Quilter

For the generations of today and tomorrow

Annual Report 2020

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Business highlights

Quilter delivered robust results for 2020, reflecting solid financial performance, strategic progress and operational improvement, despite global disruption.

Strategic highlights

- Migrations of clients and advisers onto new UK Platform completed in early 2021.
- Largely completed integration of advice acquisitions and reorganised advice business around customers.
- Announced strategic alignment of Quilter Cheviot and Quilter Private Client Advisers.
- Initiated strategic review of Quilter International.
- Continued capital management discipline: £196 million returned to shareholders via share buyback and Odd-lot Offer.

Operational highlights

- Maintained high levels of client engagement and operational resilience despite global lockdowns.
- Implemented technology upgrades and system enhancements, remotely.
- Optimisation initiatives on track to deliver c.£50 million cost savings by end-2021.

Financial performance highlights

Assets under management and administration ("AuMA")*

£117.8bn

2020	£117.8bn
2019	£110.4bn

Net client cash flow ("NCCF")*

£1.6bn

2020	£1.6bn
2019	£0.3bn

Adjusted profit before tax*

£168m

2020	£168m
2019	182m

Adjusted diluted earnings per share*

8.5p

2020	8.5p
2019	8.6p

IFRS profit/(loss) after tax from continuing operations

£89m

2020	£89m
2019	(£21m)

Recommended total dividend per share

4.6p

2020	4.6p	
2019	4.0p	5.2p

- Continuing operations.
- Including contribution from QLA.

All 2019 comparatives presented above exclude Quilter Life Assurance ("QLA"), which was sold on 31 December 2019.

Alternative Performance Measures ("APMs")
We assess our financial performance using a variety of measures including APMs, as explained further on page 270. These measures are indicated with an asterisk: *

Quilter is a leading UK-focused full-service wealth manager, providing advice-led investment solutions and investment platform services to over 900,000 customers

The quick read

For a quick, highly-compressed version of our 2020 Annual Report read these two pages.

The full report starts on page 2 and the very latest information about our business is online at quilter.com/investor-relations

Find out more:
- **2020 Results presentation**
- **Quarterly trading announcements**
- **Responsible business insight**
- **Introduction to Quilter presentations**

Our business

Quilter is a leading UK-focused full-service wealth manager, providing advice-led investment solutions and investment platform services to over 900,000 customers.

Our purpose
Our purpose is to help create prosperity for the generations of today and tomorrow.

We strive to do this through supporting long-term advice-based relationships, delivering good investment management performance while maintaining consistently high-quality customer service.

Our strategy
Quilter has been on a multi-year transformation to become the modern, UK-focused wealth manager it is today. Our strategy is focused on delivering good customer outcomes through whatever channel clients choose to access our services, growing our business segments, and improving efficiency to make Quilter the best version of itself it can be.

Our strategy
Page 34

How we operate
The business is comprised of two segments: Advice and Wealth Management and Wealth Platforms.

1. Advice and Wealth Management encompasses the financial planning businesses, Quilter Financial Planning, Quilter Private Client Advisers and Quilter Financial Advisers; the discretionary fund management business, Quilter Cheviot; and Quilter Investors, the multi-asset investment solutions business.
2. Wealth Platforms includes Quilter Investment Platform and Quilter International.

Our business model
Page 42

Our customer offer

Quilter aims to be the best place to obtain trusted financial advice in the UK. We offer customers trusted financial advice and quality-assured investment choice, through an open and transparent model, with competitive pricing at every part of the value chain. We are committed to operating and investing responsibly, for the long-term benefit of all our stakeholders.

Our approach to responsible business and our stakeholders

We are committed to operating responsibly for the long-term benefit of our stakeholders. Our approach to responsible business focuses on the Environmental, Social and Governance (ESG) issues which are most material to our stakeholders, and which affect our ability to create long-term financial and non-financial value.

Read more:
Responsible business
Page 46

Our stakeholders
Page 90

Our investment proposition

Quilter offers investors a unique combination of capabilities covering the wealth value chain, with scale and leading positions in a growing market, and momentum for future growth.

1. Full-service wealth manager providing choice and delivering good customer outcomes.
2. Leading positions across one of the world's largest wealth markets, with strong structural growth drivers.
3. Multi-channel proposition and investment performance driving integrated flows and long-term customer and adviser relationships.
4. Attractive top-line growth and the opportunity for operating leverage.
5. Strong balance sheet with low gearing and good cash generation to drive shareholder returns.

Our markets
Page 30

We have a clear purpose and ambition

We deliver our ambition by:

Being customer focused

Offering choice and flexibility

Being open and transparent

Acting and investing responsibly

At Quilter, we believe in the value of advice and are focused on bringing advice-led wealth solutions to clients through the most appropriate channel. Our advisers tailor their advice to each client's requirements and risk appetite, and we use their feedback to design investment solutions which meet their needs.

Throughout the COVID-19 global pandemic, our priority has been to ensure the safety and welfare of our colleagues, to continue to provide the highest levels of service, to support and guide customers through market volatility, and to deliver for our broader community and our shareholders.

To read more about how we focused on supporting our stakeholders through the COVID-19 global pandemic, turn to 'Our response to COVID-19' on page 17.

We are customer focused

We offer choice and flexibility

Choice and flexibility are at the heart of Quilter's offering to clients. Customers have choice in how they access us, and they can use as many parts of our offering as they prefer. 'Choice' is also key to our investment solutions proposition as we provide our advisers and their clients with quality-assured choice rather than unlimited choice.

To read more about how we offer clients choice and flexibility, turn to 'Business model' on page 42.

We describe our business model as 'omni-channel' as customers may seek our services through whichever channel they choose. As part of our unbundled approach, customers will only ever pay us for the services they take from us. Our pricing is competitive across each part of the value chain, and we do not have hidden charges.

Our Platform is the second largest adviser-focused investment platform in the UK. It is available to clients of both Quilter's advisers and to independent financial advisers. Early 2021 saw the culmination of a significant multi-year project to complete the upgrade of our platform onto new technology.

To read more about our Platform Transformation Programme, turn to page 44.

We are open and transparent

We act and invest responsibly

We are committed to operating responsibly, for the long-term benefit of all our stakeholders. Our approach has been shaped by the ESG issues which matter most to our stakeholders and is set out in our Shared Prosperity Plan. One of the plan's three pillars focuses on investing responsibly. We are committed to integrating responsible investment principles across all areas of the business, from financial advice, to investment and wealth management, and investment platforms.

Further detail on how we operate responsibly is available in our Responsible Business review on page 46.

Chairman's statement

Glyn Jones
Chairman

2020 was a year of strong progress for Quilter, which demonstrated the resilience of our business model and balance sheet in challenging times.

Introduction
2020 has been a year unlike any other. Not since the 1918 Spanish flu has the world experienced a global health pandemic on the scale of COVID-19. The resulting lockdown measures and restrictions on travel and social activity have led to a global economic downturn of a scale not seen since the 1929 Great Depression. The developed world's response to the crisis has involved unparalleled monetary and fiscal stimulus both in terms of the amount and speed of the response. Equity markets experienced one of the sharpest bear markets on record followed by an extraordinary rally based on the economic stimulus measures and expectation of effective vaccines and their global roll-out. These events presented a severe shock and unprecedented challenges across the world.

The immediate challenges for Quilter from these events were threefold:

1. To protect the health and wellbeing of our staff as they shifted to working from home.
2. To ensure continuity of service to advisers and end customers notwithstanding the move to home working and thereby maintain operational resilience.
3. To protect the financial health of the business faced with uncertainty as to the longevity of events and how much worse things could get.

In various parts of this Annual Report, we comment in some detail on how we responded to each of these challenges. I want to provide my own perspective and overview.

Our executive team did an excellent job in rapidly rolling out the technology to facilitate home working and to modify our processes and controls. This included increased digitalisation and heightened data and cyber security controls. These changes allowed us to meet our second challenge – providing continuity of customer service and operational resilience throughout our business. Across Quilter our staff have done a magnificent job to adapt to the new environment. We recognised early on that for many staff home working would be difficult and potentially stressful. Strong support services were put in place to assist.

In reference to the financial health of the business – we were focused on our balance sheet strength and on our capacity to generate cash and profits. We had implemented prudent capital and cash policies at Listing, and our strengths in both areas served us well going into the crisis. Our cash resources were further strengthened as we received the proceeds of the sale of Quilter Life Assurance at the end of 2019. As a wealth manager, long-term customer relationships are at the heart of our business model. This gives rise to annuity income which helped underpin our profitability despite the impact of market volatility and the downturn in investor sentiment to invest new monies. Actions to curtail costs and cut back on discretionary spend, including not undertaking a number of small potential acquisitions, have further helped defend profitability and cash resources. Overall, while our profitability for 2020 is down on 2019 and the plans we had at the beginning of the year, it is nevertheless a very respectable outcome in the circumstances. Our financial strength has allowed us to continue to pay dividends and to return the proceeds of the Quilter Life Assurance sale in a phased share buyback programme. I also note Quilter has not furloughed any staff or received any UK Government assistance.

At the same time as addressing the above wholly unexpected challenges, I am pleased to note that we continued to execute on many key change projects. The highest profile of these projects was our Platform Transformation Project ("PTP"). This project completed successfully in February 2021 with the final migration. More details on the implementation of this project are featured later in this report.

Quilter International

In December 2020, we announced the Board had begun a strategic review of the Isle of Man-based Quilter International business. The strategic options range from a decision to retain the business through to a disposal. This review has made considerable progress but is ongoing. We continue to note that if a disposal were to be decided upon, there is no certainty that any potential transaction will be concluded. The Board expects that it will be able to update the market on the outcome of the strategic review in the first half of 2021.

