BREWIN DOLPHIN

Invested for the future

Pillar 3 Disclosures 2018

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1. Executive Summary

The purpose of Pillar 3 disclosures is to provide information on the risks, capital and risk management arrangements of Brewin Dolphin Wealth Management Limited. As at 30th June 2018, the Firms:

- Total capital resources (€4,807,000) exceeded Pillar 1 capital requirements (€1,683,000)
- Total capital ratio (22.8%) sufficiently exceeded the own funds requirement (8%)

2. Company Overview

The Firm is a leading independently-owned Wealth Manager, operating in the Republic of Ireland. As at 30th June 2018, the Firm managed a total of €1.632 billion of funds, of which €1.465 billion is on a discretionary basis.

1.1 Firm Structure

Brewin Dolphin Wealth Management Limited ("BD", "the Firm") is a limited liability company regulated by the Central Bank of Ireland. BD is a wholly-owned subsidiary of Brewin Dolphin Holdings Plc., ("BDH", "the Group") an investment management company listed on the London Stock Exchange. BDH's lead regulator is the Financial Conduct Authority ("FCA"), in the United Kingdom.

The Firm is authorised by the Central Bank of Ireland as an Investment Firm under the European Comunitées (Markets in Financial Instruments) Regulations 2007 and the *Investment Intermediaries Act, 1995*.

1.2 Nature of Business

The Firm provides personalised wealth and investment management services, primarily centred on helping clients to manage their investments to achieve their goals.

To ensure that financial solutions are precisely tailored to clients' needs and aspirations, the Firm offers a range of services focused on investment management.

1.3 Business Strategy

The Firm's vision is to become one of Irelands leading providers of personalised wealth and investment management services, delivering a compelling client proposition, rewarding careers and sustainable shareholder returns. It aims to achieve this vision by taking an integrated, advice-led approach to protecting and growing clients' wealth. Doing so helps to build a highly personalised and high-quality service to ensure that the trust of clients can be earned and long-term client relationships established, a competitive advantage that adds value to the business through the generation of new leads via referrals and brand enhancement.

3. Regulatory Framework

The Capital Requirements Directive IV ("CRD IV") of the European Union established a revised regulatory capital framework across Europe, which governs the amount and nature of capital that credit institutions and investment firms must maintain, and the manner in which capital resources and requirements are disclosed. This framework primarily consists of three "pillars":

- **Pillar 1:** outlines the minimum capital requirements firms are required to meet for credit and market risk and for Fixed Overhead Requirements
- **Pillar 2:** requires firms to assess the amount of internal capital they consider adequate to cover all of the risks to which they are, or are likely to be, exposed. In Ireland, this is implemented through the Internal Capital Adequacy Assessment Process (ICAAP) undertaken by the Firm.
- **Pillar 3:** requires firms to publicly disclose certain details of their risks, capital and risk management arrangements.

A detailed assessment of the requirements under Pillars 1 and 2 has been completed through the Firm's ICAAP. The CBI reviews and evaluates the firm's ICAAP as part of the Supervisory Review and Evaluation Process (SREP). The disclosures outlined in this document meet the obligation with respect to Pillar 3 and the requirements outlined in Articles 431-455 of the Capital Requirements Regulation ("CRR").

4. Scope of Application

The capital reporting requirements outlined in section 3 apply to the Firm which is regulated by the Central Bank of Ireland.

All disclosures in this document are for the year ended 30th June 2018.

5. Frequency of Disclosure

The Firm publishes Pillar 3 disclosures on at a least an annual basis. Given the small scale and range of its operations and the lack of complexity, the Firm currently assesses that there is no need to publish some or all of its disclosures more frequently than annually.

6. Means of Disclosure

Disclosures have been compiled to satisfy those required under Pillar 3 and have not been audited. The Firm publishes its Pillar 3 Disclosures on its website.

7. Risk Management Objectives and Policies

Effective risk management is key to the success of delivering our strategic objectives. Our risk culture continues to strengthen; it ensures identification, assessment, and management of the principal risks to our business.

