CRD IV PILLAR 3 DISCLOSURES AS AT 31 DECEMBER 2017

OLD MUTUAL WEALTH ICAAP GROUP

Section A. Introduction and Purpose

A1 Name and legal form of the undertaking

This disclosure is in respect of the consolidation of entities within the Old Mutual Wealth (OMW) Internal Capital Adequacy Assessment Process (ICAAP) prudential consolidation group (referred to within this document as the 'OMW ICAAP Group'). This consolidation includes a subset of the entities within the Old Mutual Wealth Management Limited (OMWML) legal group.

The OMW ICAAP Group includes entities within the OMWML legal group which are classified as investment firms, asset management firms, advice firms, financial holding companies and mixed financial holding companies. Insurance firms, insurance holding companies and service companies which primarily provide services to insurance firms are excluded from the scope of the OMW ICAAP Group.

All companies in the OMW ICAAP Group are wholly owned subsidiaries OMWML (some entities are subsidiaries of other intermediate holding companies). OMWML is itself a wholly owned subsidiary of the ultimate parent holding company Old Mutual plc.

As part of the Managed Separation activity, on 15 November 2017 OMWML announced that it intended to rebrand its business as Quilter in connection with its demerger from Old Mutual plc and listing on the London and Johannesburg Stock Exchanges. On 27th March 2018 OMWML re-registered as a public limited company under the name of Quilter plc. Quilter plc intends to rebrand its businesses over a period of approximately two years following separation from Old Mutual plc. Company names throughout this report are correct as at 31 December 2017.

A2 Name and contact details of the supervisory authority

Financial Conduct Authority (FCA)
112 Endeavour Square
London
E20 1JN

A3 Name and contact details of the external auditor

KPMG LLP
Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

A4 Qualifying holdings in the undertaking

For every company referred to above, 100% of the voting rights were held by the immediate parent company throughout the relevant period of ownership.

A5 Background

The Capital Requirements Directive IV (CRD IV) is the EU implementation of Basel III which is a global Accord via the Basel Committee on Banking Supervision in response to the financial crisis. Basel III contains a package of proposals to increase the prudential soundness of Banks, and its implementation in the EU also covers certain Markets in Financial Instruments Directive (MiFID) Investment Firms.

Basel III has three pillars:

- Pillar 1: The minimum capital requirements of firms to cover credit, market and operational risk;
- Pillar 2: Designed to complement the existing Pillar 1 requirements by assessing the need to hold additional capital under a more risk based assessment called the Internal Capital Adequacy Assessment Process (ICAAP) which is confidential between the undertaking and the supervisory authority; and
- Pillar 3: A set of disclosure requirements which enable the market to assess information on a firm's risks, capital and risk management procedures.

CRD IV entirely replaced previous Capital Requirements Directives and introduced new prudential requirements.

The 'CRD IV Package' is comprised as:

- CRD IV (Directive 2013/36/EU)
- The Capital Requirements Regulations (Regulation (EU) No 575/2013).

The Capital Requirements Regulation (CRR) is directly binding on 'in scope' firms, and did not need to be implemented by the FCA (or via UK Regulation). However, the FCA transposed the Directive into the FCA Handbook via UK Regulation.

A6 Frequency

Pillar 3 disclosures will be made on an annual basis.

A7 Location

The Pillar 3 disclosure report is published on the Old Mutual Wealth (OMW) website (www.quilter.com).

A8 CRD IV reporting currency

The OMW ICAAP Group reports on a CRD IV basis in Great British Pounds (**GBP**).

A9 Reporting period

This report covers the financial position at **31 December 2017**.