Lighthouse

The Board was very disappointed to receive customer complaints in respect of British Steel Pension Scheme ("BSPS") defined benefit transfers undertaken by Lighthouse prior to its acquisition by Quilter. In March 2020, therefore, the Board established a Committee to review the due diligence process in relation to the acquisition and in particular why it did not properly address the risk of potential unsuitable advice regarding these defined benefit transfers. An external law firm, Allen & Overy LLP, were commissioned to assist the Committee by carrying out a detailed review. Their work has led to changes to strengthen our acquisition and disposal processes.

Shareholder returns and dividend

In 2020 Quilter delivered a total shareholder return of (0.9%). This is down considerably on the 42% return achieved in 2019 but is wholly explained by the impact of events in 2020 and that unlike other developed markets, both the FTSE-100 and the FTSE-250 failed to recover their starting positions at 1 January 2020 by year end. The return compares well with our peer group and the UK market with the FTSE-100 and FTSE-250 delivering a total return of (11.5%) and (4.6%) respectively.

2020 total shareholder return

-0.9%

2020 full year dividend

4.6p

The £375 million share buyback programme which we announced with our 2019 Full Year results continued over the course of the year. By the end of December 2020, we had spent £153 million to acquire 118 million shares at an average price of 129 pence. Our share buyback programme reduced the shares in issue by c.6%, providing a 0.2 pence accretive impact to Quilter's earnings per share. Further accretive impacts will be seen in 2021 as we continue with the share buyback programme.

We also completed the planned Odd-lot Offer which provided an inexpensive and convenient way for our retail shareholders who held fewer than 100 shares to exit their modest shareholdings. In aggregate, over 200,000 shareholders participated in the Odd-lot Offer, resulting in our shareholder register nearly halving in number at a cost of £21 million, representing a purchase price of 120 pence per share. These shares were transferred into the Quilter Employee Benefit Trust for use in satisfying future staff share awards in a non-dilutive manner.

Read more on our Board effectiveness review
Page 105

The Board is pleased to recommend a final dividend of 3.6 pence for 2020 which, together with the interim dividend of 1.0 pence per share paid in September 2020, takes the proposed full year dividend to 4.6 pence. This represents progression up our dividend pay-out target range. After excluding the component of the 2019 dividend which was effectively a return of capital from the Quilter Life Assurance proceeds, the underlying dividend increase is 15%.

The dividend will be paid on 17 May 2021, subject to shareholder approval at our 2021 Annual General Meeting on 13 May 2021, to shareholders who are on the share register on 9 April 2021.

Board

Over the course of 2020, we saw some Board rotation. As previously advised, Cathy Turner and Suresh Kana stood down from the Board at the conclusion of the 2020 AGM. We welcomed Tim Breedon to the Board in June 2020. Tim brings a unique blend of experience and expertise as a former CEO in a FTSE-100 savings and pensions business, and as a seasoned Non-executive Director in both a FTSE-100 company and private equity-backed businesses. He brings a deep understanding of UK regulated financial services, corporate governance in UK public companies, effective Board challenge and support in building a sustainable business for the long term. We are delighted to have an individual of Tim's calibre and background with extensive knowledge of the long-term savings industry join the Board.

Jon Little took on a new role in early 2020 which meant he was unable to continue to commit the required time to his independent Non-executive Director role with Quilter. As a consequence, he stepped down from the Quilter Board on 30 September 2020. We thank Jon for all his support since joining the Board ahead of our Listing. His valued insights into the wealth management industry were very informative as we reshaped our business. We all wish him well in his future endeavours.

I am delighted that Tazim Essani has agreed to join the Quilter Board with effect from 9 March 2021. Tazim has a strong background in strategy, corporate development and mergers and acquisitions gained with Close Brothers, Santander UK and GE Capital. Tazim's skills and experience will add considerably to the Board's deliberations.

Following an externally facilitated Board effectiveness review in 2019, the Senior Independent Director, Ruth Markland, conducted a lighter touch review in 2020 to cover the performance of the Board, individual Board members and each of its Committees. The review concluded that the Board and its Committees continue to be fully effective in the discharge of their responsibilities but did identify a small number of areas for improvement. An action plan to address those areas of focus was agreed by the Board in November 2020 and the Board Corporate Governance and Nominations Committee is monitoring the delivery of that plan.

Governance and culture

We recognise the importance of a healthy culture within a business to ensure successful delivery of strategic ambition. Your Board takes an active role in shaping Quilter's culture and is encouraged by our Executive team's concerted efforts in 2020 to drive greater inclusion and diversity across the organisation.

Managing a business responsibly is key to an organisation's long-term success and for Quilter that includes being a responsible investor. We recognise the role of investors, along with other parts of the economy, in supporting the transition to a low carbon economy – vital for the long-term prosperity of us all. Quilter is taking a proactive approach to embedding ESG considerations across the whole value chain of our business.

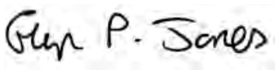
Despite the logistical constraints imposed by COVID-19, Quilter has continued to maintain a high level of engagement with existing and prospective shareholders this year. Overall engagement in 2020 has been broadly unchanged on 2019, albeit this year's engagement has been almost entirely in a virtual environment making use of digital technologies. In early 2020, I met with our largest shareholders in South Africa, in person. In January 2021 both our Senior Independent Director and I hosted virtual meetings with our largest shareholders covering topics including corporate governance and executive remuneration.

Looking ahead

We look forward to 2021 with confidence and the expectation of a strong global economic recovery. However, we recognise considerable external risks remain – particularly new variants of COVID-19, the pace of global vaccination roll-outs, the uncertain path of global economic recovery, dealing with high public debt levels, possibly higher inflation, rising interest rates in due course, and finally the reaction of equity markets to all these issues – especially as nearly all global market indices, with the exception of the UK at the time of writing, are at all-time highs.

Notwithstanding the unprecedented external shocks, 2020 was a year of strong progress for Quilter, and one in which we demonstrated the resilience of our business model and balance sheet in challenging times. Our people have risen to the challenge of new working arrangements while remaining focused on achieving good outcomes for our customers. Our Executive team proved to be agile and resilient in the face of adversity.

On behalf of the Board, I would like to thank our management team and all our colleagues for their effort, focus and commitment to achieving our goals in what has been a uniquely challenging year. Thank you also to our shareholders for your continued support.



Glyn Jones
Chairman

Our stakeholders and s172(1) statement

In undertaking its duties in 2020, the Board and management continued to be mindful of the need to appropriately balance the interests and expectations of Quilter's key stakeholders. Throughout this report we describe how stakeholders have been considered as Quilter strives to achieve its purpose of helping create prosperity for the generations of today and tomorrow.

Further insight into how we deliver for our stakeholders can be found on pages 50 to 59 and in our s172(1) statement on pages 90 to 96.

Our response to COVID-19

How has Quilter managed through the global COVID-19 pandemic for all its stakeholders?

Quilter took a multi-dimensional approach to managing through the COVID-19 pandemic. Our initial focus was on ensuring colleagues' health and safety, maintaining operational resilience with high levels of client service, and rising to the challenge of broader social responsibility. As well as supporting colleagues, clients and communities, Quilter remained focused on delivering good outcomes for shareholders.

Quilter's response through the pandemic has been characterised across three dimensions:

- Focus on the welfare of our colleagues, advisers, customers and charitable partners, and continuity of high-quality service;
- Continued strategic delivery; and
- Financial resilience, focused on cost reduction and efficiency, and supported with strong liquidity.

Quilter's response was overseen by the Executive Committee and the Crisis Management Gold Committee, comprised of key senior executive leaders from across the business. The Board and Board Committees met regularly to review COVID-19-related responses and the Group's resource position.

When the scale of the COVID-19 pandemic became apparent, Quilter mobilised at pace with over 98% of colleagues across our UK, Isle of Man, Ireland, Dubai, Hong Kong and Singapore offices working from home from late March 2020. Throughout the lockdowns, we adopted an active engagement strategy to ensure colleagues were supported through these difficult times. Business contingency plans were implemented through accelerated delivery of IT and remote telephony solutions, allowing Quilter to maintain high client service levels to support advisers and customers. Management were also cognisant of broader social responsibilities given the significant support measures put in place by the UK Government, reflecting the unprecedented situation. This limited some of the cost measures which Quilter would normally expect to take in response to equity market declines reducing revenues. This included deferring Optimisation-linked redundancies during the first UK lockdown.

Quilter's management and the Board regularly reviewed financial budgets and operating plans in response to the challenges arising from COVID-19 and the uncertain outlook. With a robust business model and financial resource position, low leverage, and as an active manager of our risk exposures across the risk universe, we were confident in our operational and financial resilience, and remained focused on completing principal strategic projects including the PTP and Optimisation plans. Quilter also has access to revolving credit facilities of £125 million provided by a syndicate of five banks with a maturity date of February 2025. These have remained undrawn since inception in 2018.

In response to the challenging revenue environment, management planned to reduce expenses by c.£30 million in 2020, and achieved a reduction of c.£40 million, through lower variable compensation, reduced marketing spend and other short-term initiatives. Despite these tactical cost savings, we noted in our first quarter trading statement that management no longer expected to meet the targeted 27% operating margin for 2020 due to lower market levels leading to lower AuMA and hence revenues. Quilter did not furlough any staff nor use support measures made available to companies by the UK Government.

The Board reviewed and continued to recommend the approval for the 2019 final dividend. The Company also paid a 2020 interim dividend and recommended to shareholders a final dividend for 2020. As a significant provider of retirement solutions to the UK public, Quilter believes companies who are in a position to do so should maintain dividends which provide important income for pension plans.