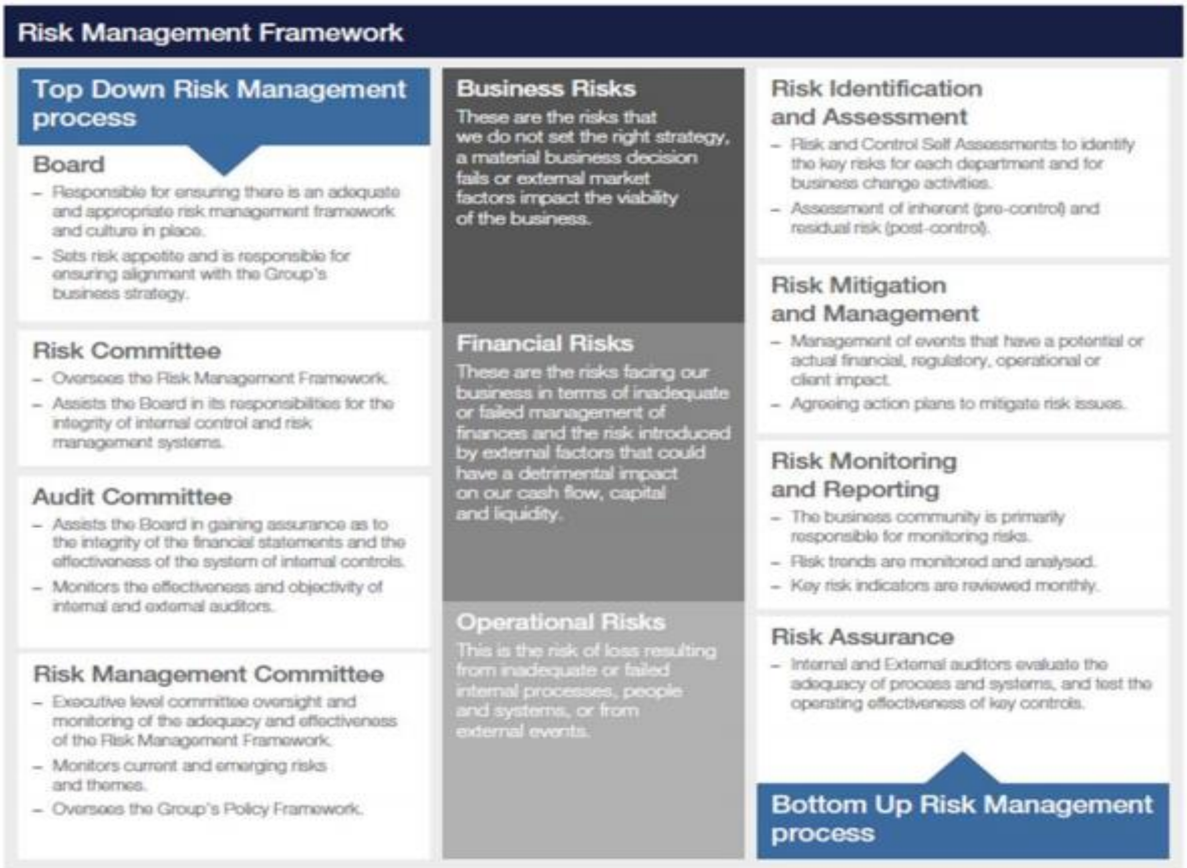
The primary objectives of risk management at Brewin Dolphin Wealth Management are to ensure that there is:

- a strong risk culture so that employees are able to identify, assess, manage and report against the risks the business is faced with;
- an appropriate balance between risk and the cost of control; and
- a swift and effective response to incidents in order to minimise impact.

Our approach is to maintain a strong control framework to identify, monitor and manage the principal risks we face, adequately quantify them and ensure we retain sufficient capital in the business to support our strategy for growth.

The key parties involved in the risk management process within the Firm and their respective responsibilities and an explanation of the how risk management is structured within the Firm, is set out below.

Figure 1 – Overall Risk Management Framework



The Firm follows industry practice for risk management through the "three lines of defence" model. The first line is the business that owns and manages the risk, the second line are the functions that monitor and facilitate the implementation of effective risk management practices, and the third line is independent assurance provided by audit. The Board of Directors (the Board) of BD reviews the effectiveness of this Risk Management Framework, receiving reports on internal control from the Risk Committee and debating key risks for the Firm following more detailed work by the Risk Committee.

7.1 Risk Appetite Statement

Risk appetite is an assessment of a Firm's willingness to take risk to achieve its strategic objectives. The Firm has set Risk Appetite Statements against each Key Risk with Key Risk Indicators in place to monitor exposure against appetite. This is a fundamental element of the Risk Management Framework.

