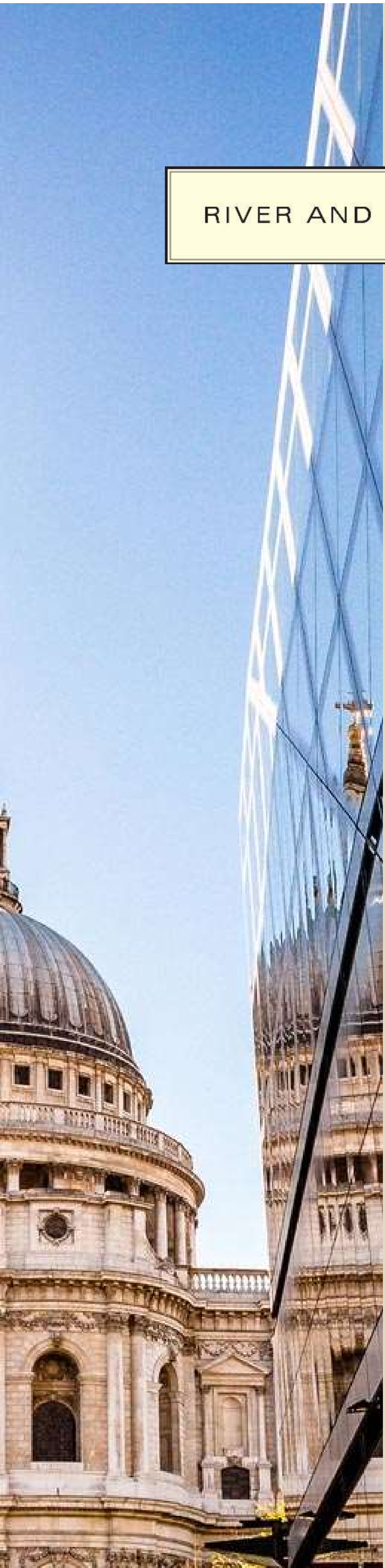

RIVER AND MERCANTILE

PILLAR 3 DISCLOSURE

March 2022

Contents

1. PURPOSE

This document comprises the Capital and Risk Management Pillar 3 disclosures as at 30 June 2021 for River and Mercantile Group PLC and its subsidiary undertakings (together '**RMG**' or 'the **Group**').

The principal purpose of the document is to satisfy regulatory disclosure requirements under UK legislation and Financial Conduct Authority ('**FCA**') rules, established in order to address the information asymmetry between those market participants preparing information and those using it. Accordingly, the Pillar 3 disclosures are being prepared in order to promote transparency and contribute to the orderly functioning of the financial market.

SUBSEQUENT EVENT AFFECTING THE GROUP:

On 31 January 2022, the sale of River and Mercantile Investments Limited ('**RAMIL**') to Schroder International Holdings Limited completed. From 1 February 2022 RAMIL ceased to be part of the Group and the following sections of this Pillar 3 Disclosure should be read accordingly:

- Section 5 – Capital Resources: Own Funds
- Section 6 – Capital Requirements
- Section 7.6 – Key Management and Staff Remuneration
- Section 7.8 – Performance Share Plan

2. BACKGROUND

The Basel Committee on Banking Supervision introduced the Basel framework with the primary goal of promoting the safety and soundness of the financial system. The framework consists of the following three pillars of regulation:

- **Pillar 1** establishes the capital resources requirement, which is the minimum capital requirement necessary to cover credit, market and operational risk exposures using standard criteria;
- **Pillar 2** requires firms (or groups in RMG's case) and their supervisors to consider and assess the firm's/group's actual risk profile and the resulting need to hold additional capital to cover risks not covered under the Pillar 1 requirement. The determination is made by the Group's Board of Directors (the '**Board**') using the Internal Capital Adequacy Assessment Process ('**ICAAP**') and assessed by the FCA via its Supervisory Review and Evaluation Process ('**SREP**'); and
- **Pillar 3** seeks to encourage market discipline by requiring firms/groups to disclose certain information on their risks, capital and risk management processes for the benefit of the market.

2.1. BASIS OF DISCLOSURE

This document sets out the Pillar 3 disclosures of the Group. The disclosures have not been audited and do not form part of the annual audited financial statements and should not be relied upon in making any judgement about the financial position of the Group. They have been produced solely for the purposes of satisfying Pillar 3 regulatory requirements. Unless otherwise stated all figures are as at 30 June 2021.

2.2. FREQUENCY OF DISCLOSURE

This Pillar 3 disclosure is made on an annual basis, and more frequently as appropriate.

These disclosures are made as at 30 June 2021.

2.3. LOCATION OF DISCLOSURE

This disclosure is published on the Group's corporate website www.riverandmercantile.com.

2.4. SCOPE OF DISCLOSURE

This disclosure is made with reference to River and Mercantile Group PLC which, as at 30 June 2021, was the holding company for the following wholly owned authorised trading companies which are regulated by the FCA or SEC as indicated:

- River and Mercantile Investments Limited ('**RAMIL**') (BIPRU 50 K firm; FCA)
- River and Mercantile Asset Management LLP ('**RAMAM**') (BIPRU 50 K firm; FCA) (Registered Investment Adviser; SEC)
- River and Mercantile LLC (Registered Investment Adviser; SEC)

The disclosures are made on a fully consolidated basis for the Group.

The Group's consolidated accounts, prepared in accordance with International Financial Reporting Standards ('**IFRS**'), are used as the basis for the regulatory capital resources calculation. Included within the consolidated accounts are the results of the above regulated entities as well as other Group entities.

2.5. GROUP STRUCTURE AND BUSINESS ACTIVITIES

The Group is an asset management business managing, and advising on, a broad range of strategies and assets for clients. Its primary aim is to deliver market leading investment returns tailored to individual client needs, combined with bespoke internal liability hedging strategies.