Read more:
Case studies on capital management
Page 99

Quilter's financial position
Pages 60 to 69

Quilter's approach to risk management
Pages 70 to 77

How we supported our stakeholders

	Colleagues	Clients and advisers	Communities	Investors
Focus on welfare and continuity of service	– Moved to 98%+ work from home – Expanded staff health and wellbeing programme, including mental health wellbeing	– Enabled remote call centres – 'There For You' rolled out to 23,000+ adviser firms	– £200k+ UK National Emergencies Trust donation	
Focus on welfare and continuity of service/Strategic delivery	– Deferred Optimisation-linked redundancies during first UK lockdown	– Ensured business continuity – Advisers supported their clients through market volatility	– Quilter Foundation continued to support Young Carers, with colleagues mentoring remotely	– £375m share buyback initiated, final 2019 and 2020 dividends paid (final recommended) and Odd-lot Offer completed
Strategic delivery	– Restructured offices globally to be compliant with local COVID-19 regulations	– Quilter Financial Planning and Quilter Cheviot systems upgrade – Supported greater digital adoption to meet client demands and improve efficiency	– Financial Adviser School remained open with initial module made available online for free	– Delivered PTP, with final two migrations undertaken during full UK lockdown
Financial resilience	– Did not take UK Treasury support	– Adviser financial support arrangements in place		– c.£40m tactical cost savings achieved in response to more challenging markets – Improved net client cash flow – Robust financial results

To read more, turn to our s.172 statement
Pages 90 to 96

Chief Executive Officer's statement

2020 was a year that presented many challenges but our people have risen to them and we have come through strategically better positioned.

Paul Feeney
Chief Executive Officer

Execution

2020 will go down as one of the more demanding years in living memory with an unprecedented level of personal and business turmoil across the world. Our hearts go out to all those whose lives have been forever blighted by the consequences of COVID-19, whether through the passing of loved ones, financial hardship or having to deal with the personal challenges and mental health consequences of isolation during lockdown.

Against this backdrop, I have been nothing but humbled by the dedication, resilience, passion and single-minded focus of all my colleagues across Quilter to deliver against the odds. They have not only met the expectations of all our stakeholders but have risen to the challenge of ensuring that, despite the unprecedented environment, 2020 was business-as-normal when it came to delivering for our customers, executing upon our strategic plans or just being there to support one another.

The four things that characterised Quilter through the crisis were:

- our focus on the welfare of our colleagues, advisers, customers and charitable partners;
- a focus on maintaining continuity of customer service at a high level and ensuring operational resilience;
- our financial resilience, with an unrelenting focus on costs and efficiency, coupled with strong liquidity following the sale of Quilter Life Assurance; and
- our continued strategic delivery including delivering PTP, implementing our new General Ledger and adviser payments system as well as integrating the advice acquisitions made in 2019.

I am also pleased that our work has been recognised across the industry through the various awards we have won this year. In particular, being named "Company of the Year" in the recent FT Adviser service awards, retaining Quilter Financial Planning's spot as the UK's number one financial advice firm and more recently, Quilter Cheviot being awarded wealth manager of the year in the Professional Adviser Wealth Partnership Awards.

2020 was a year that presented many challenges but our people have risen to them and have come through stronger with our business better positioned. The future has arrived early, and we have embraced it.

Strategic delivery

There are three strands to our strategic transformation agenda at Quilter and the more uncertain environment makes our focus on execution even more resolute:

- **we will leverage the transformational power of our new UK Platform to deliver faster growth and productivity;**
- **we will make Quilter a simpler business, focused on customer to drive even better customer outcomes; and**
- **we will optimise our business by completing the cost reduction plans we set out in March 2019 to drive operational leverage.**

I am delighted to report that PTP has been successfully completed with the final migration occurring just after year end in February 2021, during a full UK lockdown. This followed a successful initial migration of c.8% of the total platform assets in February 2020 which demonstrated that our platform technology worked well at scale and proved our ability to undertake a large migration in a safe and controlled manner. Our second migration completed in November 2020, in line with the revised timeline we set out in response to changed circumstances arising from COVID-19. That migration covered the majority (c.70%) of total platform assets and c.2,000 adviser firms. Finally, around 5,000 adviser firms were involved in the last migration in February 2021. In a number of instances, firms in this last migration do not use Quilter as a primary platform and we anticipate that their successful transfer onto our market-leading technology will be a gateway to a stronger business relationship over time.

Each migration followed the same rigorous approach:

- intense planning and validation of our readiness plans ahead of migration, incorporating a number of dry runs and dress rehearsals;
- elevated post-migration customer and adviser support in the immediate post-migration period; and
- incorporating adviser feedback to drive system improvements and embedding lessons learned from each migration into our planning for the next migration.

Related material online
Coronavirus should bring out the best in companies and responsible investors
Jane Goodland, Corporate Affairs Director discusses how the immediate fight against coronavirus has put company behaviour in the spotlight.

Successful platform migrations on this scale are rare and they are rare for a reason given their complex organisational, logistical and technological demands. We are pleased to have not only successfully completed this programme safely but to also have embedded the core competencies for a transformation project of this scale into our core business skillset.

We are delighted to have reached this milestone and our unique combination of flexible product wrappers, sophisticated management of investment solutions and range of tools, all built on robust new technology, delivers an advanced platform experience for the intermediary community. We have already received excellent feedback on day-to-day usability, simplicity of portfolio management as well as our bespoke reporting features. Each of these are designed to make an adviser's life easier. Our award-winning technical expertise has supported advisers to quickly adapt to fully use the Platform's capability which, coupled with our commitment to service, delivers a market leading offering.

Turning to Quilter Financial Planning, our focus has been on integrating the acquisitions we made in 2019. Charles Derby was re-branded to Quilter Financial Advisers, our mass affluent National business. The integration of Lighthouse is largely complete with advisers adopting the Quilter Financial Planners proposition, advice standards and technology. The generation of new client leads through our affinity relationships has remained strong despite the inevitable impact of COVID-19.

I appointed Stephen Gazard as Chief Executive Officer of Quilter Financial Planning in June with a view to repositioning the business to drive stronger net flows from a more productive base of advisers. Over the last five years we have built up a strong, hard to replicate, advice business focused on delivering good customer outcomes. Stephen's focus is straightforward: to take our existing strong franchise and simplify it to deliver cost effective, client focused propositions that deliver good outcomes to our customers. This makes the next stage of Quilter Financial Planning's evolution a very exciting one. While this will lead to certain advisers who are either not fully aligned with our proposition or who lack sufficient scale or strategic alignment leaving the business in 2021, we will have a simpler, higher growth business delivering quality-assured client outcomes to an even higher level of consistency.

In line with these plans to simplify our business and better align our resources to our principal customer groupings, we will transfer Quilter Private Client Advisers into Quilter Cheviot later this year. Combining these businesses will allow us to deliver a seamless proposition encompassing advice and bespoke investment management. Where desired, this will ensure integrated delivery of good client outcomes while helping us maximise the growth potential within our higher net worth proposition.

I am also pleased to announce that, subject to regulatory approval, Steven Levin will be taking on an additional role as CEO of Quilter Investors while maintaining his existing responsibilities for the Quilter Investment Platform. As we seek to drive growth and efficiency across Quilter, we believe it makes sense to bring these two parts of our

Read more about PTP
Page 44

Delivering our strategy – the journey so far

We have been on a multi-year transformation to deliver Quilter as the modern, UK-focused wealth manager it is today.

2017	2018	2019	2020
Old Mutual Managed Separation announced.	Managed Separation completed. Listed on LSE and JSE as Quilter plc. Sold Single Strategy asset management business.	Acquired Charles Derby Group and Lighthouse Group plc. Sold Quilter Life Assurance.	– Migrated c.80% of UK Platform assets onto new technology, completing remaining migration in early 2021. – Largely completed integration of advice acquisitions and reorganised advice business. – Continued to broaden Quilter Investors' product suite. – Quilter Cheviot's investment performance remained strong. – Initiated strategic review of Quilter International.

organisation closer together. I have tasked Steven with simplifying the client experience and ensuring a seamless approach to customer pricing and proposition development to further drive and deliver good customer outcomes.

We have also simplified and broadened the Quilter Investors product range through fund consolidation and new product launches, including our new multi-asset income suite and Cirilium Blend proposition. Both of these new investment propositions have significant assets under management and are performing well versus peers.

Our Optimisation programme continues to progress in line with plan. There are three strands to Optimisation:

- driving closer integration of capabilities across Quilter;
- rationalising technology and discretionary spend processes; and
- driving efficiency as interdependencies are streamlined.

Our net Optimisation run-rate savings increased by £22 million from the end 2019 level, to total run-rate savings of £46 million to date and are ahead of where we expected to be at this point. While we delayed some staff restructuring activities at the outset of the COVID-19 situation, good progress on the overall programme has been maintained. Notably, we took completion of our new London property in August and exited all three of our legacy London sites in 2020. Although COVID-19 lockdowns have limited our ability to make the most of our new space, I am excited by the opportunities to collaborate that it will provide once we are able to return to the office.

I was pleased with consistent gross sales of £5.7 billion onto the Quilter Investment Platform in the period.

Operational delivery

Gross sales

£10.9bn (11%)

Assets under management/administration

£117.8bn +7%

Delivering good customer outcomes through a trusted advice relationship is central to the Quilter business model. The Quilter Investment Platform is at the heart of our business, providing the investment 'wrappers' and other functionality to meet both our clients' and their advisers' needs, while our investment solutions provide the intellectual capability to deliver the outcomes our clients seek. Confidence in our proposition is demonstrated through both the continued attraction of our solutions to independent financial advisers and the resilience of our integrated flows.

We experienced substantial improvement in net flows year-on-year even though gross client cash flows into the business were around 11% lower at £10.9 billion. NCCF increased to £1.6 billion versus £0.3 billion in 2019. This reflected improved persistency in client assets across each of Quilter Cheviot, Quilter International and the Quilter Investment Platform. Across the Group, overall levels of client retention improved to 92% versus 88% (90% excluding the impact of the specific team departure in Quilter Cheviot) in 2019. The overall level of Defined Benefit ("DB") to Defined Contribution ("DC") flows were broadly stable on 2019 and we welcomed the FCA announcement on plans to reform the DB transfer market which will help promote better, industry-wide, customer outcomes. I am pleased to note that our existing approach was already consistent with the FCA's announcement.

Overall AuMA increased by c.7% over the course of the year with a closing balance of £117.8 billion at 31 December 2020 compared with £110.4 billion at 31 December 2019. Average AuMA, the principal driver of net management fee revenue, of £107.9 billion for the year, was modestly above the 2019 level of £105.7 billion.