The Risk Appetite Statements are owned, updated, reviewed and re-approved at least annually by the Board. The Board has delegated oversight of the statements to the Risk Committee.

8. Own Funds

A reconciliation of the Firm's 2018 audited financial statements to regulatory own funds is shown in Figure 2 below.

Figure 2 – Reconciliation of Own Funds

	30-Jun-17	30-Jun-18
Equity Per Balance Sheet	€'000	€'000
Called up share capital	167	167
Share premium account	63	63
Profit and loss account	5,239	4,613
Total equity	5,469	4,843
Regulatory Adjustments		
Intangible assets	(65)	(36)
Total Regulatory Adjustments	**(65)**	**(36)**
OWN FUNDS	**5,404**	**4,807**

8.1 Tier 1 Capital

In 2018, the Firm's entire capital base comprised of Tier 1 Capital, being €4,807,000 (2017: €5,404,000). This included:

- Share capital, share premium, and retained earnings; less
- Intangible assets

In 2018 the Firm did not hold any Tier 2 Capital

9. Regulatory Capital Requirements

The Firm's overall regulatory capital requirements are determined after performing Pillar 1 capital calculations (refer to Section 9.1), assessing Pillar 2 capital requirements (refer to Section 9.2) and taking into account any requirement to hold additional capital imposed by the CBI.

The calculation of Pillar 1 and Pillar 2 capital requirements allows the Firm to determine, and subsequently monitor, the appropriate amount of capital to be held based on its risk profile. The Firm's capital requirement is determined by taking the sum of: i) the higher of Pillar 1 and Pillar 2 capital requirements and ii) if applicable, any requirement to hold additional capital imposed by the CBI.

During the financial year ended 30 June 2018, the Firm maintained surplus capital resources at all times to satisfy minimum capital requirements.

9.1 Pillar 1 Regulatory Capital Requirement

As per CRD IV, the Firm is required to meet Pillar 1 capital requirements set out in the CRR, being €1,683,000 (2017: €1,508,000). This is calculated as the higher of the: i) fixed overheads requirement and ii) sum of the market and credit risk capital requirements. Refer to Figure 3 below for further details.

Figure 3 – Pillar 1 Capital Requirement

	30-Jun-17	30-Jun-18
	€'000	€'000
Credit risk	278	308
Market risk	70	54
(A) TOTAL	348	362
(B) Fixed overhead requirement	1,508	1,683
Higher of (A) & (B) - Pillar 1 requirement	**1,508**	**1,683**

9.2 Pillar 2 Regulatory Capital Requirement

Pillar 2 requires firms to assess the amount of internal capital they consider adequate to cover all of the risks to which they are, or are likely to be, exposed to. It also requires firms to consider the costs associated with winding down the Firm (Orderly Wind Down) and various stressed scenarios (market-wide, idiosyncratic and combined stress tests).

Pillar 2 capital requirements are outside the scope of this disclosure document.

9.3 Common Equity Ratios

As per CRR Article 92, the Firm must at all times satisfy the following own fund requirements:

- Common Equity Tier 1 capital ratio of 4.5%;
- Tier 1 capital ratio of 6%; and
- Total capital ratio of 8%.

It requires these ratios to be calculated with regards to the total risk exposure amount, being 12.5 multiplied by the Pillar 1 requirement, being €21,038,000 for the Firm (2017: €18,850,000). As at 30th June 2018, the Firms's total capital ratio of 22.8% (2017: 28.7%) was over the minimum requirement. Refer to Figure 4 below for details of the Firm's total capital ratio.

Figure 4 – Total Capital Ratio

	30-Jun-17	30-Jun-18
	€'000	€'000
Pillar 1 requirement	1,508	1,683
Risk weighted exposure	18,850	21,038
Own funds	5,404	4,807
TOTAL CAPITAL RATIO	28.7%	22.8%

10. Credit Risk

Credit risk refers to the risk that a client and/or other counterparty, will default on its contractual obligations, thus resulting in financial loss to the Firm. Exposures to credit risk arise principally from exposures surrounding:

- Firm cash deposited with banking counterparties ("banking counterparty risk"). Refer to Section 10.1 for further details; and
- Clients and/or market counterparties ability to fulfil contractual obligations ("other credit risks"). These risks are primarily associated with trade and other receivables, and plant and equipment. Refer to Section 10.2 for further details.