A10 Verification

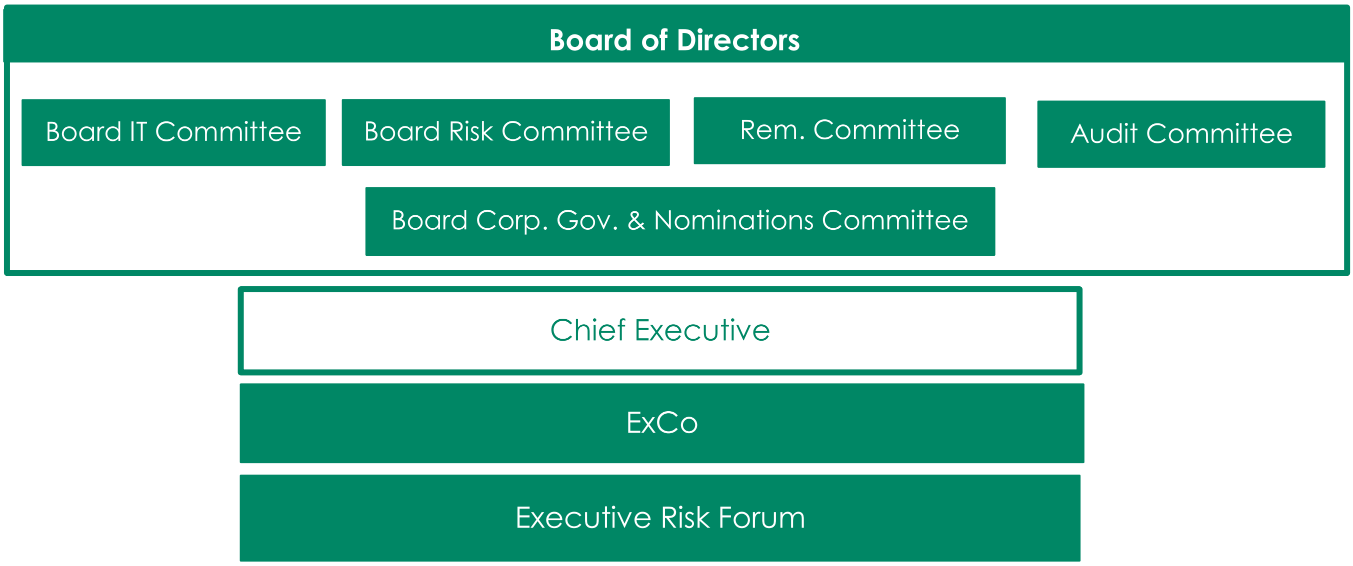
The disclosures are unaudited but have been reviewed internally. To the extent that the disclosures have been made in the Report and Financial Statements of OMW they have been subject to external verification. These disclosures explain how the Board have calculated certain capital requirements and information about risk management generally. They do not constitute financial statements and should not be relied upon in making judgements about OMW or for any other purpose than that for which they are intended.

Section B. Governance & Risk Management

B1 Governance Framework

B1.1 OMW

The OMW Business Unit of Old Mutual plc is a management construct used to describe a sub-group of Old Mutual group companies in the UK, Isle of Man and Ireland managed by the OMW executive team. OMW is comprised primarily of the OMWML legal group of subsidiary companies. As a collection of entities within the OMWML legal group, the OMW ICAAP Group is subject to the delegated authorities given by the Board of Old Mutual plc under the Old Mutual plc Decision Making Framework and as reflected in the OMWML System of Governance (see below):



First Line of Defence **Risk Origination, Ownership and Management** Business Operations	**Second Line of Defence** **Risk Oversight, Challenge and Advice** Risk and Compliance Functions	**Third Line of Defence** **Assurance** Internal Audit
The primary responsibility of risk management lies with business management and all employees, who are responsible for managing risk as part of their day to day activities. They are responsible for identifying and evaluating the significant risks to the business, for designing and operating suitable controls and reporting risks and issues that arise in their areas.	The second line responsibilities are around the provision of frameworks, advice and support to the business. Risk's role includes reviewing and challenging the business on how well the framework has been implemented and providing additional insights on the main risks being run, the controls around these and the capital held.	The third line responsibilities owned by Internal Audit (IA) are to provide independent, objective assurance. The scope of IA's activities encompass the examination and evaluation of the design adequacy and operating effectiveness of OMW's system of internal controls and associated risk management processes
Includes: 1. Set Risk Management Strategy 2. Set and deliver tone at the top 3. Implementation and ownership of policies 4. Implementation and monitoring of risk appetite and risk limits 5. Ongoing management of risks 6. Compliance and risk aware operating practices 7. Performance management	**Includes:** 1. Deliver a clear and well communicated, business-wide risk framework 2. Provide control and monitoring systems 3. Produce risk reports for stakeholders 4. Support adherence to regulation and legislation 5. Advice and support to business 6. Escalate material issues / risks	**Includes:** 1. Internal governance structures and processes 2. The setting of and adherence to risk appetite 3. The risk and control culture of the organization 4. The integrity of dealings with customers, interactions with relevant markets 5. Key corporate events including the information being used to support key decisions 6. Lessons learned analysis following significant adverse events
Accountable: 1. CEO / CFO / COO 2. Executive Management 3. All employees	**Accountable:** 1. CRO 2. Risk Leadership Team 3. Risk Function	**Accountable:** 1. Chief Internal Auditor 2. Internal Audit Team

The system of governance will be reviewed on an annual basis, or whenever there is a material change in the business which requires a change to the system of governance as determined by the OMWML Board.

B1.2 Roles and duties of the OMWML Board

The role of the Board of Directors of OMWML, in respect of the ICAAP Group, is as follows:

- To oversee the long term prosperity of OMW by providing independent input, review and constructive challenge in relation to OMWML;
- To constructively challenge and help develop proposals on OMWML strategy in the context of OMW strategy;
- To monitor the progress of OMWML in development and implementation of strategic plans and material policies;
- To generally oversee OMWML to ensure maintenance of sound risk controls and governance systems, integrity of financial information, regulatory compliance and sound planning, performance and overall management, either directly or via delegation to its Committees;
- To consider and, if thought fit, approve matters escalated to it, including those escalated from the subsidiary boards under its supervision;
- To ensure the OMW businesses comply with the OMW Scheme of Delegation; and
- Through its Corporate Governance and Nomination Committee, approve the appointment of the Chairman of OMW Business oversight Boards.
- B1.3 OMW Executive Responsibility

The OMW CEO is delegated responsibility, by the OMWML Board, for the day-to-day management of the OMW Business, operating within the authorities granted through the Old Mutual plc Group Operating Manual, Decision Making Framework and the responsibilities articulated in the OMW CEO Role Profile.