I was pleased with the consistent gross sales of £5.7 billion onto the Quilter Investment Platform in the period with the increase in NCCF from £0.9 billion in 2019 to £1.5 billion in 2020 while undertaking two major client asset migrations during the year. This consistency provides a solid foundation from which our new platform will be able to drive stronger flows given the wider range of products we can offer and assets we can hold.

Quilter International experienced modestly lower gross and net flows versus the prior year and the Board continues to engage in a strategic review to consider how best to drive improved value to our shareholders from this business. We will update on this in due course.

Over the course of the year, we recruited 137 Restricted Financial Planners, bringing our total to 1,842 net of departures. Limited net organic growth was a function of the external environment coupled with increased focus on individual adviser productivity. We expect further departures during 2021 as we reposition Quilter Financial Planning to drive better flow momentum while delivering good customer outcomes. The pipeline of firms seeking to join our network remains strong. We have continued to add to the Quilter Cheviot investment team and our Investment Manager headcount increased to 169 at the end of 2020 from 167 in December 2019 and a low of 155 at the end of December 2018. We expect to continue to selectively add to our Investment Manager headcount which will support growth in assets under management over time.

Our investment propositions continued to deliver good investment performance for clients. The medium and long-term performance at Quilter Cheviot continued to outperform relevant ARC benchmarks, remaining mainly first or second quartile, to the end of December 2020.

Quilter Investors' multi-asset solutions performance was also good, with performance on the biggest range, Cirilium Active, improving markedly to deliver second quartile outcome on a one-year view across all five active portfolios, with its longer-term performance also strong. Wealth Select continues to perform strongly over one, three and five years and we broadened access to this range by adding it to our restricted adviser panel. Cirilium Blend has performed satisfactorily since launch, remaining mostly second quartile. A notable milestone was reached with the Cirilium Passive range passing through the £2 billion AuM mark, making it Quilter Investors' third largest solution.

I was delighted to recruit Bambos Hambi as Chief Investment Officer of Quilter Investors in November from Aberdeen Standard Investments ("ASI"). At ASI, Bambos was Head of Multi-Manager Strategies and led one of the biggest fund selection teams in the UK. Bambos has a strong reputation for his down-to-earth, patient long-term investment approach – he will be a strong cultural fit with Quilter.

Business performance

I am very satisfied with our adjusted profit before tax for 2020 of £168 million, down 8% on 2019, given the broader market environment experienced during the year. Lower total net fee revenue of £682 million (2019: £712 million) reflected a decline in revenue margins as a result of the mix shift in Quilter Investors and Quilter International, as well as the planned repricing on the Quilter Investment Platform. Our overall revenue out-turn for the year has been better than we anticipated at the time of our Interim Results as a result of stronger market levels during the second half of the year. This, together with our commitment to cost discipline, has supported the profit out-turn.

In 2020 we focused strongly on cost management to protect the overall P&L from volatility in the external environment. A year ago, ahead of COVID-19 impacting markets, we were expecting a 2020 cost out-turn of around £560 million. After the sharp decline in markets at the end of March, we set a revised target of £530 million with our first quarter 2020 trading update with the intention of reducing expenditure by c.£30 million. We outperformed against this target and delivered tactical reductions in expenditure of c.£40 million versus our plan through lower variable compensation costs, reduced marketing and development spend and other short-term initiatives. As a result, full year operating expenses came in well below our revised target with a year-on-year decline of £16 million to £514 million (2019: £530 million). This was achieved despite absorbing a full year of costs from the Quilter Financial Planning acquisitions made during 2019, which added £12 million of costs including restructuring spend, as well as a £7 million higher charge for the 2020 FSCS levy and other regulatory costs. We also accommodated costs stranded from

Adjusted profit before tax*

£168m (8%)

Adjusted diluted earnings per share

8.5p (1%)

the sale of Quilter Life Assurance, and property dual-running costs in relation to the new London premises. Separately, there was a cost drag of £5 million relative to our expectations in respect of COVID-19 related expenses from support arrangements, costs of additional equipment required to enable staff to work from home and the impact of deferring certain planned redundancies until later in the year.

The decline in our operating margin for the full year was limited to a percentage point to 25% (2019: 26%, excluding Quilter Life Assurance) representing a significantly better out-turn than the 21% achieved in the first half of the year. Given more robust market levels and a better revenue outlook, the majority of the c.£40 million of tactical cost savings achieved in 2020 are expected to return to the expense line in 2021. As these savings contributed to an improvement in the operating margin of around six percentage points, underlying year-on-year progress into 2021 should be considered against a base excluding the benefit of these essentially one-time savings.

Our IFRS profit after tax from continuing operations was £89 million, compared to a loss of £21 million in 2019. The difference between this measure and our Adjusted Profit is largely due to non-cash amortisation of intangible assets, our Business Transformation expenses and changes in the impact that policyholder tax positions can have on the Group's results. Business Transformation costs will remain in 2021, reflecting the final expenditure on PTP and further expenses incurred as part of our Optimisation initiatives.

Adjusted earnings per share of 8.5 pence compared with 8.6 pence from Quilter's continuing operations in 2019. On an IFRS basis, we delivered basic EPS from continuing operations of 5.1 pence versus a loss of 1.1 pence per share for the comparable period of 2019 on the same basis. Period-end shares declined by 6.2% or 118.3 million as a result of our share buyback programme.

Finally, the provision made in respect of certain DB pension transfers for former BSPS members is unchanged since the interim results. We continue to work and co-operate with the FCA and the skilled person who has been appointed in relation to this matter, and their work is described in more detail elsewhere in this report. Whilst the relevant advice pre-dated our acquisition of Lighthouse, we have ensured that Lighthouse has responded to the situation consistent with our values.

Culture

Creating an inclusive and diverse culture where all colleagues feel they can be themselves has always been a core tenet of our cultural agenda. As much as this subject is important to all of us at Quilter, events elsewhere in 2020 really laid bare how much still needs to be done. The death of George Floyd in the US and subsequent protests in May emphasised the importance of decisive action and my own communication on the topic acted as a catalyst for colleagues opening up and demonstrated to me that, as an organisation, we had further work to do. In response, we created two new pan-Quilter employee networks for cultural diversity and LGBT+, to complement our existing gender equality network. We also launched an enhanced suite of family-friendly policies, appointed a new Head of Inclusion and Wellbeing, significantly enhanced our diversity data, implemented a diverse shortlist requirement for our most senior management roles and have begun to speak openly on these issues both internally and externally. In 2021 we will report our ethnic diversity data for the first time and set future targets. I was also pleased with our progress on the proportion of women in our senior management, meeting our target of 35% by the end of 2020. We have more room to improve and have reset our target to reach a minimum of 38% by the end of 2023. It is a priority for us to build on our progress in 2021 and I am confident that we will do so.

We monitor colleague engagement on a quarterly basis. This is an established process at Quilter that has been in place since prior to our Listing. We purposefully stepped up our communication over the period of lockdown with my Executive Committee and I sending weekly updates to colleagues across the organisation and encouraging feedback to help foster a greater spirit of involvement. I am delighted that our regular 'Peakon' engagement scores across the organisation remain at a consistently high level.

We have a deep commitment to acting and investing responsibly and in 2020 we made excellent progress towards embedding environmental, social and governance ("ESG") factors throughout our business. Climate change is undoubtedly the most significant challenge the world faces and tackling it is a responsibility of everyone. In 2020 we formalised our climate change strategy with the objective to reduce Quilter's contribution to climate change and support the transition to a low carbon economy. To achieve this ambition, we have developed a framework which is helping us to reduce our direct carbon footprint, embed climate considerations in our investment management and stewardship activity, offer clients climate-focused investment solutions and align with the Task Force on Climate-related Financial Disclosure. I am pleased with our progress on incorporating ESG considerations into our entire value chain. We are embedding ESG into our standard advice process to help clients invest according to their ESG preferences, and we are embedding ESG even more deeply into our standard investment management processes, both within our multi-asset investment solutions and our discretionary wealth management business. We celebrated the 10-year anniversary of our Climate Assets Fund which has benefited from increasing investor interest in ESG funds. To provide clients and advisers with greater transparency, in 2020 we incorporated ESG ratings for third-party funds available on our UK platform. Upon this solid foundation we will enhance our approach to responsible investment even further in 2021.

Outlook

Markets globally entered 2021 on an optimistic note and recent COVID-19 vaccine related news has been positive, with roll-out plans progressing well in the UK. Although the full economic impact of the pandemic is only just beginning to be experienced, in terms of broader social challenges, I am optimistic that the worst may be behind us. Quilter remains well positioned in an industry with secular long-term growth prospects. Completing the migration of assets onto our new UK platform in February 2021 was a watershed moment for the Group, not just because this has been a key area of focus internally and externally over the last five years but, more importantly, because the new Platform will strengthen the cohesion between our different UK business capabilities and will be a catalyst for faster growth in the future.

We are optimistic that flow momentum will continue to improve in 2021. Boosting accessibility to our Wealth Select range by including it in our restricted proposition in Quilter Financial Planning will improve asset retention and integrated flows. While this may have an adverse impact on the revenue margin in Quilter Investors, these actions should be accretive to assets under management and administration which drive revenue generation.

We remain focused on controlling costs through both our Optimisation programme and other management initiatives and expect the 2021 cost out-turn to be around £560 million, assuming broadly stable markets. We need to ensure Quilter is fit for the future and so our Optimisation plans remain on track to deliver planned savings of £50 million by end 2021. Our work on Optimisation has also identified additional cost savings of £15 million which we intend to realise by mid-2022. To achieve this, the Group expects to incur additional Business Transformation expense of £16 million.

2020 has been an intense year with significant progress on strategic execution coupled with strong operational performance. Since we Listed, our focus has been on transformation. Our focus is now on execution, leveraging the strengths and capabilities of the modern integrated wealth manager that we have built. Now that Quilter is much closer to being the finished article, I look forward to the business reaching its full potential in 2021 and beyond.