The Group is focused on creating investment solutions for its clients across its core markets:

- UK defined benefit ('**DB**') pension schemes;
- UK defined contribution ('**DC**') pension schemes;
- Insurance;
- Retail financial intermediaries;

- US pensions (DB and DC); and
- Wholesale and institutional equity.

The Group's business is conducted by several subsidiaries located in the United Kingdom (**UK**) and the United States of America (**US**), which are subject to regulation and oversight in those jurisdictions.

The Group is organised through five businesses: Fiduciary Management and Advisory, Derivative Solutions, Equity Solutions, Infrastructure, and Liquid Alternatives.

The Group (River and Mercantile Group PLC (RIV)) is listed on the Premium Main Market of the London Stock Exchange and is subject to the UK Corporate Governance Code.

3. GOVERNANCE STRUCTURE AND RISK MANAGEMENT

This section explains the Group's risk management governance structure and covers its principal oversight committee structure, how information flows, the roles of the Group's Risk and Compliance departments within this framework and what is meant by the 'three lines of defence' model.

Risk governance refers to the processes and structures established by the Board to ensure that risks are taken within the Board's approved risk appetite, with clear delineation between risk taking and oversight responsibilities.

3.1. GOVERNANCE

The Group has established a structured approach to risk governance, ensuring an effective level of alignment between oversight and management responsibility for risk. The risk governance structure has clearly defined roles and responsibilities for Board and Control committees, control functions and the accountable executives. The risk-based roles and responsibilities are organised in adherence to the 'three lines of defence' model to ensure appropriate levels of segregation.

The Board

The Board provides leadership to, and is responsible for, the long-term sustainable success of the Group for the benefit of its shareholders. The Board has regard for other stakeholders, including employees, clients, suppliers and wider society. Whilst the Board determines the Group's strategy and oversees its implementation, together with the operations of the Group, it is important to recognise that the operating companies described in the Scope of Disclosure section above perform most of the operational day-to-day activities within the Group.

The Board has overall responsibility for risk management and responsibility for ensuring high standards of corporate governance. On an annual basis the Board reviews the principal risks, including current and emerging risks, in the business and sets the risk appetite statement for the Group.

As appropriate, and in order to promote the effective and efficient operation of the Group's business, the Board has delegated certain powers to Board committees which have responsibilities for different aspects of risk management across the Group. The following Board committees are in operation and are in each case chaired by Non-Executive Directors of the Group:

- Audit Committee;
- Risk Committee;
- Remuneration Committee;
- Investment Committee; and
- Nomination Committee.

Additionally, each regulated entity has its own oversight responsibilities which are driven by the nature of the business and the regulations for which it has permissions.

Audit Committee

The committee is responsible for assisting the Board in fulfilling its oversight responsibilities in relation to financial reporting, financial controls and audit, and internal controls. The committee plays a primary role in overseeing the integrity of the Group's financial statements, assessing the independence and objectivity of the external auditors and monitoring the effectiveness of internal audit.

It additionally considers relevant risk-related matters, e.g., consideration of going concern, the payment of dividends, and corporate governance statements relating to risk as well as audit.

The committee meets not less than quarterly and met seven times during the financial year ended 30 June 2021.

Risk Committee

The Risk Committee assists the Board in its oversight of all categories of risk, with specific responsibility in its terms of reference for assessing the effectiveness of the Group's risk management framework, reviewing the methodology used in determining the Group's capital requirements (including the ICAAP and the ICAAP Review Document) and associated stress and scenario testing. In turn the committee advises the Board on the Group's risk exposures and risk strategy to facilitate the Board's setting of risk appetite.

The Risk Committee is the key governance body in respect of oversight, review and challenge of the ICAAP.

The committee meets not less than quarterly and met six times during the financial year ended 30 June 2021.

Remuneration Committee

The Remuneration Committee reviews and sets the remuneration of the Executive Directors within the parameters of the Group's Directors' Remuneration Policy (as approved by shareholders). The committee has a wide remit to consider the remuneration of senior management and employees across the Group.

The committee is responsible for determining and recommending to the Board the Group's Directors' Remuneration Policy and share incentive plans and advising the Board on related remuneration matters. The committee oversees the setting of Executive Directors' performance objectives and assesses the extent to which performance objectives have been achieved. The committee determines the grant, performance conditions and vesting of awards under share incentive plans and in doing so will consider several different factors, including performance and conduct. The committee has the discretion to reduce or cancel awards granted in certain circumstances set out in the relevant share incentive plan rules.

The committee meets not less than quarterly and met eighteen times during the financial year ended 30 June 2021.

Investment Committee

The Investment Committee assists the Board in its oversight of investment, investment process and investment performance. The committee provides oversight of the Group's investment competencies and capacity in product development, the Group's approach to environmental, social and governance ('**ESG**') within investment solutions and of changes to investment policies and processes. Where appropriate, the committee conducts in-depth reviews on investment products including policy and process.

The committee met four times during the financial year ended 30 June 2021.

Nomination Committee

The Nomination Committee is responsible for leading the process for Board appointments and reviewing the composition of the Board and Board Committees to ensure they are balanced in terms of skills, experience and diversity.

The Nomination Committee ensures that there is a formal, rigorous and transparent process for appointments to the Board. This includes identifying the skills and experience required for a particular role. The committee oversees succession planning and the role changes of Executive Directors and senior management across the Group.

The committee met four times during the financial year ended 30 June 2021.

Board recruitment

The selection and appointment of Directors is led by the Nomination Committee.

In determining the composition of the Board, the Group aims to ensure that the individuals have the appropriate skills, knowledge, experience and as a whole the right blend of skills and experience to carry out the responsibilities of the Board. Appointments to the Board are made on merit and are based on an evaluation of the skills and relevant sectoral experience of the candidates. Through background and reference checking, we ensure individuals are of good repute and are financially sound.