To assist the OMW CEO in the discharge of those responsibilities, an Executive Management team has been appointed and directly reports to the CEO. The Executive Management team, along with other key roles in the OMW Business, form the OMW Executive Committee.

The OMW Executive Committee meets primarily on a monthly basis, and also holds update calls primarily on a weekly basis.

The OMW CEO is assisted in the review and challenge of Risk Appetite performance as set by the OMWML Board (that is aligned to the OM plc risk appetite set by the OM plc Board) and to oversee, challenge and monitor the management of risks, including strategic, business, operational, financial, insurance and regulatory risks, the adequacy of governance arrangements and the effectiveness of internal controls within OMW by the Executive Risk Forum.

B1.4 OMWML Board of Directors

The table below sets out members of the OMWML Board and their date of joining or leaving the Board (where this took place during the year). The total number of directorships (including Limited Liability Partnerships and trustee positions) held by each Board member during 2016 is also included.

Old Mutual Wealth Management Limited directors and appointments held as at 31 Dec 2017

Note: appointments on companies that do not pursue predominantly commercial objectives are excluded.

Name	Role	Number of external directorships held	Number of directorships held within the OM Group (inc. OMWML)
Glyn Jones	Independent Non-Executive Chairman	1	1
Paul Feeney	Chief Executive Officer	1	1
Tim Tookey	Chief Financial Officer	1	1
Rosie Harris	Independent Non-Executive Director	2	2
Moira Kilcoyne	Independent Non-Executive Director	1	1
Jonathan Little	Independent Non-Executive Director	1	3
George Reid	Independent Non-Executive Director	0	4
Cathy Turner	Independent Non-Executive Director	3	2
Bruce Hemphill	Group Non-Executive Director	0	5
Ingrid Johnson	Group Non-Executive Director	0	5
Mark Satchel	Corporate Finance Director	0	7

Recruitment and selection of members of the management body

The OMW Human Resources Policy requires decisions on recruitment (and other aspects of people management) to be objective and based on merit. Role profiles set out the skills, experience, competencies and knowledge required for the role (and regulatory and firm specific responsibilities for regulated roles).

Through background and reference checking we ensure individuals are of good repute and are financially sound.

In determining the composition of the management body we aim to ensure that the individuals have the appropriate skills, experience and as a whole the right blend of skills and experience to carry out the responsibilities of the management body.

All directors are employees of OMW and are therefore subject to the company's Equality & Diversity Principles which are summarised in the following statement:

OMW will create a working environment which is free from discrimination, victimisation and harassment and which respects the diverse backgrounds and beliefs of members of the Company.

No employee or prospective employee or other individual will receive less favourable treatment or be disadvantaged by any circumstances, conditions or requirements that cannot be justified.

Management will make every effort to ensure they will not unreasonably exclude any individual from access to any activities, facilities or services, or any employment opportunities that they offer.

OMW will treat all members and job applicants equally and fairly and not discriminate unlawfully against them. This will, for example, include arrangements for recruitment and selection, terms and conditions of employment, access to training opportunities, access to promotion and transfers, grievance and disciplinary processes, demotions, selection for redundancies, dress code, references, work allocation and any other employment related matters. Every employee is entitled to expect equality of opportunity in all aspects of their employment including its terms and conditions.

B2 Risk Management Framework

B2.1 Risk Management Framework Overview

The requirements of the framework are set out in the OMW Enterprise Risk Management Policy which is approved by the OMWML Board. An overview of the approach taken to meet the requirements of the ERM Policy is set out below:

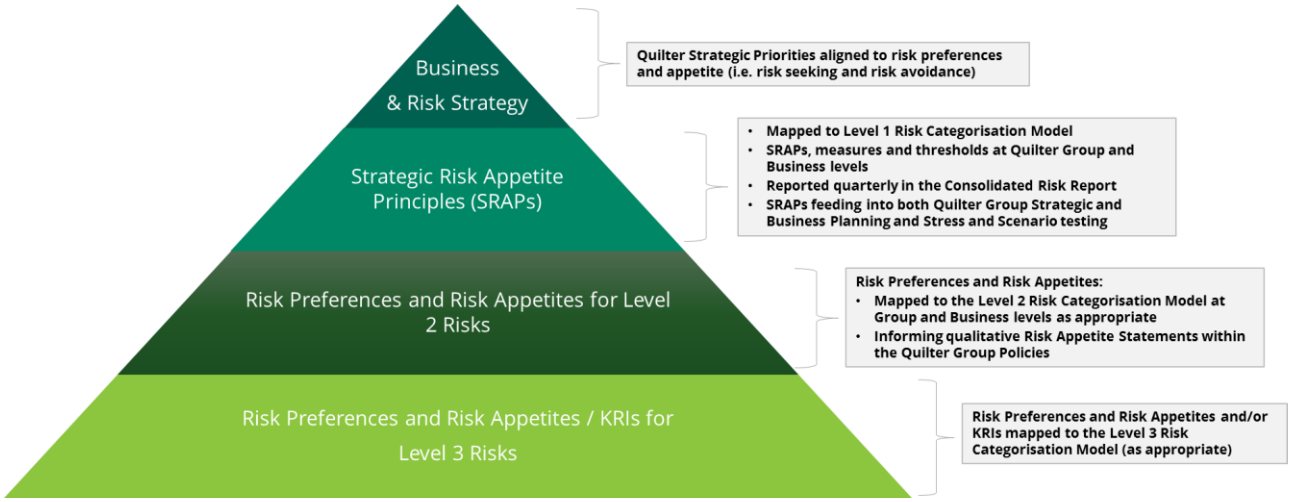
The key components of the framework are as follows.