Paul Feeney
Chief Executive Officer

Chief Executive Officer's Q&A

After a year of market volatility, global economic and social disruption, Chief Executive Officer Paul Feeney answers key questions to explain why Quilter remains well positioned to capture growth.

Paul Feeney
Chief Executive Officer

Q.

You've previously talked about Quilter not being the finished article – are you there yet?

A.

At the time of our Listing in 2018, I detailed how Quilter was transforming itself to become a leading, modern UK-focused wealth manager – the timeline on page 22 summarises our achievements over the past two and a half years. We have made excellent progress. The strategic review of Quilter International is ongoing and we will update the market in 2021 once this has concluded.

The final migration of clients and advisers onto our new UK Platform in early 2021 was the last item on our original 'to do' list. With PTP complete, I am delighted our foundations are now in place to accelerate our growth plans. I am excited about the opportunities ahead to drive growth and efficiency.

Q.

How important is your business culture in delivering your strategy?

A.

Our culture is hugely important to the delivery of our strategy. Our purpose binds us, our values connect us and our culture makes us who we are. I believe passionately in the importance of nurturing an inclusive and diverse culture, where caring for each other and our community is at the heart of everything we do.

Q.

Now you have completed PTP, what is the main challenge for the business?

A.

With our foundations for growth in place, 2021 will be about two things: growth and efficiency. Our focus is to deliver strong performance and execution.

Through 2021, we will continue to leverage opportunities from recent adviser acquisitions to help satisfy continued strong demand for financial advice. The Quilter Investment Platform team is focused on broadening and deepening relationships with advisers and their clients in order to drive flows and capture greater share from our advisers to peers' platforms. We will continue to broaden our suite of investment management solutions to meet client needs, and deliver good performance and value. Organising ourselves around customers will mean we can further develop our customer-focused propositions, and continue to improve business efficiency.

Read more about
our market
Page 30

Q.

How has the change in working practices from the COVID-19 pandemic changed the nature of the business?

A.

The pandemic brought the future forward and prompted an acceleration of initiatives which were already underway at Quilter. It expedited digital adoption right across the organisation to capture productivity benefits from changed client behaviours.

I have often said that the future of financial advice is not one of man versus technology, of human advice versus robo-advice, rather a combination of the two: integrated, digital financial advice. 2020 proved that to be true. All our advisers are now serving their clients digitally. A survey of advisers in the national division of Quilter Financial Planning found 88% of advisers would continue to include remote advice when the pandemic is over.

Through the pandemic, we used technology to deliver solutions such as digital signatures, with many legacy paper-based processes re-engineered to allow a greater degree of automation and client focus. Online customer registrations on the UK Platform increased materially versus last year as customers adapted their engagement preferences. In Quilter International, over half the interactions with advisers are now online through Wealth Interactive digital accounts. We look forward to building on this digital adoption, supporting efficiency initiatives across Quilter.

Q.

What do you see as the principal challenges for Quilter in the years ahead?

A.

The achievement of our transformation is not the end: we must continue to evolve and anticipate the needs of our clients.

Building relationships and preparing for younger generations' expectations is key to building a sustainable business legacy. Investment products which protected our savings in the past will not do so in the future – we must continue to build solutions and propositions which deliver good outcomes to our customers, in line with their risk appetite and ESG focus. The COVID-19 pandemic has taught us to embrace change and we will continue to do so, positioning our business as one-Quilter, to reflect the needs of our customers.

Q.

Is there anything on the regulatory horizon for the industry which concerns you?

A.

The FCA has conducted multiple reviews of the different aspects of the UK wealth management industry's operations in recent years and found it to be functioning well. Like the FCA, we have a strong focus on the delivery of value for customers and believe our omni-channel, unbundled model has resilience in delivering value to all our stakeholders.

Our markets

As a wealth manager serving clients throughout their lives, Quilter operates within markets offering secular growth potential: the advice industry, wealth management, and investment management. While participants face challenges such as constrained supply of financial advisers, fee pressure, the cost of regulation and ongoing regulatory and fiscal changes, there is scope for differentiated business models to win market share, such as those with omni-channel business models like Quilter.

Macro trends affecting the environment in which we operate

Global health pandemic

Key trend
The economic and social fallout from the 2020 COVID-19 pandemic has disrupted many industries globally. UK wealth management has not been immune to the disruption, feeling the affects of market volatility on client portfolios, and is likely to be impacted by governments' monetary and fiscal responses, all of which drive a strong demand for trusted financial advice.

The global pandemic brought the future forward. Changes which we thought would take years to come to the fore, such as adviser adoption of digital technology, client appetite for socially conscious investments. Investment platforms which can be accessed 24/7 whether through apps, websites or telephony, are increasingly seen as business norms. Businesses which embrace change and evolve to meet client needs and deliver good customer outcomes will have long-term sustainability.

Changing demographics

Key trend
The UK population continues to age, with people living longer. Consequently, the average age of the population – and the cost of supporting a larger number of people in retirement – is increasing. With the 'baby boomer' generation now in their 50s and 60s, a large proportion of the population is preparing for and/or reaching retirement age in the UK. This is a strong force behind increasing demand for financial advice and new investment solutions.

People turned 67 in 2019 vs 2009[1]

+35%

People turned 55 in 2019 vs 2009[1]

+15%

Climate change and responsible investment

Key trend
The perceptions of a company's impact on the environment are changing as governments, investors and society encourage businesses to transition to a low carbon economy.

As a service industry, wealth managers typically have a comparatively low carbon footprint. However they have a responsibility to reduce their own environmental intensity, and they have an even more significant role to play in influencing the responsible resource consumption of the companies in which they invest on behalf of their clients. As clients recognise the influence their savings and investments can have on the environment and society more broadly, there is an increased demand for responsible investment solutions and products which offer responsible investing. ESG will become increasingly woven into the investment world's fabric.

Total funds managed in responsible investment funds 2019-2020[2]

+67%

1 Source: ONS UK – England and Wales Population, 2019.
2 Source: The Investment Association, '2020 – the Year in Review'.

Wealth management-specific trends affecting the market in which we operate

Digital innovation

Key trend
Technology is omnipresent in our lives. Wealth Management has been a relatively late adopter of digital innovation and is ripe for disruption. Clients increasingly expect digital access to their investment portfolios and seamless multi-channel experiences throughout the wealth management journey. Robo-advice technologies remain in their infancy with only modest levels of market adoption. Artificial intelligence and robotics are also being incorporated into middle and back-office functions, bringing opportunities for improved risk management and operational efficiency.

Large and growing wealth market

Key trend
The UK wealth management market is the fifth largest in the world[3] and is forecast to grow to over £2 trillion in AuMA by 2024. While the 'baby boomer' generation is a key customer demographic as they prepare to enter retirement, intergenerational wealth transfer will be a support to the sustainability of the industry. Building relationships with younger generations will be a key for the future.

UK long-term savings market forecast[4]
AuMA (£tn)

3 Source: Credit Suisse, Global Wealth Databook 2019.
4 Source: FCA, Platforum, Pimfa, PAM Directory, Oliver Wyman estimates; Includes assets managed by financial advisers, wealth managers and held on platforms. Does not include occupational pensions or annuities.

Fiscal changes and increase in savings accessibility driving complexity

Key trend
UK Pension Freedom resulted in increased choice and flexibility for individuals to manage their long-term savings. Wealth managers now advise and manage customers' funds beyond the accumulation phase, well into the retirement phase, supporting clients throughout their savings and investment life cycle. The disruption caused by continually changing taxes, allowances and reforms has created a very complex path for individuals to navigate, driving increased need for advice.

People aged 45-54 feel they understand enough about pensions to make decisions about saving for retirement[5]

<50%

5 Source: ONS "Early indicator estimates from Wealth and Assets Survey", published August 2020.

Wealth management-specific trends affecting the market in which we operate (continued)

Strong demand for advice as cost of delivery increases

Key trend
The UK Advice market is limited in its number of participants and advisers are increasingly focusing on managing a smaller but more active customer base, with higher investable assets. This has been supported through a shift in compensation structures, evolving from commission-based to ongoing fee-based models.

The regulatory environment is making it harder for smaller independent financial advisers to survive as regulatory oversight increases and professional indemnity insurance ("PII") cost and FSCS levy increases exceed revenue growth. While demand for advice increases, its supply has become more constrained.

2018-2019 annual increase in PII premiums paid by financial adviser firms[6]

+17%

6 Source: ONS "Early indicator estimates from Wealth and Assets Survey", published August 2020.

Savings and investments consolidating onto Platforms

Key trend
Modern wealth managers increasingly use open architecture wrap platforms which offer transparent pricing and good investment choice. It is no longer a unique selling point to have easy-access digital services at competitive prices. Platforms are benchmarked on the quality of their service, back-office functionality and their wider technical support to advisers.

Compound annual growth in total UK platform market 2009 to 2019[7]

+21%

7 Source: Platforum 2009 total platform AUM vs Fundscape 2019 Q2 total platform AuM.

Growth in outcome-based client-focused investment solutions

Key trend
The industry has shifted from opaque, traditional life savings products to more modern, transparent solutions, aligned with the client's risk appetite and attitude to responsible investment identified through the advice process. The investment solutions part of the value chain is highly competitive in its pricing, and in a world of lower asset returns, advisers are looking to find the best value for their clients.

Percentage of global asset management AuM in 'Solutions'

How these trends affect Quilter and its operations

Quilter firmly believes the wealth management industry can weather short-term uncertainty with structural growth opportunities intact. The COVID-19 pandemic, regulatory changes and other macro influences may impact the short term, but we draw confidence from historical data which demonstrates robust levels of savings continue through market cycles.