New Directors are given a tailored induction arranged by the Company Secretary, which includes meetings with senior management, including the Head of Legal and Compliance, Chief Risk Officer and relevant business heads across the Group's operating divisions.

Further details on the Board and its committees can be found in the 'Corporate Governance' section of the 2021 Annual Report & Accounts. This contains information on diversity and further information on the recruitment policy for the selection of the Board members.

The Board is committed to the principles of corporate governance set out in the UK Corporate Governance Code issued by the Financial Reporting Council.

The table below shows the number of directorships held by members of the management body as at 1 March 2022. Directorship details of James Barham, who was Group Chief Executive until 31 January 2022, have been omitted.

			Number of Directorships held		
Name	Position	Total	PLC appointments (including RMG PLC)	RMG subsidiaries / RMG funds	Non-PLC Directorships (excluding RMG subsidiaries) / LLP membership
Jonathan Dawson	Chairman	7	2	0	5
Angela Crawford-Ingle	Senior Independent Non-Executive Director	5	2	0	3
Miriam Greenwood	Independent Non-Executive Director	9	4	0	5
Martin Gilbert	Non-Executive Director	33	3	0	30
John Misselbrook	Independent Non-Executive Director	4	2	0	2
Simon Wilson	Chief Financial Officer	3	1	2	0
Alex Hoctor-Duncan	Chief Executive Officer	8	1	6	1

As part of the Nomination Committee's appointment process, other significant commitments of candidates are considered. Additionally, any new appointments or significant interests of Directors are required to be approved by the Nomination committee. Each Non-Executive Director's letter of appointment sets out the time commitment required for the role and sets the term of the appointment for three years. The Board considers that all Directors are able to devote sufficient time to their duties.

3.1.1. THREE LINES OF DEFENCE

To ensure effective risk management the Group has implemented a 'three lines of defence' model to manage risk and provide assurance to management and the Board with regards to the effectiveness of the Group's control environment.

First line of defence – Risk Ownership and Management

The first line of defence ('**1 LoD**') is formed of business management and all employees. They are the risk owners and have primary responsibility for managing risk as part of their day-to-day business activities.

Second line of defence – Risk Oversight, Challenge and Advice

The second line of defence ('**2 LoD**') is formed of the Group and Business Risk and Compliance functions, and parts of the legal, finance and human resource functions. They provide objective oversight, monitoring and independent challenge of 1 LoD's risk taking and risk management activities. Challenge includes advising 1 LoD on risk management activities.

Third line of defence – Assurance

The third line of defence ('**3 LoD**') is formed of the Group's internal assurance / audit function (currently outsourced). Internal Audit supports the Board and executive management in protecting the assets, reputation and sustainability of the organisation by providing independent, objective assurance and consulting activity.

3.2. INFORMATION FLOW AT BOARD AND COMMITTEE MEETINGS

The Chairman of each committee agrees every agenda with the Company Secretary and relevant members of senior management. Any committee member can call for reports on additional matters of interest.

The Risk Committee is responsible for providing oversight and advice to the Board in relation to current and potential risk exposures of the Group and future risk strategy, reviewing and approving formal reporting requirements and promoting a risk awareness culture within the Group.

Business heads through their COOs are responsible for all operational and IT risk and compliance matters in their business. Risks identified at a business level are formulated into Group report which is reported to the Risk Committee not less than quarterly.

3.3. RISK MANAGEMENT STRUCTURE

This section describes the objectives of the Group's risk management structure.

Risk and Compliance

Risk and Compliance work with the business to ensure general risks and regulatory risks are identified, assessed, prioritised, owned, recorded, reported and mitigated by the business. They provide independent challenge to help identify risks and gaps in the control environment, and also monitor the adequacy and effectiveness of the Group's internal controls.

The Risk function is responsible for: the development and maintenance of the Group's risk management framework and associated systems and processes; undertaking activities to monitor, review and challenge the 1 LoD's risk taking and risk management activities, including reviewing implementation of, and compliance with, the requirements of the risk management framework; and for providing an independent view to the Executive and Board committees on risk profile and the effectiveness of 1 LoD's risk management activities.

The Compliance function provides advice to the business and the Board, and governance committees of underlying regulated entities, on regulatory matters, best practice, emerging guidance and industry trends. It aims to educate the business on regulatory matters through the interpretation of relevant regulation and the delivery of appropriate training. It also aims to establish, implement, and maintain adequate policies and procedures sufficient to ensure best practice compliance of the business with its obligations under the regulatory system. It monitors the effective implementation of the Group's regulatory compliance through regular monitoring.

The Group continues to operate three separate regulated entities, RAMIL, River and Mercantile LLC and RAMAM, each of which has its own compliance officer who attends the Risk Committee meetings as required.

The Group looks to instil sensitivity to, and awareness of, risk and compliance and a client orientated culture through the implemented policies and procedures and ongoing training received by all employees.

3.4. BOARD DECLARATION - ADEQUACY OF THE RISK MANAGEMENT ARRANGEMENTS

The Board considers that it has in place adequate risk management arrangements with regard to the Group's risk profile and strategy.

4. RISK MANAGEMENT OBJECTIVES AND FRAMEWORK

This section describes the Group's risk management framework, how the Group articulates risk appetite; and how it subsequently monitors and manages risk within this framework.

Risk is an inherent part of the Group's business activities. When a Group member advises a customer on their investments, performs a fiduciary management mandate or offers products and services, the Group takes on a degree of risk.

The Group takes a cautious and pro-active approach to risk management, recognising the importance of understanding risks to the business, and managing them effectively. The Group's overall risk management objective is to manage its business and associated risks in a manner that balances the safety and soundness of the Group with limiting the risk of the Group and its constituents not delivering expected outcomes to clients. The Group considers this objective to be strongly aligned to the outcomes expected by its other stakeholders: shareholders, employees, regulators and the broader market and community.