B2.2 Risk Strategy, Appetite and Policy

Risk appetite is the amount of risk that is acceptable to OMW and is a function of OMW's capacity to bear risk. As a result, risk appetite refers to OMW's attitude towards risk taking and whether it is willing and able to tolerate either a high or a low level to specific risks or risk groups.

Risk appetite predicates the identification and assessment of risks in order that either the appetite or the amount of risk identified may be determined on a timely basis. How management may subsequently choose to deal with a particular risk, whether through mitigation, by transfer, control or elimination, does frequently depend on risk appetite, although market factors may also be a factor. OMW's Risk Appetite Framework supports the delivery of OMW's strategy and business plan with risk appetite playing a central role in informing decision making across OMW; protecting and enhancing the return on capital invested.

OMW undertakes business in accordance with its current business and risk strategy which is supported by the principles set out below, that must be considered in deciding whether or not to pursue an opportunity.



Each business entity is responsible for ensuring the OMW Group level appetite and policies are applied appropriately within their respective business.

Strategic Risk Appetite Principles

Strategic Risk Appetite Principles are high level risk appetite statements that enable risk appetite to be linked and aggregated at the highest level to the strategic drivers of the business. These Strategic Risk Appetite Principles:

- Set out the guiding principles for the types of risk OMW wishes to take, avoid, or protect itself against, taking account of its strategic aims and priorities, competencies and competitive advantage;
- Are consistent with what is communicated externally to shareholders, analysts and regulators; and
- Are set by the OMW Board.

Strategic Risk Appetite Principles to support the Business over the Business Planning Period in normal and stressed conditions	
Customer	The Quilter Group will ensure fair customer outcomes.
Liquidity	The Quilter Group will ensure that it has sufficient liquidity to meet its financial and funding obligations.
Capital	The Quilter Group will hold or have access to sufficient capital to maintain own capital needs.
Control Environment	The Quilter Group will at all times operate a robust control environment.

Policy Suite

The OMW policy suite forms an integral part of the risk governance framework of OMW. These policies contain more granular risk appetite statements.

The OMW policies and standards have been approved and adopted by the OMWML Board and compliance against the policies is monitored by the business on a half yearly process, and reported to Old Mutual plc through the CEO Letter of Representation.

B2.3 Risk Identification and Assessment

Risks to delivery of the business plan are identified through the strategic target setting process and business planning process. Risks to business processes are identified through the regular refresh of the Risk and Control Self-Assessment process, designed to improve the understanding and control of operational risks.

Risks and controls are assessed on a quarterly basis by first line management. Where controls are considered to be inadequate or ineffective, management actions are agreed to improve the level of control.

B2.4 Risk Management, Monitoring and Assurance

Risks are owned and managed on a day to day basis by first line risk owners. The second line Risk function provides advice to support the first line in managing risks.

Risk mitigation strategy planning is performed for some risks to ensure that risk mitigation plans are in place. An example of risk mitigation planning is the development of business continuity plans, which are defined at a functional level.

Corporate insurance is in place to mitigate some high impact, low frequency risks.

B2.5 Scenario Testing and Modelling

Scenario testing is performed to assess the impact of plausible but severe events and to support management in developing plans to manage such events.

The scenario framework focusses on considering scenarios under the following headings:

- Macro-economic scenarios (the key focus area is our ability to withstand such events and our exposure relative to our peers);
- Sectoral risks (i.e. risks which could affect all, or a subset of firms in the financial services industry, such as tax, regulatory or political changes);

- Specific threats (i.e. risks which could cause a specific threat to the OMW ICAAP Group but would not impact peer firms to the same extent); and
- Reverse stress testing (i.e. threats which could cause the business model to become unviable).

In addition, operational risk scenario testing is performed to assess potential plausible but extreme operational losses.

B2.6 Risk Reporting and Escalation

Risk reporting is performed by the Risk function. Risk reports are provided to each of OMWML, Old Mutual Global Investors, Quilter Cheviot, and Intrinsic Board Governance and Risk Committees and the OMWML Board Risk Committee at least on a quarterly basis, senior management on a monthly basis and the Operational Forum on a monthly basis.