Multi-year industry trends were reaffirmed by market volatility arising from the COVID-19 pandemic, and the subsequent potential for policy changes to pension allowances and wealth taxes underlines the need for trusted, face-to-face advice in the UK. The ageing population will mean there is a large potential market of individuals who will require advice for years to come and regulatory changes such as Pensions Freedom have created the opportunity to support an individual through their investment life cycle. For advisers, the pandemic has highlighted the far-reaching benefits of being supported by a broad umbrella of an advice-centric business such as Quilter.

Quilter's investment solutions are designed to deliver good customer outcomes through the market cycle, and to meet a client's risk appetite while being agnostic between active and passive management styles. ESG will increasingly be woven into the investment world fabric and Quilter sees opportunity to be a leader in responsible wealth management.

The completion of the PTP unlocks the next stage in Quilter's development as it provides the opportunity to capture greater share of the growing Platform market as well as improve cohesion between the Quilter businesses.

Technology has been a key enabler for Quilter in managing through the COVID-19-disrupted environment. The business is encouraging the use of digital access and client service solutions to maintain and enhance client engagement, and implementing new technologies such as robotics to make back-office processes more efficient.

As Quilter continue to evolve, increasingly working as one Quilter, organised around the client, we will provide a smoother customer experience. Working more efficiency and cohesively will bring benefits to all stakeholders.

Governance report
Page 80

Our strategy

As set out at the time of our Listing in 2018, Quilter has transformed the shape of its business to become the modern, UK-focused wealth manager it is today.

Guided by our outlook of the wealth management industry, our strategy is focused on achieving good customer outcomes and growing our business proposition, delivering these from an efficient operating base and managed within a prudent risk framework.

Underpinning these priorities is an understanding that embodying the right culture will help not only the achievement of our strategic objectives but also in meeting our commitments to operating in a responsible manner for the benefit of all our stakeholders, as set out in our Shared Prosperity Plan.

Our strategy will enable us to:
- become the leading provider of insightful, trusted financial advice in the UK;
- offer easy and simple access for clients to manage investments on one platform in an appropriate wrapper;
- provide outcome-based, responsible investment solutions, focused on meeting the real needs of our customers;
- deliver top-line growth and operating leverage; and
- ultimately achieve our purpose of helping to create prosperity for the generations of today and tomorrow.

Our four strategic pillars

1. Delivering on customer outcomes
2. Advice and Wealth Management growth
3. Wealth Platforms growth
4. Optimisation and efficiency

Underpinned by

Our culture and commitment to responsible business

Quilter believes that a company's values must reflect what it stands for as they drive the achievement of its purpose. Ensuring colleagues embody Quilter's cultural values of being pioneering, dependable and stronger together connects the business and shapes behaviour towards all our stakeholders. Having the right culture will help Quilter achieve its strategy while delivering sustainable long-term value for all.

Read more about our responsible business commitments, strategy and progress against our KPIs during the year
Page 46

Strategic pillar 1:
Delivering on customer outcomes

Strategic objective:
Focus on ensuring good customer outcomes and risk-adjusted investment returns while delivering quality service to customers. Developing appropriate investment propositions and solutions is key to the delivering of this objective.

Related KPIs
- NCCF/opening AuMA
- Integrated net flows

Other performance indicators
- Asset retention
- Investment performance
- Levels of upheld complaints

Asset retention

92%

2020 performance
- Ensured business continuity through COVID-19 disruption, with advisers supporting clients through market volatility.
- NCCF as a percentage of opening AuMA improved one percentage point reflecting an improvement year-on-year in net flows.
- Integrated net flows continued to demonstrate the strength of the Quilter business model, remaining resilient in a market of lower client flows.
- Quilter Investors' investment performance was good, with performance of the largest range, Cirilium Active, improving markedly on a one-year view, and Wealth Select continuing to perform strongly.
- Quilter Cheviot continued to deliver good performance for customers, broadly delivering out-performance relative to relevant benchmarks over three, five and ten-year periods.
- Strong asset retention reflected higher levels of business continuity and adviser support through the early months of the COVID-19 pandemic relative to some peers.
- Complaints received increased year-on-year, with the increase associated to historic advice provided by Lighthouse prior to its acquisition by Quilter. Aside from these, complaints remained low and levels of upheld complaints were below the industry average.
- Quilter won a number of awards through the year including being named 'Company of the Year' at the 2020 FT Financial Adviser Service Awards.

Focus for 2021
- Continue to provide trusted, quality financial advice.
- Provide high-quality solutions which meet the needs of our customers, at competitive prices, at every part of the value chain.
- Drive investment performance and deliver good outcomes for customers.
- Maintain good customer service and organise business propositions around the client to improve the customer experience.
- Continue to integrate responsible investment principles Quilter-wide.
- Continue to uphold the principle of treating customers fairly, including maintaining robust processes around complaints and their appropriate resolution.

Strategic pillar 2:
Advice and Wealth Management growth

Strategic objective:
Advice
- Grow by adding advisers through recruitment and acquisitions, and supporting individual adviser productivity.
- Support the Financial Adviser School intake and graduates.
- Develop differentiated High Net Worth and Affluent/Mass Affluent advice propositions.

Investment management
- Build out Quilter Investors and use adviser feedback to provide building blocks for market-leading solutions.
- Add investment managers to support Quilter Cheviot's business growth.

Related KPIs
- Integrated net flows
- Number of restricted financial planners
- Number of investment managers

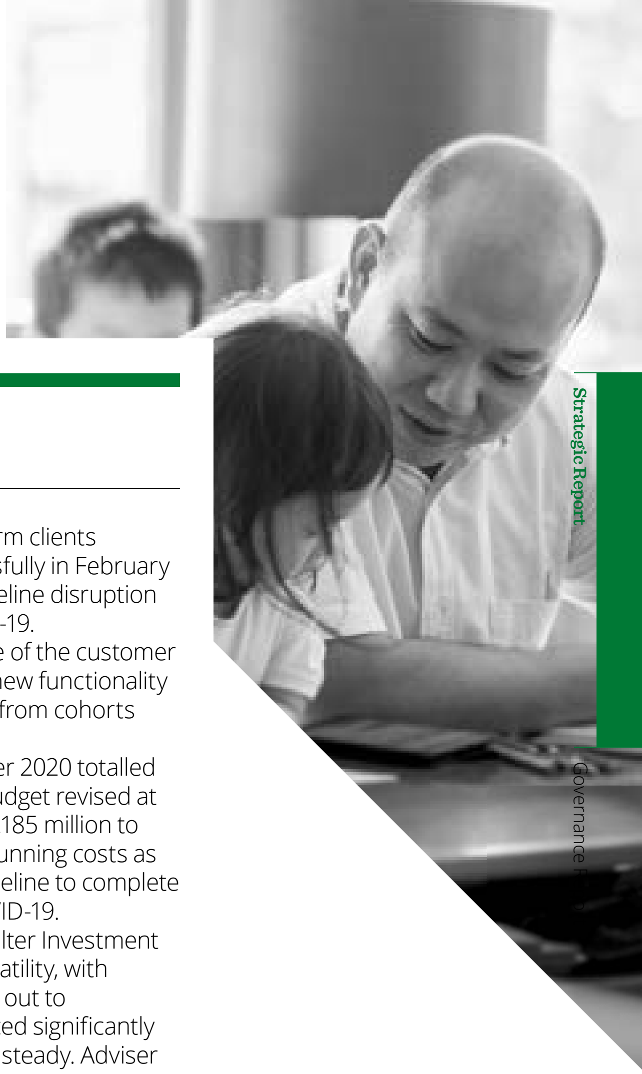
Other performance indicators
- Adviser productivity

New advisers graduated from the Quilter Financial Adviser School

167

2020 performance
- 2% growth in RFPs, with acquisitions purposefully scaled back as focused on integrating those acquired in 2019.
- Integrated adviser acquisitions, with focus on supporting advisers to improve productivity.
- 167 new advisers graduated from the Quilter Financial Adviser School – with moving to a predominantly digital delivery model, improving access to a more diverse future generation of financial planners.
- Wealth Select products made available to RFPs as well as IFAs to meet client demand for managed portfolio solutions.
- Gross flows into Quilter Investors' broadened product suite increased, diversifying revenue streams.
- Net addition of two investment managers to Quilter Cheviot team.
- Gross outflows from Quilter Cheviot reduced year-on-year as the impact of 2018's investment manager departures fell away.
- Announced Private Client Advisers is to be moved under the organisational management of Quilter Cheviot in 2021 to improve cohesion in servicing customers.

Focus for 2021
- Quilter Financial Planning is well positioned to support clients as market sentiment improves and subsequently drive NCCF.
- Continue to broaden proposition to larger customer base, leveraging affinity relationships and expanded functionality as a result of new platform.
- Further simplify our advice and investment management proposition, organising around customers.
- Continue to build flow momentum into Quilter Investors' product suite as advisers and their clients seek value and good returns through the market cycle.
- Capitalise on Quilter Cheviot's larger investment management team.
- Continue to embed responsible investment philosophies into the proposition and explore opportunities to meet clients' ethical investing needs.



Strategic pillar 3:
Wealth Platforms growth

Strategic objective:
Investment Platform
- Safely deliver PTP with high quality support for customers and advisers throughout the migration process.
- Once implemented, realise the benefits of the more modern platform and its enhanced proposition for advisers.

International
- Maintain focus of geographic footprint and ensure high quality and value of new business.

Related KPIs
- Integrated net flows

Other performance indicators
- Control of costs to deliver PTP
- NCCF from RFPs onto UK Platform
- NCCF from IFAs onto UK Platform
- NCCF into International

Uplift in online account activation during 2020

80%

2020 performance
- Final migration of UK Platform clients achieved safely and successfully in February 2021, despite migration timeline disruption as a consequence of COVID-19.
- Significant increase in usage of the customer portal and good uptake of new functionality such as adviser self service from cohorts migrated in 2020.
- PTP spend to end-December 2020 totalled £174 million. Programme budget revised at 2020 Interim Results from £185 million to c.£200 million due to dual running costs as a result of the extended timeline to complete the programme due to COVID-19.
- Improved net flows into Quilter Investment Platform despite market volatility, with business-as-usual transfers out to competitor platforms reduced significantly while transfers in remained steady. Adviser feedback indicated this reflected Quilter's higher level of business continuity and adviser support.
- Resilient flows within Quilter International.
- Initiated strategic review of Quilter International.