4.1. RISK MANAGEMENT FRAMEWORK

The Group's risk management framework is designed to enable the Board to receive assurance that risks are being appropriately identified and managed in line with its risk appetite. There is a formal structure for monitoring and managing risks across the Group comprising a risk appetite approved by the Board, risk management frameworks (including policies and supporting documentation) and independent governance and oversight of risk, and a formalised process for providing risk reporting to the Board through the Risk Committee.

The key components of the risk management framework are outlined below. The Group will continue to strengthen the framework and embed it in the fabric of the organisation over the coming year.

Risk Appetite

It is both necessary and desirable for the Group to accept and assume a level of risk in pursuing its strategy. However, it is also necessary to ensure that the amount of risk taken is within acceptable limits. To determine acceptable levels of risk in each category, the Board has set out a risk appetite statement ('**RAS**').

The RAS is the documented articulation of the aggregate level and types of risk that the Group is willing to accept, or wishes to avoid, in pursuit of its business objectives and relevant targets and limits in respect of the underlying risks. It includes qualitative statements as well as quantitative measures expressed relative to earnings, capital, risk measures or other relevant measures as appropriate. The RAS includes a consideration of certain risks which are more difficult to quantify, such as conduct-related risks.

The RAS is reviewed and approved at least annually by the Board; the Risk Committee recommends the risk appetite and monitors adherence to it. Management level committees review their respective risk profiles at a more granular level and operate within the defined limits, with operational support from the Risk and Compliance functions. In developing its risk appetite, the Board has considered its stakeholders to be the Group's customers (including pension scheme members), staff, shareholders, regulators, other market participants, and suppliers.

Risk Policies

The risk policies define the Group's approach to monitoring and controlling risk, so as to ensure it is only exposed to risks that are within the Boards' risk appetite.

Risk Identification and Assessment

All staff are responsible for identifying and assessing the risks in their respective areas. There are several risk management tools and processes available to aid them in this task, including event reporting, risk and control self-assessments, and scenario analysis. Risk registers are used to capture the core risks inherent in the business and how those risks are managed and mitigated.

Risk Monitoring and Management

The business and support functions are responsible for monitoring and managing the risks within their areas as well as developing management information ('**MI**') to monitor their exposure to those risks. Key risk indicators are used to monitor key risks exposures and key control indicators are used to monitor the performance of key controls.

The Group deploys a range of risk management techniques to manage and mitigate risks, and to control exposures in line with our risk appetite limits. For example, the Group's framework of controls includes controls around data security, segregation of duties around key processes and approval authorities.

The Group also seeks to transfer significant aggregation and concentration of risks as part of its corporate insurance programme. The Group purchases Professional Indemnity Insurance to provide cover for certain operational losses, errors, and fraud. The current assessment of the Group's key operational risks suggest that it is not at material risk of breaching insurance limits.

Risk Reporting

Risk and Compliance also provide regular MI on the principal risks being run by the business. This MI is provided to relevant committees including the Board Risk Committee.

Risk and Capital Management

The ICAAP is the process by which the Board is able to assess the adequacy of the Group's financial resources and systems and controls in the context of the Group's activities and the risks which impact them.

The ICAAP includes requirements for the Group to:

- Carry out regular assessments of the amounts, types and distribution of financial resources and internal capital, including own funds and liquidity resources, that it considers adequate to cover the nature and level of risks to which it is or might be exposed;
- Identify the major sources of risks faced by the Group that may impact its ability to meet its obligations / meet its liabilities as they fall due;
- Conduct scenario analysis and stress testing to assess the Group's exposure to extreme events for the relevant major sources of risks and to ensure that appropriate mitigating factors or plans are in place;
- Ensure that the processes, strategies and systems required by the overall Pillar 2 rule and used in its ICAAP, are both comprehensive and proportionate to the nature, scale and complexity of the Group's activities; and
- Document its ICAAP.

The Group undertakes an ICAAP annually, or more frequently if there is a fundamental change to the business or the operating environment. The outcome of the ICAAP is formally approved by the Board.

Direct risks to capital are substantially made up of operational risk with some credit risk, and a minimal amount of market risk. The Group additionally has exposure to liquidity risk and business risk.

4.2. OPERATIONAL RISK

The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic risk.

Due to the nature of the Group's business, and the wide scope of items which fall under operational risk, this risk category is the Group's largest prudential risk exposure.

The Group has formalised the management of operational risk in a number of ways including risk assessments, documented procedures and compliance manuals and regular assessments of third-party providers.

Each business conducts a risk and control self-assessment to identify the risks to which it is exposed, and to estimate the likelihood of those risks materialising and their potential impacts. The output from the risk assessments form the risk registers for each business, with the business risk registers collectively forming the Group's risk register. Scenario analysis is also conducted to identify and assess the Group's exposure to extreme events, including operational risk events. The outputs of this analysis feed into the overall Pillar 2 calculation.

As the Group outsources information technology ('**IT**') estate management to a specialist provider and additionally outsources some key operational functions, the Group commits resource to the management of the relevant third party providers. Via relationship management and through monitoring delivery of the outsourced service against service level agreements, the Group works hard to ensure that the relationships are collaborative and that in each case that both parties are working together towards the same goals.

The key operational risks that have been identified as potentially having a significant impact on our business or capital are as follows:

- Failure to perform Fiduciary Duty
- Failure of a Critical Outsourced Service Provider
- Information and Communication Technology failures
- Breakdown of processes and controls resulting in operational errors
- Breach of UK Legal and / or Regulatory requirements
- People Risk

4.3. CREDIT RISK

The risk of loss caused by the failure of a counterparty to perform its contractual obligations.