Risk events with a financial impact of over £5,000 and risk events which have a non-financial impact such as impacts on customers and regulatory breaches are recorded by the function within which the risk event arose.

Risk events remain open until any management actions to manage the impacts or address the events have been performed.

First line management escalate risks and risk events in line with escalation guidelines which are defined by the Risk function.

B3 Risk Management Culture

Our risk culture is defined by the following principles:

- Responsibility and accountability for risk management is clearly assigned throughout the organisation with the aim of fostering an open and transparent organisational culture that encourages the right behaviours;
- We create a climate for our employees to voice genuine concerns about, and risks within, the business;
- A risk-aware culture is seen as an enabler for management to feel empowered to take risks in a manner that is transparent and that is in line with the business and risk strategy;
- Good risk management practices are encouraged, such that our employees understand how to make educated risk-related decisions in their day to day roles;
- Training and awareness programmes are in place to ensure that a risk aware culture is fostered and that employees understand the importance of good risk management; and
- Performance management encourages and incentivises good risk management practices.

B4 Adequacy of Risk Management Arrangements

OMW has an ongoing process for identifying, evaluating and managing the principal risks that it faces, and the OMWML Board reviews these over the course of the year. The Board acknowledges its responsibility for establishing and maintaining OMW's system of internal control, and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risks to which OMW is exposed. The Board confirms the adequacy of the risk management systems to OMW's risk profile and strategy.

B5 Risk Profile

B5.1 Credit risk

Credit risk is the risk of adverse movements in credit spreads credit ratings or default rates leading to deterioration in the level or volatility of assets, liabilities or financial instruments resulting in loss of earnings or reduced solvency.

The Group is exposed to credit risk in the following areas:

- Default in respect of the investment of shareholder funds (typically held by banks or in Money Market Funds);
- Default by financial advisors in respect of loans granted;
- Default by fund management groups in respect of settlements.

The management of credit risk is supported by a Group Credit Risk Framework that comprises a Group Credit Risk Policy, Group Credit Risk Standard and Group Credit Risk Appetite Statement. The framework ensures that the Group only deals with counterparties deemed to be of high quality and ensures that robust ongoing monitoring and due diligence of counterparties occurs, with appropriate oversight.

Credit risk is assessed through analysis of the balance sheets of the individual Businesses that make up the Group, with appropriate management actions undertaken on a timely basis as required.

B5.2 Market risk

Market risk is the risk of an adverse change in the level or volatility of market prices of assets, liabilities or financial instruments resulting in a loss of earnings or reduced solvency. This risk can arise from movements in interest rates, equity and property values and foreign exchange rates. The Group has a secondary exposure to market risk because it derives revenue (e.g. through annual management charges from clients) which are linked to the value of the underlying assets.

The management of market risk is supported by a Group Market Risk Framework that includes a Group Market Risk Policy and Financial Risk Mitigation Standard. This framework includes details on the permitted and prohibited market risk exposures to ensure market risk is appropriately managed.

The financial impact of potential severe but plausible market stresses is examined through annual stress and scenario testing.

B5.3 Liquidity risk

Liquidity risk is the risk that there are insufficient assets or that assets cannot be realised in order to settle financial obligations as they fall due or that market conditions preclude the ability of the firm to trade in illiquid assets in order to maintain its ALM profile.

The management of liquidity risk is supported by a Group Liquidity Risk Framework that comprises a Group Liquidity Risk Policy, Group Liquidity Risk Standard and Group Liquidity Risk Appetite Statement. The framework ensures that the Group maintains sufficient liquidity within each Business such that each can meet its minimum liquidity requirement at all times. This minimum liquidity requirement is assessed through identifying the drivers of liquidity risk in each Business, supported by regular stress testing and an appropriate Contingency Funding Plan that addresses potential liquidity requirements that may arise during a liquidity stress.

B5.4 Operational risk

Operational Risk is defined as: "The risk of loss (or unintentional gain/profit) arising from inadequate or failed internal processes, or from personnel and systems, or from external events (other than financial or business environment risks), resulting in an adverse impact to earnings or reduced solvency."

The ICAAP Group has exposure to operational risk resulting from operational activities, excluding risks already described above and excluding strategic risks and risks resulting from being part of a wider group of companies.

The ICAAP Group has exposure to a number of operational risks which threaten the company's ability to meet its business objectives including regulatory compliance breach, misrepresentation in product literature or illustrations leading to unfair treatment of customers and litigation, poor business plan execution, cyber-attack, IT instability, issues relating to third party supply and outsourced services, financial crime, and process failure such as in customer administration, investment and fund management, tax and financial management processes.

Operational risks are managed in accordance with the OMW Operational Risk policy and standards consistent with the Enterprise Risk Management Framework. Operational risk exposure is measured primarily through scenario assessments which use internal and external loss event data, Risk and Control Self-Assessments, and expert judgement provided by the key subject matter experts. Resultant exposures are evaluated against the company's risk appetite which is the process that drives operational risk reporting and management action.