Focus for 2021
- Leverage improved functionality from new platform technology to grow market share with independent advisers and reduce flow leakage from Quilter RFPs.
- Complete re-brand of the platform to Quilter Investment Platform.
- Decommission legacy platform and continue to support colleagues who will be leaving the Company, through the award-winning 'Hello Tomorrow' programme.
- Continue to evolve responsible investment functionality for advisers within the platform.
- Conclude and implement strategic review of Quilter International.

Strategic pillar 4:
Optimisation and efficiency

Strategic objective:
- Drive operational leverage through enhanced scale and improved efficiency in operational processes.
- Target, as disclosed in 2018's Annual Report, was for a two-percentage point improvement in 2020 operating margin and a further two-percentage point improvement in 2021.
- Note: As a consequence of COVID-19 induced market volatility and the uncertain revenue outlook, we moved away from the 2020 target. 2021 target has been revised to a two-percentage point improvement on 2020, after adjusting for 2020 tactical cost savings.

Related KPIs
- Operating margin
- Adjusted profit before tax

Other performance indicators
- Control of costs to deliver the Optimisation programme
- Employee engagement scores
- Internal surveys monitoring cost awareness and positive cultural change

Run-rate savings delivered to date

£46m

Operating margin

25%

2020 performance
- Mobilised efficiency initiatives including delayering and streamlining the business.
- General Ledger/procurement system projects progressed to January 2021 implementation.
- Delivered £13 million savings in the year when compared to the original 2018 cost base, with full year run-rate of £22 million and £46 million total run-rate across the programme to date.
- Cognisant of social responsibilities as a business operating in unprecedented times, paused planned organisational design initiatives during the first UK lockdown.
- £33 million costs incurred in the year to deliver the programme, totalling £58 million since Optimisation began.
- In April 2020, confirmed no longer expected to meet the targeted 27% operating margin for 2020 due to lower market levels leading to lower AuMA and hence revenues. However management actions limited decline in operating margin in 2020 to one percentage point.
- Reaffirm should markets remain broadly consistent with market levels, expect to improve 2021 operating margin by two percentage points compared with 2020 achievement, after adjusting for one-off tactical savings in 2020.

Focus for 2021
- Continue strict cost management to deliver remaining planned efficiencies.
- Seek opportunities for further operational efficiency and organisational cohesion.
- Complete implementation of new, and decommissioning of legacy, systems allowing for further future operational leverage.
- Further reduce stranded costs associated with the sale of Quilter Life Assurance.
- Complete final re-brand of business to Quilter to unify the business and provide a strong foundation from which to grow market share.
- Continue to support employee engagement through the transition period.
- Explore opportunities to achieve further efficiencies following the successful completion of PTP.

Key performance indicators

Quilter has identified the key performance indicators ("KPIs") it believes are useful in assessing the Group's performance against its strategic priorities. They encompass both financial and non-financial measures, as set out below.

Updates to Key Performance Indicators in 2020
Following a review of the KPIs to ensure our measurements remain relevant and appropriate for our strategy, the metric for the 'IFRS profit/(loss)' KPI has changed from 'IFRS profit before tax attributable to equity holders' to 'IFRS profit/(loss) after tax from continuing operations', as this is a key IFRS statutory measure used to monitor the financial performance of the business.

Restricted financial planners ("RFPs")

Definition
Number of advisers licensed to advise clients across Pension, Investment and Protection solutions, but only permitted to recommend products and solutions from providers on the Quilter Financial Planning Restricted Panel.

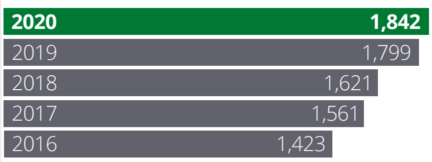
Link to strategy

2

Performance in 2020
We achieved net growth of 2% in RFPs in 2020. Organic growth for the year was limited as a result of the external environment coupled with a scaling back of acquisitions as we focused on fully integrating those acquired in 2019.

Outlook for 2021
During 2021, we expect further departures as we reposition Quilter Financial Planning to drive better net flow momentum from a more productive base of advisers, while delivering good customer outcomes. The pipeline of firms seeking to join our network remains strong.

Restricted financial planners ("RFPs")



Investment managers ("IMs")

Definition
Number of individuals who provide investment management services to clients of Quilter Cheviot in line with individual circumstances and investment objectives.

Link to strategy

2

Performance in 2020
We welcomed a net additional two investment managers in the year. Growth was lower than anticipated as hiring new investment managers was more challenging in the COVID-19 pandemic environment.

Outlook for 2021
Our rebuild strategy to replace the team which departed in 2018 is complete. We expect to continue to add to our investment manager headcount and for those new hires to contribute to support growth in AuM over time.

Investment managers ("IMs")

Strategic pillars key:
1. Delivering on customer outcomes.
2. Advice and Wealth Management growth.
3. Wealth Platforms growth.
4. Optimisation and efficiency.

* See page 270 for alternative performance measures.

NCCF/Opening assets under management/ administration ("AuMA")*

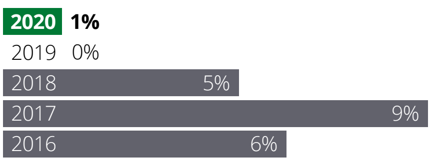
Definition
Total net flows as a percentage of opening AuMA. This measure evaluates the level of flows during the period in relation to the asset base, discretely from market movements.

Link to strategy
1

Performance in 2020
NCCF/opening AuMA increased one percentage point in 2020, which reflected the substantial improvement in net flows year-on-year. Absolute NCCF increased to £1.6 billion compared to £0.3 billion in 2019. This reflected improved persistency in client assets across Quilter Cheviot, Quilter Investment Platform and Quilter International.

Outlook for 2021
With the PTP migrations complete and improving customer sentiment, we expect to build back towards our 5% NCCF target over the near term.

NCCF/Opening AuMA



Integrated net inflows*

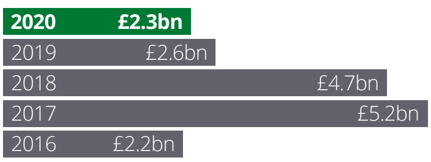
Definition
Total NCCF that has flowed through two or more businesses within Quilter. It is a lead indicator of revenue generation driven by the Group's integrated business model.

Link to strategy
1, 2, 3

Performance in 2020
Integrated net inflows decreased by 12% in 2020 due to the challenging environment for advisers presented by the pandemic and the associated restrictions providing less opportunity to attract new business.

Outlook for 2021
As we seek to organise ourselves around our customer, with a simpler advice proposition underpinned by a high-quality platform and investment solutions, we expect to drive greater market share and subsequently integrated net inflows.

Integrated net flows



Adjusted profit before tax*

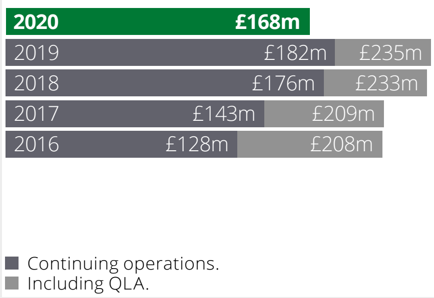
Definition
Represents the underlying operating profit of the Group. It therefore adjusts IFRS profits for key adjusting items such as goodwill impairment and amortisation of intangibles, business transformation costs, financing costs on external borrowings, and policyholder tax adjustments, excluding non-core operations, as detailed in Note 7 in the financial statements.

Link to strategy
4

Performance in 2020
Adjusted profit before tax was down 8% from 2019, driven by decreased revenue across the business partially offset by lower costs driven by continued cost discipline.

Outlook for 2021
After an intense year of strategic progress, 2021 will be a year of execution, business focus and efficiency as we accelerate growth momentum across our businesses while remaining focused on controlling costs.

Adjusted profit before tax



Operating margin*

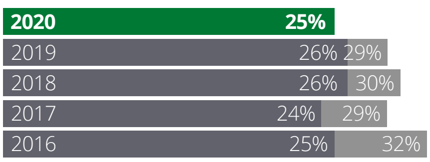
Definition
Represents adjusted profit before tax divided by total net fee revenue. Operating margin is a profitability measure that reflects the percentage of total net fee revenue that flows into adjusted profit before tax.

Link to strategy
4

Performance in 2020
The Group's operating margin declined as a result of the reduction in revenue due to the COVID-19 pandemic's impact on financial markets, the decline in revenue margin with a shift to lower margin products in Quilter Investors and Quilter International, and Quilter Investment Platform's repricing. Lower revenue was partially offset by tactical cost savings during the year and continued savings from the Optimisation programme.

Outlook for 2021
Optimisation plans remain on track to deliver planned cost savings and a year-on-year improvement in operating margin, after adjusting for the unwind in 2021 of the temporary, COVID-19-related tactical cost savings achieved in 2020.

Operating margin



■ Continuing operations.
■ Including QLA.

IFRS profit/(loss)

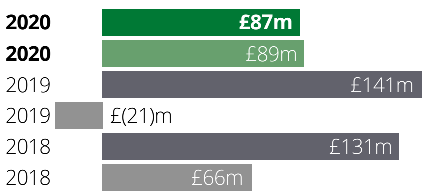
Definition
IFRS profit after tax from continuing operations, prepared in accordance with IFRS. For remuneration purposes, IFRS profit before tax is adjusted to exclude amortisation of intangible assets, policyholder tax adjustments and other one-off items (refer to Note 7(c)) and page 133 of the Remuneration Report.

Link to remuneration

Performance in 2020
IFRS profit after tax from continuing operations increased primarily due to the change in policyholder tax and the tax credit for the year ended 31 December 2020. IFRS profit before tax, excluding amortisation, policyholder tax adjustments and one-off items decreased in 2020 due to the exclusion of adjusted profit for QLA, following its sale on 31 December 2019.