The Group is primarily exposed to credit risk in respect of outstanding fee debtors from funds or clients, and from cash positions held with banks. This figure changes as the level of cash and outstanding debtors moves.

Due to the nature of the Group's clients (which tend to be institutional) and various fee return mechanisms such as the ability to take fees from client assets, the Group has a very low historic level of defaults. The Group's Derivatives business is conducted on an agency basis and therefore there is no exposure to counterparties as a result.

Cash is invested in call accounts with highly rated banks, with Group Finance monitoring cash and debtor levels, and debtor aging. For accounting purposes, the Group defines any invoice which is unpaid after thirty calendar days as 'past due', and any item which has a provision for bad or doubtful debt held against it as 'impaired'. Provisions are held against significantly overdue invoices, or any balance where the Group has evidence that the debt might not be repaid in full. The total amounts provided for at 30 June 2021 are immaterial.

4.4. MARKET RISK

The risk of loss arising from adverse movements in financial market rates / prices. This includes interest rates, foreign exchange rates, commodity and equity prices.

The Group has minimal market risk. That which it does have primarily arises on foreign currency balances due to the Group's US operations and monies used to seed new products.

The Group's business is primarily UK based and revenues are earned in sterling ('**GBP**'). The Group's exposure to foreign currency risk is therefore limited. The Group has an advisory, derivatives and fiduciary management business in the US and earns fees in respect of that business in US dollars ('**USD**'). The impact of fluctuations in USD/GBP exchange rates is partially offset by operating costs incurred in USD for the US business. Where the Group transacts in a currency other than GBP the foreign currency value is translated in GBP using prevailing exchange rates on the date of the transaction.

The Group does not have significant exposure to interest rate risk. The Group has no external borrowings and cash deposits held at banks earn fixed interest rates. Interest income is not significant for the Group.

The Group holds limited equity positions to facilitate seeding of new products. As at 30 June 2021, the Group had approximately US$1.5m of seed capital invested in the River and Mercantile International High Alpha fund and approximately £264k of seed capital invested in the River and Mercantile Global Macro Fund. Both these positions were taken for strategic reasons (seeding of new products) and are held at fair value on the balance sheet.

The Group monitors the performance of the seed capital positions on an ongoing basis and reports gains and losses to the Group Board monthly.

4.5. LIQUIDITY RISK

The risk that the Group will be unable to meet its financial obligations as they fall due.

The liquidity risk management objective of the Group is to ensure that at all times it has sufficient liquidity to ensure that it can meet its liabilities as they fall due under both 'business as usual' and stressed conditions and without incurring losses above the applicable risk tolerance.

The Group holds several classes of liquid resources. Liquid assets identified by the Group include trade debtors, other debtors, investments, cash and cash equivalents. The business is cash generative before the payment of dividends and has balances that support working capital requirements. All cash balances are held in 'on call' accounts and are therefore immediately available.

Prior to dividend payments from subsidiaries to the parent, Group Finance undertakes liquidity and capital analyses. Liquidity stress testing is performed to test and examine the adequacy of the Group's overall liquidity resources, and hence allow executive management to make informed decisions and to plan appropriately for the ongoing running of the Group.

The Group operates its business on the basis that its operational subsidiaries are self-sufficient and expected to meet their capital and liquidity requirements without recourse to their parent or other companies in the wider group.

4.6. BUSINESS RISK

Any risk to the Group arising from changes in its business, including: falling or volatile income; the broader risks of the business model or strategy proving inappropriate due to macro-economic or other factors; and the risk that the Group is unable to carry out its business plan and desired strategy.

Stress testing is performed to understand the Group business model's resilience to internal and external shocks, and hence allow executive management to make informed decisions and to plan appropriately for the ongoing running of the Group. The stress testing exercise seeks to identify severe but plausible scenarios and quantitatively model the risk to the Group's profitability and capital requirements.

The Group determined that the most significant risks to its business model are:

1) A sharp fall in equity markets followed by a period of prolonged depression;
2) The loss of a portfolio manager; and
3) The occurrence of both simultaneously.

The diversification of the Group's business activities reduces the impact of procyclicality, i.e. the risk of deterioration in business or economic conditions requiring a firm to contract its business when market conditions are unfavourable. During challenging times, advisory retainer and project revenues in RAMIL would be expected to increase in the short term as clients seek additional guidance to manage through the challenging conditions. Likewise, in strong markets the RAMAM business would be expected to experience stronger performance and growth.

The loss of a portfolio manager from RAMAM is most likely to impact the Group. The Group mitigates this risk through developed succession planning and a shared philosophy and approach which combines investment manager independence with a disciplined investment process. This is supported by a systematic screening tool and shared analyst resource, so that reliance on single individuals is reduced.

5. CAPITAL RESOURCES: OWN FUNDS

The Group's capital is classified as Common Equity Tier 1 ('**CET 1**') for regulatory purposes. It comprises permanent share capital, share premium, retained earnings and other reserves, less certain deductions. These deductions include intangible assets, most notably arising from the merger between P-Solve Investments and River and Mercantile Asset Management prior to IPO. The table below sets out the elements of capital resources as at 30 June 2021:

CET1 capital resources	£'000
Share capital	256
Share premium	15,429
Less own CET1 instruments including obligations to purchase	(4,255)
Other reserves and retained earnings	41,639
CET1 capital before any prudential filters	**53,295**
Deductions from CET1 Capital:	
Goodwill and other intangibles assets net of deferred taxes	(21,816)
Value adjustments due to the requirements for prudent valuation	(2)
CET1 capital after deductions	**31,477**

The Group's share capital consists of a single class of £0.003 share, with all shares ranking pari-passu for fully discretionary dividends, carrying equal rights to vote and ranking equally in the event of a winding-up.