The company operates a strong risk governance structure and operates a "three lines of defence" model as described in section B1.1 in accordance with the Group Governance Manual. The Board has overall responsibility for managing the company within operational risk appetite and risk culture. First line management has responsibility for the embedding and applying the operational risk framework and managing operational risk and controls. The company's Risk Function is the Second Line who provides risk oversight, and the company's Internal Audit function provides Third Line assurance. The company's governance structure is designed to ensure clarity of responsibilities and delegated authorities, segregation of duty, and clear escalation of risk issues to enable timely management response to manage risks within acceptable tolerances.

B5.5 Business Risk

Investment contract risk arises through exposure to unfavourable operating experience in respect of factors such as persistency levels and management expenses relative to the company's expectations when pricing contracts, which may prevent the firm from achieving its profit objectives.

The financial impact of persistency and expense risks is examined through stress tests carried out within the ICAAP.

Persistency
Persistency risk is the risk that the rate at which customers withdrawals and cease paying regular premiums exceeds the expectation when preparing the business plan. Excessive withdrawals and regular premium cessations can result in a reduction in profits in future years.

Persistency statistics are monitored monthly to identify emerging trends. Actions may be triggered as a result of higher than expected lapse rates.

In the short term, profit is not materially impacted by reasonably foreseeable changes in persistency experience.

Expenses
Expense risk is the risk that actual expenses exceed the expectation when preparing the business plan. This may result in emerging profit falling below the company's profit objectives.

Expense levels are monitored quarterly against budgets and forecasts. An activity based costing process is used to allocate costs relating to processes and activities to individual products.

B5.6 Pension obligation risk
A firm offering a defined benefit plan bears the risk that the investments in the plan do not product a large enough return to meet pension obligations to current and former employees.

QC operates two defined benefit pension schemes; the Quilter Cheviot Retirement Benefits Scheme and the Quilter Cheviot Channel Islands Retirement Benefits Scheme. Both schemes are closed to new members, and were closed to the accrual of future service benefits for in-service members as at 31 December 2014, such that all these members in this category become paid-up deferred members.

B5.7 Risk and capital management
The Capital Management Policy sets out the key considerations and restrictions with regard to the amounts of capital that is retained. The OMW ICAAP Group retains sufficient resources to meet regulatory capital requirements and to maintain working capital to provide for fluctuations in experience. The regulatory capitals have been met throughout the year. The ICAAP is used to access the level of capital which should be retained by the company the ICAAP considers all the risks faced by the company and the degree to which risks have similar or related causes and could occur together.

The potential impacts on the capital resources and future profits of the company are assessed regularly. Market and investment contracts are assessed through stress tests applied to business plan financial projections by varying assumptions for future experience. Operational risks are assessed using scenario based risk assessments, constructed using expert judgement supplemented by review of the risk control processes in place, internal and external event data, key risk indicators and internal and external audit opinions. Credit risks are assessed by determining the financial exposure to material counterparties and the likelihood of default of these counterparties. Credit ratings are used to assess the likelihood of default.

The OMW ICAAP Group regards the regulatory statutory capital resources of £596 million (2016: £238 million) as capital. The regulatory capital requirements have been met throughout the year.

Section C. Capital Resources

C1 Regulatory Pillar I Capital Resources

The table below illustrates the elements of the ICAAP Group's capital resources.

Own funds	2017 £m
Capital instruments and the related share premium accounts	188
Of which: ordinary share capital Of which: share premium	130 58
Retained earnings Accumulated other comprehensive income (and other reserves)	432 53
Common Equity Tier 1 (CET1) capital before regulatory adjustments	673
Intangible assets (net of related tax liability)	(77)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	(77)
Common equity tier 1 (CET1) capital	596
Tier 1 capital	596
Total capital	**596**

C2 Reconciliation of Regulatory Capital to Balance Sheet Capital

The table below provides a reconciliation of regulatory capital to balance sheet capital for the entities within the scope of the ICAAP Group.

	2017 £m
IFRS net assets	673
Deduct: goodwill and intangible assets	(77)
Total capital	**596**

Section D. Capital Requirements & Capital Adequacy

D1 Regulatory Pillar I Capital Requirement

The Pillar I capital requirement under CRD IV is based on the higher of the sum of the credit, market and settlement risk capital requirements and the fixed overhead requirement. The table below gives a summary of the Pillar I capital requirement at 31 December 2017:

Pillar I capital requirement	2017 £m
Credit risk capital requirement	69
Market risk capital requirement	2
Settlement risk capital requirement	1

Total of credit, market and settlement risk requirements	**72**
Fixed overhead requirement	81
Pillar I capital requirement	**81**

D1.1 Credit risk capital requirement

The ICAAP Group has adopted the standardised approach to calculating relevant components of the credit risk capital requirement as 8% of total risk-weighted exposures.