Credit risk is calculated under the Standardised Approach as per Article 107, whereby the credit risk exposure of an asset is equal to its accounting value less credit risk adjustments. Credit risk adjustments include the exclusion of intangible assets.

The Firm uses credit assessments from the External Credit Assessment Institutions ("ECAIs"), Moody's, Standard and Poor's and Fitch, to assign each exposure to a credit quality step, from which a risk weight can be assigned. To achieve this, the Firm follows the approach set out in Part 3, Title II, Chapter 2 of the CRR.

Refer to Figures 5 and 6 below for details of the Firm's credit risk requirement by balance sheet item and exposure class.

Figure 5 – Analysis of the Firm's Credit Risk Capital Requirement by Balance Sheet Item

Balance Sheet Item	Balance Sheet (€'000)	Credit Risk Adjustments (€'000)	Credit Risk Exposure (€'000)	Risk Weighted Exposure (€'000)
Trade and other assets	2,397		2,397	2,197
Cash and cash equivalents	4,616		4,616	925
Property, plant and equipment	735		735	735
Intangible Assets	36	(36)	-	-
Total	**7,784**	**(36)**	**7,748**	**3,857**
Total Credit Risk Capital Requirement (8%)				**308**

Figure 6 – Analysis of the Firm's Credit Risk Capital Requirement by Exposure Class

Category	Balance Sheet (€'000)	Credit Risk Exposure by Credit Quality Step		
		Step 1	Multiple	Unrated
Institutions	4,616	-	4,616	-
Other	3,168	-	250	2,918
Total	**7,784**	**-**	**4,866**	**2,918**

10.1 Banking Counterparty Risk

Banking counterparty risk refers to the risk associated with the default of a banking counterparty. Banking counterparty risk is the most significant individual credit risk that the Firm is exposed to.

The Firm manages its credit risk to banking counterparties through regular reviews of banking counterparties credit risk profiles using a range of metrics.

As per the Standardised Approach outlined in Part 3, Title II, Chapter 2 of the CRR, the Firm's Pillar 1 credit risk in regard to banking counterparties was €74,000 as at 30 June 2018.

10.2 Other Credit Risks

Other credit risks primarily relate to trade and other receivables, and prepayments. It also includes risks surrounding property, plant and equipment.

Trade receivables in regard to fees owed by clients are considered to be past due when they remain unpaid after 30 days after the relevant billing date.

As per the Standardised Approach outlined in Part 3, Title II, Chapter 2 of the CRR, the Firm's Pillar 1 capital requirement in regard to other credit risks was €234,000 as at 30 June 2018.

11. Market Risk

Market risk refers to risks that the Firm will incur a loss as a result of a change in foreign exchange rates, interest rates and equity and/or commodity prices.

11.1 Foreign Exchange Risk

The Firm is primarily exposed to foreign exchange risk, as a result of Firm money held in foreign currency. Any material foreign exchange exposures different from the Firm's functional currency (Euro) are monitored.

The Firm calculates the Pillar 1 foreign exchange risk requirement under the rules found in Articles 351 and 352 of the CRR. As at 30 June 2018 the foreign exchange risk requirement was €54,000.

11.2 Interest Rate Risk (on positions not included in the Trading Book)

The Firm is exposed to the risk that it will incur a loss due to adverse movements in interest rates. This primarily arises as a result of firm cash held with banking counterparties in the ordinary course of business. As a source of interest income is based on the value of client cash under administration, interest rate risk also occurs as a result of an indirect exposure to Client Money balances. These exposures are nonetheless mitigated as both Firm Cash and Client Money are held on short term tenors. The Firm also has a legal entitlement to revise rates paid to clients to reflect the rates received from banks.

The Firm does not have any bank borrowings and does not enter into any interest rate derivatives that require a "marked to market" valuation. The Firm is therefore not exposed to any related interest rate risks.

11.3 Settlement Risk

Settlement risk is the risk that on settlement date, a counterparty defaults on its contractual obligation to make payment for a securities transaction. The Firm does not have a large exposure to this risk as settlements are generally executed by a third party.