6. CAPITAL REQUIREMENTS

The Group's policy is that all regulated entities maintain sufficient capital to meet their Pillar 1 capital resource requirements as well as ongoing liquidity requirements. The overall Group maintains sufficient capital against the higher of Pillars 1 and 2; including any capital planning buffers, wind-down requirements and any individual capital guidance issued by the FCA. The Group Board sign-off through the ICAAP annually, additionally, the capital resources and requirements of the Group are monitored by finance at regular intervals through external and internal reporting. The capital requirements are assessed as follows:

Pillar 1

The Pillar 1 requirement is calculated as the higher of the base capital requirement, Fixed Overhead requirement ('FOR'), or the sum of credit and market risk requirements.

6.1. CREDIT RISK

The Group calculates credit risk using the standardised approach, which risk-weights balances based upon the type of the counterparty (e.g. corporate entity, financial institution) and its creditworthiness. A capital requirement is then held against the risk-weighted balances in aggregate.

The risk-weighted exposures by class at 30 June 2021 were as follows:

Exposure class	£'000
Exposures to regional governments or local authorities	72
Exposures to institutions	4,668
Exposures to corporates	28,890
Exposures in the form of units or shares in collective investment undertakings	1,368
Exposures to public sector entities	33
Other items	6,144
Total risk-weighted exposure amount	**41,175**
Total Credit Risk Capital 8% own funds requirement	**3,294**

As the majority of counterparties with which the Group transacts do not have relevant, externally available credit ratings, the Group follows the regulatory guidance by:

1) For institutions, mapping the credit rating of the central government of the jurisdiction in which the creditor is incorporated to a credit quality step and applying a risk weighting determined by this mapping. As at 30 June 2021, all institutional counterparties were a credit quality step of 1 giving a risk-weighting of 20%.
2) For corporates, taking the higher of:
    a) the risk weighting obtained by mapping the credit rating of the central government of the jurisdiction in which the creditor is incorporated to a credit quality step (in all cases at 30 June 2021 this was credit quality step 1); and
    b) a risk weighting of 100%.
3) For collective investment undertakings exposures, assigning a risk weighting of 100%.
4) Deferred tax assets that rely on future profitability a risk weighting of 250%.
5) For other items, assigning a risk weighting of 100%.

6.2. MARKET RISK

Market risk is calculated by the Group using the standardised approach. This is achieved under Pillar 1 by applying a capital requirement against several categories of risk. These market risk categories are described as total risk exposure amount for position, foreign exchange and commodities. For the purposes of the Pillar 1 calculation investments in collective investment undertakings are accounted under credit risk. The only market risk the Group is exposed to and accounted for under Pillar 1 market risk is foreign exchange risk as a result of its operations.

Net short and long positions for each currency exposure is determined. Separate totals of the net short positions and totals of the net long positions are derived, the higher of which is taken as the Group's overall net foreign-exchange position. This has an 8% charge applied to calculate the market risk.

Pillar 1 Market risk capital requirement	£'000
Foreign currency position – Risk weighted exposures	3,172
Foreign currency position – 8% own funds requirement	**254**

6.3. PILLAR 1 RESULT

As at 30 June 2021, the FOR was the determinant of the Group's Pillar 1 requirement.

Pillar 1 requirement as at 30 June 2021	£'000
Higher of:	
1) Base capital requirement (€50k)	43
2) Fixed overhead requirement	11,706
3) Sum of credit and market risk	3,548
Pillar 1 requirement	**11,706**

Pillar 2

As described in Section 4.1, the Group has prepared an ICAAP which quantifies each of its key risks in order to understand its Pillar 2 capital requirements. An orderly wind-down analysis has also been prepared which considers the net cash-flows associated with discontinuing the Group's regulated activities. These results have been compared to the Firm's Pillar 1 requirements in order to determine the overall capital requirement but are considered proprietary and therefore not disclosed herein.

7. REMUNERATION DISCLOSURE

7.1. BACKGROUND

The Group is subject to the FCA Rules on remuneration as contained in the remuneration code set out in the SYSC Sourcebook (SYSC 19) of the FCA's Handbook. The remuneration code is designed to ensure that firms have risk focused remuneration policies which are consistent with and promote effective risk management and do not expose them to excessive risk. The remuneration code covers all aspects of remuneration which could have a bearing on effective risk management including salaries, bonuses, long term incentive plans, options, hiring bonuses, severance packages and pension arrangements. Accordingly, the remuneration code requirements cover an individual's total remuneration, fixed and variable, both of which are used by the business to incentivise its staff.

Certain aspects of the remuneration code are only applicable to a limited category of staff ('Remuneration Code Staff'). Remuneration Code Staff include senior management, risk takers, staff engaged in controlled functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers whose professional activities have a material impact on the Group's risk profile, including any employee who is deemed to have a material impact on the Group's risk profile in accordance with Regulation (EU) 604/2014 (RTS to identify staff who are material risk takers).

7.2. REMUNERATION COMMITTEE

The Board has established a Remuneration Committee ('**RemCo**') which meets regularly in order to consider issues relevant to the Group's remuneration objectives, policy and structures. RemCo oversees implementation of the Group's objectives in setting remuneration policy and seeks to preserve shareholder value by ensuring appropriate attraction, retention and motivation of staff, with an emphasis on clarity and fairness in the context of both annual and longer-term objectives set for staff and compliance with the applicable remuneration code.

Board of Directors Overall responsibility for maintaining risk management and internal control systems. Chairman Jonathan Dawson
Remuneration Committee Assists the Board in determining its responsibilities in relation to remuneration consideration of risk awareness, management and accountability for risk. Chairman Miriam Greenwood

7.3. REMUNERATION POLICY

In some aspects the Group Remuneration Policies are intentionally bespoke, given the complexity of the business in providing investment solutions for clients.