The components of the credit risk capital requirement at 31 December 2017 are set out in the table below:

2017	Exposure (£m)	Average risk weight	Risk weighted exposure (£m)	Risk weighted exposure at 8% (£m)
Debtors	693	94%	649	52
Cash	628	20%	126	10
Fixed assets	14	100%	14	1
Other	50	146%	73	6
Total	**1,385**		**862**	**69**

D1.2 Market risk capital requirement

The ICAAP Group has minor market risk exposures since cash is generally in bank deposits and there is no significant exposure to foreign currency exchange rates. The market risk capital requirement was £2 million at 31 December 2017.

D1.3 Settlement risk capital requirement

The ICAAP Group has settlement risk exposures related to the execution and settlement of trades. The settlement risk capital requirement was £1 million at 31 December 2017.

D1.4 Fixed overhead requirement

The fixed overhead requirement is calculated as 25% of the fixed expenditure of the ICAAP Group, based upon the latest audited statutory accounts of the entities which make up the ICAAP Group. The fixed overhead requirement for the ICAAP Group was £81 million as at 31 December 2017.

D2 Regulatory Pillar I Capital Adequacy

	2017 £m
Pillar I capital resources	596
Less: Pillar I capital requirement	(81)
Capital surplus	515

D3 Regulatory Pillar II Capital Adequacy

Under Pillar II investment firms are required by the FCA to carry out an assessment of the adequacy of their capital resources based on its own assessment of the risks that they face rather than the regulatory prescribed calculation under Pillar I. This assessment is presented within the ICAAP. The ICAAP is an internal report which is shared with the FCA and is subject to supervisory review and evaluation by the FCA every two years.

Section E. Remuneration Policy and Practices

E1 Introduction

The following disclosure explains how OMW complies with the requirements of the UK implementation of CRD IV, in particular Articles 92 to 95, and the BIPRU Remuneration Code. For the 2017 performance year, CRD IV applied to Old Mutual Wealth Limited ('OMWL') and Quilter Cheviot Limited ('QCL'). The BIPRU Remuneration Code applied to Old Mutual Global Investors (UK) Limited ('OMGI').

Under CRD IV and the BIPRU Remuneration Code certain rules apply to the remuneration policies and practices for staff whose professional activities have a material impact on the risk profile of OMW. These employees are referred to as Material Risk Takers ('MRTs') under CRD IV and Code Staff under the BIPRU Remuneration Code.

E2 Remuneration Policy

Remuneration for MRTs and Code Staff is governed by the OMW Remuneration Policy. The policy has been designed to discourage risk taking outside of OMW's risk appetite, to support the business strategy, objectives and values and to align the interests of employees, shareholders and customers.

The policy is overseen across OMW by the OMW Remuneration Committee (the 'RemCo').

The RemCo is appointed by the OMW Board and consists of non-executive directors of OMW, which enables it to exercise independent competent judgement in remuneration matters in the context of managing risk, value and capital in line with shareholders' expectations as well as ensuring OMW's compliance with the relevant remuneration regulatory requirements. This includes the remuneration process, structures and operation which are actively monitored as an integral part of their oversight. The RemCo met eight times in 2017. The RemCo received independent advice in respect of the OMW Remuneration Policy from external consultants, Deloitte. The Risk and Compliance Functions as well as the OMW Board Risk Committee input into the Remuneration Policy and remuneration decisions as appropriate.

The Remuneration Policy has been developed based on a number of key principles. These are:

- Remuneration must reinforce wider people management practices, and only reward results which support employment culture and customer values;
- Remuneration must align to the business drivers, corporate vision and strategic priorities of OMW and its component businesses as disclosed to shareholders from time to time;

- Remuneration plans and policies must align the interests of executives with those of shareholders by rewarding delivery of the chosen strategy and sustained performance against agreed financial goals that create long-term shareholder value;
- There must be a robust quantitative and qualitative approach to reflecting risk metrics and risk management in the outcome of remuneration plans and total remuneration must be justifiable and affordable in relation to the performance attained;
- The determination and communication of all remuneration plans must be simple, clear and transparent for employees and shareholders.

E3 Material Risk Taker (MRT) identification

OMW has identified MRTs as individuals who can, by their professional activities, create material risks for the CRD IV entites within OMW. For 2017 these entities were OMWL and QCL. OMW has identified MRTs in line with regulatory technical standards published by the European Banking Authority setting out qualitative and quantitative criteria. Categories of staff considered as MRTs include senior management, employees in key control function roles, other employees who could create material risks, and high earners and employees remunerated at the same level as other MRTs who can create material risks for the business. The identification process takes account of the key risks defined in the relevant ICAAP as well as the controls and governance framework that individuals operate within.

E4 Link between pay and performance

Remuneration for MRTs is made up of fixed compensation (salary and benefits) and variable performance-related pay (short-term and long-term incentives). All staff are eligible for variable pay and fixed compensation is set at a market competitive level enabling a fully flexible variable remuneration policy including the ability to pay no variable pay where appropriate. The long-term nature of the businesses in which we operate is reflected in our remuneration structures both to protect customers and support the creation and preservation of enduring value in the Group for the benefit of all shareholders, such as appropriate risk adjustment measures, growing the business sustainably and creating shareholder value. OMW is a level 3 business and consequently applies the remuneration requirements of CRD IV in a way that is proportionate to its size, nature and complexity.