12. Operational Risk

The Firm defines operational risk as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events". Operational risk represents the most significant risk generally to the Firm due to the nature of the business and the high number of processes required relative to the low levels of financial risk to which the Firm is exposed.

The Operational Risk Framework sets out how operational risks are identified, assessed, mitigated, managed, monitored and reported, and how assurance is provided. The Operational Risk Management Framework is supplementary to the Firm's Risk Management Framework which sets the approach to the management of risk.

The Firm is not required to hold Pillar 1 capital in regard to the standardised approach to Operational Risk. The Firm assesses Pillar 2 requirements by developing a range of scenarios that describe the most material operational risk exposures of the Firm.

13. Liquidity Risk

Liquidity risk refers to the risk that the Firm will be unable to meet its financial obligations as they fall due, or access to liquid funds is not available on commercially viable terms. The Firm maintains its capital in cash or near cash instruments and at a sufficient level to ensure the smooth operation of the business.

Liquidity stress tests are also performed as part of the ICAAP and subsequently reviewed on a regular basis to ensure that the Firm is able to maintain adequate liquidity buffers to withstand a range of stressed scenarios.

14. Remuneration Policy

As a MIFID firm which is not CRD IV "exempt", BD must comply with the remuneration related principles set down in the European Union (Capital Requirements) Regulations 2014 (the "**CRD IV Regulations**") in a manner and to the extent that is appropriate to its size, internal organisation and the nature, scope and complexity of its activities, when establishing and applying the total remuneration policies, inclusive of salaries, bonuses and discretionary pension benefits, for the following categories of staff:

(a) senior management,

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(b) risk takers,

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(c) staff engaged in control functions, and

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(d) 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 risk profile of the Firm.

The Firm must also comply with the principles set down the European Banking Authority's Guidelines on Sound Remuneration Policies under Articles 74(3) and 75(2) of Directive 2013/36/EU ('CRD IV'1) and disclosures under Article 450 of Regulation (EU) No. 575/2013 ('CRR')' ('**EBA Remuneration Guidelines**') as of 1 January 2017 and the Central Bank Guidelines on Variable Remuneration Arrangements for Sales Staff ("**CBI Guidelines**") for other categories of staff, primarily those in client facing roles

14.1 Remuneration Governance Structure

The Firm has a Remuneration Advisory Group whose principle activity is to review the remuneration of those staff whose professional activities may have a material impact on the Firm's risk profile as specified above and to ensure that any remuneration paid to such staff is in compliance with the Firms statutory obligations.

The Remuneration Advisory Group is an advisory group of the BD Board. The Advisory Group is chaired by and the Board Chairman, who was determined by the Board to be independent upon their appointment and also comprises one other Independent Non-Executive Director. None of the Group members have any personal financial interests in the Firm, conflicts of interest arising from cross directorships or day-to-day involvement in running the business.

The Firm has a specific Remuneration policy which seeks to provide guidance for the Remuneration Advisory Group in the implementation of the Firms remuneration decisions. The remuneration policy is reviewed annually by the Board.

The Remuneration Advisory Group has the following specific roles and responsibilities in relation to this Policy, namely:

(a) to determine and recommend to the full BD Board appropriate changes to remuneration policies for the Firm;

(b) to approve the design of and determine targets for any performance related pay schemes;

(c) to oversee any major changes in employee benefit structures;

(d) to assess whether the remuneration policy operated as intended (that pay-outs and deferrals were appropriate and the risk profile, long term objectives and goals were adequately reflected); and

(e) to ensure that the Firm is compliant with Central Bank requirements and the legal and regulatory framework.

14.2 Types of Remuneration

All remuneration can be divided into either fixed remuneration (payments or benefits without consideration of any performance criteria) or variable remuneration (additional payments or benefits depending on performance or, in certain cases, other contractual criteria).

The specific components of the Firms Remuneration are as follows:

- *basic fixed remuneration*: which should primarily reflect relevant professional experience and organisational responsibility as set out in an employee's job description as part of the terms of employment, and
- *discretionary variable remuneration*: which should reflect a sustainable and risk adjusted performance as well as performance in excess of that required to fulfil the employee's job description as part of the terms of employment;
- *other additional benefits:* which may include the BD pension plan, life assurance, permanent health insurance (“PHI”), and company car.