This year the caps on remuneration ratios have been removed, however executive management and Remco approve and oversee remuneration to ensure it fits into an appropriate ratio to revenue. The Group remunerates its employees and also incentivises its Executive Directors by rewarding short and long-term accomplishments. It explicitly links bonuses both to earnings growth and also to achieving investment returns for clients, by sharing in performance fees achieved. This enables shareholders, clients and Executive Directors to share in the success of the client and Group outcomes.

Executive Directors' remuneration is determined in accordance with the Remuneration Policy. Following its approval at the 2020 AGM, the new Directors Remuneration Policy has been implemented this year.

Current Remuneration Policy Key aims

- Close alignment between remuneration levels and the delivery of client desired outcomes;
- A transparent approach to sharing the financial performance of the Group between employees (including the Executive Directors) and shareholders;
- Ensuring that higher levels of remuneration are only delivered for exceptional long-term growth and performance;
- A clear understanding of expectations with regard to performance outcomes resulting from implementation of the Group's strategy into financial and non-financial outcomes;
- A clear understanding by employees and the Executive Directors of their remuneration outcomes, including their expectations regarding the components of remuneration and how this is linked to their individual, divisional and the Group's performance;
- An alignment to effective risk management, and personal and collective conduct through: malus adjustments; clawback capability; and retention periods, including compliance with the FCA's Remuneration Codes and UCITS V where applicable.

The full Policy can be found in the corporate governance section of the Group's website (www.riverandmercantile.com).

7.4. EXECUTIVE DIRECTOR PERFORMANCE AREAS

The RemCo is expected to review the Group's Key Performance Indicators and other metrics in assessing the performance of the Executive Directors against their specific individual performance objectives for 2021.

In line with our robust governance around remuneration and normal processes, the Committee discussed the Executive Directors' achievement against the relevant strategic goals of the Company. Objectives for 2020-2021 were shared for both the CEO and CFO and were made up of:

Financial Objectives: (50 per cent. of STI bonus is related to these targets)

The Group objectives are measured for the Group overall and the Executive Directors are accountable and evaluated as a team with regard to meeting these objectives. Given the spread of responsibilities amongst the Executive Directors each has some direct influence over these Group outcomes. The financial metrics include measures relating to distribution and investment performance and are listed below:

- Organic Growth in net management and advisory fees;
- Growth in underlying pre-tax margin;
- Basic EPS; and
- Distribution and Investment performance indirectly measured through Net Flows in AUM.

Strategic Objectives (20 per cent. of STI bonus is related to these targets)

This measures the delivery of strategic objectives within the Group, including the ability to build the business through acquisitions of teams or other businesses, cost reduction and efficiency programmes and other corporate activity. Objectives include progress on specific projects related to:

- Acquisitions/Disposals/Joint Ventures;
- Execution of significant distribution partnerships;
- Team acquisition;
- The corporate infrastructure or target operating model project; and

- The integration of ESG across the Group.

Individual Objectives (30 per cent. of STI bonus is related to these targets)

This measures the delivery of other objectives within the Group, including the ability to deliver talent development and succession planning effectively, and an assessment of an individual against conduct and other behavioural requirements.

They also measure the success of the individual in achieving their personal objectives set at the start of the year as measured by the Committee. Metrics include:

- People;
- Clients;
- Governance; and
- Culture

Weighting of objectives

The allocation and weighting of criteria between individual Executive Directors depends on the nature of their specific role and their ability to influence the outcomes and is weighted according to the following table, subject to overall Committee evaluation of the individual's performance in the year.

7.5. EXECUTIVE REMUNERATION

Executive Director remuneration comprises base salary, pension and other benefits; and variable remuneration in the form of a Short Term Incentive bonus (50 per cent. cash and 50 per cent. shares - to be held for a minimum of three years), and participation in the Value Transformation Plan.

Malus and clawback is applicable to all variable remuneration, with triggers aligned with market best practice. At present this is:

Clawback for the cash and share element of the short term incentive bonus for two years from the payment date

Malus adjustment applies to the VTP for unvested nil cost options up to five years from the award date and Clawback applies to vested nil cost options for two years following vesting of the nil cost options

The Policy also requires Executive Directors to acquire and retain at least 300 per cent. of base salary in the Company's shares within five years of taking office and the CEO is required to acquire and retain shares equivalent to 500 per cent. of base salary.

The table below shows the actual remuneration this year. This includes payments made under the EPSP, which are legacy payments made under the previous remuneration policy.

7.6. KEY MANAGEMENT AND STAFF REMUNERATION

The following tables outline the remuneration outcome for the Group in the year ended 30 June 2021

Single figure remuneration (audited)

The following table gives the single figure remuneration for Executive Directors who served during the financial years ended 30 June 2021 and 30 June 2020.

£	Year ended 30 June	Base salary	Taxable benefits[1]	Pension[3]	Total of fixed remuneration	Annual bonus[2]	PSP shares vested	SAYE Options	Total of variable remuneration	Total
James Barham	**2021**	**360,000**	**2,550**	**32,500**	**395,050**	**559,275**	**–**	**–**	**559,275**	**954,325**
	2020	360,000	2,563	32,500	395,063	–	–	–	0	395,063
Simon Wilson	**2021**	**250,000**	**1,022**	**12,500**	**263,522**	**386,563**	**–**	**–**	**386,563**	**650,085**
	2020	29,762	90	1,488	31,340	–	–	–	0	31,340

	Year ended 30 June 2021	Year ended 30 June 2020
The average number of employees (including Directors) employed was:		
UK Investment Solutions	**149**	144
US Investment Solutions	**41**	39
UK Asset Management	**43**	35
US Asset Management	**4**	4
Corporate	**46**	42
PLC	**5**	4
Total average headcount	**288**	268