Short-term incentives

Short-term incentives are structured to incentivise the achievement of annual financial and non-financial performance objectives including risk and conduct, and to align MRT reward to customer and shareholder outcomes as appropriate. Business plans against which performance objectives are set and measured are market appropriate. Control function employees are assessed against role specific performance objectives which are independent of the performance of the business units they oversee.

Awards for MRTs and Code Staff include an element of deferral in phantom Old Mutual plc restricted shares or into own funds for portfolio managers. The deferred portion is designed to further align staff and shareholder interests and to support employee retention. The vesting period is 3 years. Guaranteed variable remuneration is paid only in exceptional circumstances and is limited to the first year of service and the severance policy does not reward failure.

Where individuals are subject to other sectoral regimes such as AIFMD or UCITS V their compensation structures are adapted if necessary to ensure compliance with the requirements of those Directives.

Long-term incentives

Long-term incentive awards for eligible MRTs and Code Staff are intended to align senior management remuneration with the success of the company and shareholder interests. The award is in the form of phantom equity interest and the vesting period is at least three years from the date of grant. The RemCo may reduce the extent to which an award vests if it considers that undue risks were taken which could adversely impact future business earnings, operations or the reputation of the company.

E5 Determining bonus pools for variable pay awards

The way that the bonus pools are determined ensures that the outcomes are aligned to specific, measurable and relevant business results in a transparent manner with full consideration of the risk performance of the business.

The main pool structure is designed to share a portion of the value created with employees. It is funded within an agreed range of pre-bonus profit (approved by the RemCo) and subject to a minimum ROE target. In determining the final pool outcome within the range, consideration is given to a broader scorecard of key business performance metrics including financial, strategic and customer related performance is assessed both in absolute terms and with consideration of market and economic conditions.

The RemCo may exercise its judgement and discretion to apply a risk-based adjustment to the pool outcomes based on the effectiveness of risk culture and the risk management performance of the business. To inform the RemCo in discharging its responsibilities in this respect, an independent risk report covering both quantitative and qualitative risk measures, as well as an assessment of any material risk events that have crystallised during the year, is prepared by the Chief Risk Officer and considered by the company’s Board Risk Committee which provides an opinion to the RemCo on whether an adjustment to the pool is warranted.

The final pool is allocated to each business and function on a bottom-up/target basis according to relative business performance. Each business and function distributes their final allocation to employees based on relative employee performance against a balanced set of individual objectives.

E6 Share related awards and link to performance

Share awards, or phantom share awards, are subject to malus, which will be applied if, in the opinion of the RemCo, any of the following circumstances apply:

1) if the results or accounts or consolidated accounts of any company, business or undertaking in which the participant worked or works or for which he was or is directly or indirectly responsible are found to have been materially incorrect or misleading;

2) if the company, business or undertaking in which the participant worked or works or for which he was or is directly or indirectly responsible subsequently makes a loss out of business written due to poor risk management; and

3) if the performance of the company, business or undertaking in which the participant worked or works or for which he was or is directly or indirectly responsible and upon which the RemCo relied in making its determination to grant an award to the participant and/or the size of such award is found to have been based upon any material misrepresentation.

Share Plan rules require that awards may not be hedged in any manner (such as by the participant ceding or assigning rights to a third party).

The exit conditions to be applied to share awards will be determined by the share award scheme rules. Any request for non-standard treatment must be escalated for approval via the Group's Remuneration Governance process.

E7 Quantitative disclosures

44 MRTs were identified for 2017, including 14 individuals who are considered senior management. 13 Code Staff were identified for 2017 under the BIPRU Remuneration Code of whom 5 are senior management. The aggregate quantitative information on remuneration shown below relates to our MRTs only for performance year ending 31 December 2017.

In respect of 2017, the following amounts were paid in fixed and variable remuneration to MRTs. Fixed remuneration includes base salary and benefits received between 1 January 2017 and 31 December 2017. Variable remuneration includes 2017 annual bonus awards made in March 2018 and the award value of long term incentive awards granted in 2017.

Total remuneration for MRTs and Code Staff, split by senior management and other

Old Mutual Wealth Limited

2017	Senior Management (7) (£'000)	Other (16) (£'000)
Fixed Remuneration	3,256	3,026
Variable Remuneration	8,755	4,473
Total Remuneration	12,011	7,499

Quilter Cheviot Limited

2017	Senior Management (7) (£'000)	Other (14) (£'000)
Fixed Remuneration	1,626	2,507

Variable Remuneration	3,991	4,373
Total Remuneration	5,617	6,880

Old Mutual Global Investors (UK) Limited

2017	**Senior Management (5) (£'000)**	**Other (8) (£'000)**
Fixed Remuneration	1,551	1,502
Variable Remuneration	5,832	21,195
Total Remuneration	7,383	22,697