The various remuneration components are combined to ensure an appropriate and balanced remuneration package that reflects the business unit, the individual staff members’ status and professional activity of the Firm as well as market practice is in place.

14.3 Policy on Remuneration of all BD staff

In designing its Remuneration policy, BD has sought to establish remuneration arrangements which:

(i) are consistent with, and promote, sound and effective risk management and do not encourage risk taking that exceeds the level of tolerated risk of the Firm;

(ii) are in line with the business strategy, objectives, values and long-term interests of the Firm and its parent company, Brewin Dolphin;

(iii) incorporate measures to avoid conflicts of interest;

(iv) ensure that sales and suitability-related risks are considered and mitigated through the implementation of this policy;

(v) encourage compliance with the Firm's internal procedures and conduct of business rules;

(vi) provide market competitive remuneration to our staff, reflecting each individual's overall contribution to the success of the Firm;

(vii) align staff remuneration with the interests of clients and shareholders so as to avoid potential conflicts of interest;

(viii) seeks to safeguard the Firm's financial position through the preservation of a strong capital base; and

(ix) are consistent with the "good practice" examples of the ESMA

Variable Remuneration Principles: Identified Staff

Variable remuneration arrangements for Identified Staff are also subject to the additional principles set down in the CRD IV Regulations. In summary, those additional principles provide that:

(a) where remuneration is performance related, the total amount of remuneration is based on a combination of the assessment of:

    (i) the performance of the individual, taking into account financial and non-financial criteria,

    (ii) the performance of the business unit concerned, and

    (iii) of the overall results of the Firm;

Who are BD's Identified Staff?

Qualitative and quantitative criteria (as provided for in the Commission Delegated Regulation) should be used when defining the categories of staff whose professional activities have a material impact on the institutions' risk profiles (the "*Identified Staff*").

The "qualitative criteria" to be taken into consideration relate to the role, decision-making power and management responsibilities of staff members, while the "quantitative criteria" to be taken into consideration include criteria such as the thresholds for the level of total gross remuneration awarded to a staff member in absolute or in relative terms. If a staff member meets any of the qualitative criteria or any of the quantitative criteria then he/she will be deemed to be Identified Staff.

Applying those criteria, the Firm has identified the following as falling within the meaning of the Identified Staff:

(i) Chief Executive Officer;
(ii) Chief Financial Officer;
(iii) Investment Managers;
(iv) Pensions Advisor;
(v) Head of Compliance;
(vi) Head of Risk;

Bonus Pool

Variable Remuneration is payable from the Firm's annual bonus pool The aggregate bonus pool will be based on the results of the Firm as a whole rather than by the performance of individuals. The aggregate bonus pool will then be distributed among staff based upon an assessment of each individual's performance using a 'balanced scorecard' approach

Deferral Arrangement

In order to reduce the risk of a short-term mind-set in Staff and to help align the interests of Staff to the longer term interests of the Firm, the variable component of the total remuneration shall be subject to a 'deferral mechanism', as set out below.

One-third of any variable remuneration in excess of €60,000 (or such other amount that is approved by the Remuneration Advisory Group) earned by Staff member during a relevant period (normally, the BD financial year) shall be deferred and shall only become payable on such date that is two years following the end of the relevant period (the "Deferral Period") PROVIDED that he/she has received satisfactory performance appraisals in accordance with this Policy over the Deferral Period and there is no other relevant information that might suggest poor client outcomes.

In the event that the Staff member has not received satisfactory performance appraisals in accordance with this Policy over the Deferral Period (or there is relevant information that might suggest poor client outcomes) then the amount deferred, or a portion thereof, shall be forfeited

14.4 Independence of Risk and Compliance Employees

Control functions within Risk & Compliance report directly to the Group Chief Risk Officer, who is a member of the Group's Executive Committee. This gives them the appropriate authority to conduct their role. The department is independent from the business that it oversees.
Variable remuneration for non-client facing employees, including those within the Risk & Compliance department, is set according to the profitability of the Firm and the performance of the relevant department.
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14.5 Quantitative Disclosures

The Remuneration Advisory Group met once during the year to 30 June 2018. The members of the Remuneration Advisory Group were paid as part of their standard Non-Executive Fees.

There were 17 Identified Staff who received a variable remuneration award during the financial year.

The variable remuneration paid in 2017/18 financial year to be deferred will become exercisable in December 2020.