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
The aggregate remuneration of employees (including Directors) comprised: Wages and salaries	37,855	36,192
Social security costs	3,946	3,575
Pension costs (defined contribution)	1.113	976
Share-based payment expense	274	415
Total remuneration and benefits (excluding EPSP)	43,188	41,158
Fixed remuneration	29,723	28,922
Variable remuneration	13,465	12,236
	43,188	41,158
EPSP costs:		
Share-based payment expense		452
Social security costs		183
Total EPSP (credit)/costs		635

Key management remuneration

Key management includes the Executive and Non-Executive Directors, and Group Executive Committee members. The remuneration paid or payable to key management for employee services is shown below:

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Short-term employee benefits	7,428	5,932
Long-term employee benefits	-	7
Post-employment benefits	166	113
Share-based payment expense	723	141
	8,317	6,193

At the annual performance and appraisal review meeting, the individual employees and managers evaluate and document performance in the past year and set new goals. Decisions on adjustment, if any, of the employee's fixed salary or on annual performance-based pay are made on the basis of this appraisal.

The various remuneration components are combined to ensure an appropriate and balanced remuneration package.

The four remuneration components are:

- fixed remuneration (including fixed supplements)
- performance-based remuneration (variable pay)
- pension schemes, where applicable
- other benefits

Fixed remuneration is determined on the basis of the role and position of the individual employee, including professional experience, responsibility, job complexity and local market conditions.

The performance-based remuneration motivates and rewards high performers who significantly contribute to sustainable results, perform according to set expectations for the individual in question, strengthen long-term customer relations, and align income with shareholder interests.

Performance based remuneration may be disbursed as cash bonus, shares, share based instruments, and other generally approved instruments.

Pension schemes, employees are covered by defined contribution plans with a pension insurance company.

Other benefits are awarded on the basis of individual employment contracts and local market practice.

7.7. PERFORMANCE-BASED REMUNERATION

Performance-based remuneration is awarded in a manner which promotes sound risk management and does not induce excessive risk-taking, i.e., if the performance-based remuneration exceeds the minimum threshold determined by the Board by granting a proportion of performance-based pay as deferred shares and for material risk takers the possibility of deferred cash as well.

Further, performance-based pay is awarded by ensuring:

- an appropriate balance between fixed and performance-based components
- that the fixed component represents a sufficiently high proportion of the total remuneration to make non-payment of the performance-based component possible
- that no hedging of deferred shares takes place for employees who are identified as material risk takers
- that material risk takers cannot dispose of the share-based instruments for an appropriate period of time after transfer of the instruments to the risk-taker

7.8. PERFORMANCE SHARE PLANS

Where share–based awards are granted to employees, the fair value of the award at the date of grant is charged to the consolidated income statement over the vesting period. Non–market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each year–end date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of shares that eventually vest. Market vesting conditions are factored into the fair value of the awards granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The key features of the awards are:

Financial year of award	2016	2017	2018	2019	2020	2021
Number of shares granted '000						
Scheme 1 – Employees	892	229	29	41	–	–
Scheme 2 – Employees	45	–	–	–	–	–
Scheme 3 – Employees	184	150	514	108	–	–
Scheme 4 – Employees	–	–	196	190	–	–
Scheme 5 – Employees	–	–	48	–	–	–
Scheme 6 – Executive Directors	265	304	1,114	797	177	
Scheme 7 – Employees	–	–	–	–	–	189
Scheme 8 – SMSP	–	–	–	–	–	1,765
Scheme 9 – VTP	–	–	–	–	–	Variable
Maximum term at grant date						
Scheme 1 – Employees	5 years	4 years	4 years	3 years	n/a	n/a
Scheme 2 – Employees	4 years	n/a	n/a	n/a	n/a	n/a
Scheme 3 – Employees	4 years	4 years	4 years	3 years	n/a	n/a
Scheme 4 – Employees	n/a	n/a	3 years	3 years	n/a	n/a

Scheme 5 – Employees	n/a	n/a	4 years	n/a	n/a	n/a
Scheme 6 – Executive Directors	5 years	4 years	4 years	5 years	3 years	n/a
Scheme 7 – Employees	n/a	n/a	n/a	n/a	n/a	3 years
Scheme 8 – SMSP	n/a	n/a	n/a	n/a	n/a	4 years
Scheme 9 – VTP	n/a	n/a	n/a	n/a	n/a	5 years
Vesting conditions (see key below)						
Scheme 1 – Employees	1, 2 and 3	1, 2 and 3	1, 2 and 3	1 and 4	n/a	n/a
Scheme 2 – Employees	1 and 2	n/a	n/a	n/a	n/a	n/a
Scheme 3 – Employees	1	1	1	1	n/a	n/a
Scheme 4 – Employees	n/a	n/a	1 and 4	1 and 4	n/a	n/a
Scheme 5 – Employees	n/a	n/a	none	n/a	n/a	n/a
Scheme 6 – Executive Directors	1 and 2	1 and 2	1 and 5	1 and 6	1	n/a
Scheme 7 – Employees	n/a	n/a	n/a	n/a	n/a	1
Scheme 8 – SMSP	n/a	n/a	n/a	n/a	n/a	1 and 2
Scheme 9 – VTP	n/a	n/a	n/a	n/a	n/a	1 and 2

1. Remain employed throughout vesting period, subject to malus and good leaver provisions
2. Achievement of specified total shareholder return target within a range
3. Straight–line between minimum and maximum divisional AUM and revenue targets
4. Achievement of specified revenue targets within a range
5. Achievement of specified adjusted underlying EPS targets and personal objectives
6. Achievement of specified adjusted underlying EPS targets and business performance criteria

For the purposes of the FCA rules RAMIL and RAMAM are considered to be “proportionality Level 3” firms.

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RIVER AND MERCANTILE