Outlook for 2021
IFRS profit after tax from continuing operations can vary significantly year-on-year depending on the change in policyholder tax. Excluding policyholder tax, IFRS profit is likely to increase as spend on Optimisation and PTP declines with the delivery of the Optimisation programme and the new UK platform, respectively.

IFRS profit/loss



■■ IFRS profit before tax (excluding amortisation, policyholder tax adjustments and one-off items).
■■ IFRS profit/(loss) after tax from continuing operations.

Total shareholder return ("TSR")

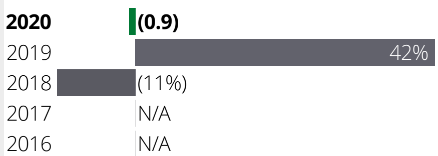
Definition
The difference between the opening and closing share price[1] over the period, plus any dividends paid during that period.

1 Performance shown for QLT as traded on the London Stock Exchange.

Link to remuneration

Performance in 2020
In 2020, capital markets experienced extreme volatility, with the UK market impacted by post-election certainty, diminishing then re-emerging Brexit concerns, and the COVID-19 pandemic. Quilter's TSR for the year was (0.9%). While a reduction on 2019 levels, the return compared well with peers and the FTSE-100 and FTSE-250 indices which delivered total returns of (11.5%) and (4.6%), respectively. Our share buyback programme impacted the 2020 TSR with the 118 million share repurchases reducing the shares in issue and subsequently having a 0.2 pence accretive impact to Quilter's earnings per share. Further accretive impacts will be seen in 2021 as we continue with the share buyback programme.

Total shareholder return



IFRS profit/(loss) and TSR are linked to Executive Remuneration. For more information, see Directors' Remuneration Report on page 133.
* See page 270 for alternative performance measures.

Business model

Quilter is an omni-channel full-service wealth manager, with an open and unbundled model and client choice at the heart of the offering. Our business model supports our advisers and their clients as their financial requirements evolve throughout their lives.

Adapting to changing regulation and the industry's shifting value chain, eight years ago Quilter embarked on a multi-year transformation from a UK and European life assurer with an ageing platform to a modern, UK-focused wealth manager.

Today:

- We are the UK's second largest advice firm, offering an multi-channel approach where clients access our services either through a Quilter adviser or an independent adviser.
- We are the second-largest adviser-led investment platform in the UK, providing high-quality service and market-leading functionality and technical support, at competitive prices.
- Our customer-driven, risk-based, investment solutions are designed to deliver good outcomes through the market cycle, and are agnostic between active and passive management styles.

We use our resources:

- **Colleagues:** Quilter is a people-driven business – our culture helps us achieve our purpose while operating in a responsible manner.
- **Technology and expertise:** our highly skilled, passionate colleagues, experts in the fields of financial planning and investments, combined with our technological capabilities provide high-quality service and strong customer engagement.
- **Risk management and operational resilience:** our risk management, governance and controls help achieve good customer outcomes and provide a strong foundation to continue to provide high levels of service in challenging environments.
- **Financial resources:** we use our financial resources to invest for growth, as well as to facilitate inorganic opportunities, where appropriate.

We combine our resources with our strengths:

- We make financial advice and investments more accessible, through our unique omni-channel model.
- We offer trusted financial advice and quality-assured investment choice, where clients only pay for what they use.
- We act and invest responsibly, guided by our values of being pioneering, dependable and stronger together.
- We are trusted experts in what we do.
- We are financially strong and positioned for growth.

We meet the wealth needs of our client bases which span the wealth spectrum:

- Advice.
- Platforms and wrappers.
- Investment solutions.
- Discretionary investment management.
- Portability of offshore investments.

Together, our unique model enables us to deliver value for all our stakeholders:

- **Advisers:** helping advisers to manage and grow their business by providing a high-quality investment proposition.
- **Customers:** helping to create secure financial futures through high-quality advice, products and service.
- **Colleagues:** creating an inclusive workplace that enables colleagues to thrive.
- **Communities:** helping improve financial capability and tackling wellbeing and employment barriers in our communities, while reducing the environmental impact of our business.
- **Regulators:** delivering on our regulators' expectations by providing financial solutions to customers in a responsible, risk-managed and compliant manner.
- **Investors:** delivering business growth and generating long-term sustainable returns through a resilient model.

Read more:
Our culture and values, page 34

Our approach to responsible business, page 46

Our colleagues, page 52

Our financial review, page 60

Our risk management, page 70

What we do

A typical UK-based customer approaching Quilter to manage their wealth needs three things: 'a financial plan', a means of holding their assets safely ('platform') in the right tax efficient wrapper and an investment strategy aligned with their risk appetite and investment horizon – 'solutions'. We earn revenues from the assets under our management or administration as a result of providing advice-led investment solutions and our platform to customers across the UK and in select international markets.

Quilter has a multi-channel access model, with two core strategies – the first whereby customers can come to us through our advisers or secondly through the open market channel with their own independent adviser. When we support a customer to manage their wealth in more than one area, and therefore earn more than one revenue stream, we refer to it as an 'integrated flow'.

The unbundled, open nature of our model, offering flexibility to use one, two or all three components, is a key competitive advantage, provides customers and their advisers with choice at every stage and imposes external market discipline on our propositions.

For Quilter, our model provides greater market breadth, customer and adviser choice, supporting long-term customer relationships. Our scale and leading market positions in each of our business segments enables us to benefit from strong structural growth dynamics and capture an increasing share of the market.

Customers

We have a broad customer base, spanning the breadth of the wealth spectrum. This provides us with opportunity to attract a large share of the market.

Investment approach

Financial advice

'Omni-channel' means a client can come to us through a Quilter adviser, an independent adviser, or invest directly. We earn revenues from the advice provided by our advisers. A client typically pays a one-off initial advice fee, then an ongoing annual advice fee representing a percentage of their investment.

Platforms and wrappers

Investment platforms are depositaries for managing and holding investments, with assets held in collective investment accounts or appropriate tax efficient wrappers such as ISAs or pensions. Our platforms are available to Quilter advisers and independent advisers, as well as directly via a dedicated customer portal. We earn revenues from the assets held. A client pays a fee on a quarterly basis, representing a percentage of their investments under administration.

Investment solutions

Quilter offers a full-breadth of investment management services, ranging from bespoke portfolios at Quilter Cheviot to unitised, risk-based multi-asset solutions at Quilter Investors. A client pays an annual management charge based on their assets under management.

High net worth

Predominantly clients with more than £250,000 of investable assets

Bespoke portfolios

Quilter Private Client Advisers

Third-party independent advisers

Quilter RFP gross flows to Quilter Cheviot

£0.5bn

Quilter Cheviot

AuMA advised by Quilter RFPs

8%

Total AuM

£25.3bn

Quilter International

Total AuM

£21.8bn

Third-party funds and solutions

Affluent and mass affluent

Predominantly clients with between £50,000 and £250,000 of investable assets

Multi-asset, risk-adjusted solutions

Quilter Financial Planning

Quilter Financial Advisers

Third-party independent advisers

Quilter Financial Planning gross flows to Quilter Investment Platform

£1.8bn

Quilter Investment Platform

Third-party investment platforms

Quilter Investment Platform AuMA advised by Quilter Financial Planning

16%

Quilter Investment Platform AuMA managed by Quilter Investors

21%

Total AuM

£62.5bn

Quilter Investors

Quilter Investors AuMA advised by Quilter RFPs

48%

Quilter Investors AuMA managed on Quilter Investment Platform

56%

Total AuM

£23.2bn

Platform Transformation Programme

Steven Levin
Chief Executive Officer, Quilter Investment Platform and Quilter Investors

Moving to our next phase focused on growth and efficiency

The final migration of clients and advisers onto our new platform in early 2021 was the cumulation of a three and a half year project known as our Platform Transformation Programme ("PTP"). The purpose of the project to replace our UK Platform was to significantly upgrade its functionality as well as ensuring its underlying technology was brought up to modern standards, making it highly resilient and scalable to support business growth for the foreseeable future.

PTP is a critical catalyst to enable the transformation of Quilter into a modern, advice-led wealth manager. The project has taken just over three years from signing terms to implementation, with this undertaken by teams across Quilter working in collaboration with our partners at FNZ and Deloitte. As with any project of this significance and scale, there have been a few unexpected challenges to manage along the way and our focus throughout has been to deliver the project in a controlled and measured way to ensure a safe migration for advisers and our clients from our old platform to the new.

Our previous platform – one of the original investment platforms in the UK – has continued to be well regarded, with industry-wide recognition and acclaim. However, it was based on legacy programming code. While this continued to meet clients' needs, it was becoming increasingly difficult to maintain and lacked the range of products and investment options which competitor platforms now offer. Built on new, modern technology, the new platform offers a broader array of products and investment choices as well as greater IT resilience.

The new platform is central to delivering on Quilter's growth ambitions. We have taken the unique attributes of the old platform for which Quilter is renowned, including adviser tools and very high service levels, and added market-leading functionality, a broader product range and improved ease of use.

With the completion of PTP, Quilter will improve cohesion between our business areas and focus on bringing advice-led, wealth solutions to clients through the most appropriate channel: an omni-channel approach.

Near-term opportunities linked to the new platform include:
- Attracting a greater share of platform business from Quilter RFPs.
- Targeting a wider base of advisers in the open market IFA channel.
- Accessing a broader market of clients.
- Continuing to broaden the suite of solutions provided by Quilter Investors available on the Platform.
- Growing our reach through discretionary investment management.

Further growth opportunities in the longer-term will be through providing new ways for customers to access the digitally-ready platform, leveraging our new dedicated customer portal, helping broaden how advisers can service their clients.

Read more:
Board Technology and Operations Committee report
Page 119

Assets under administration on new platform

£62.5bn

Accounts migrated

600k+

Customers migrated

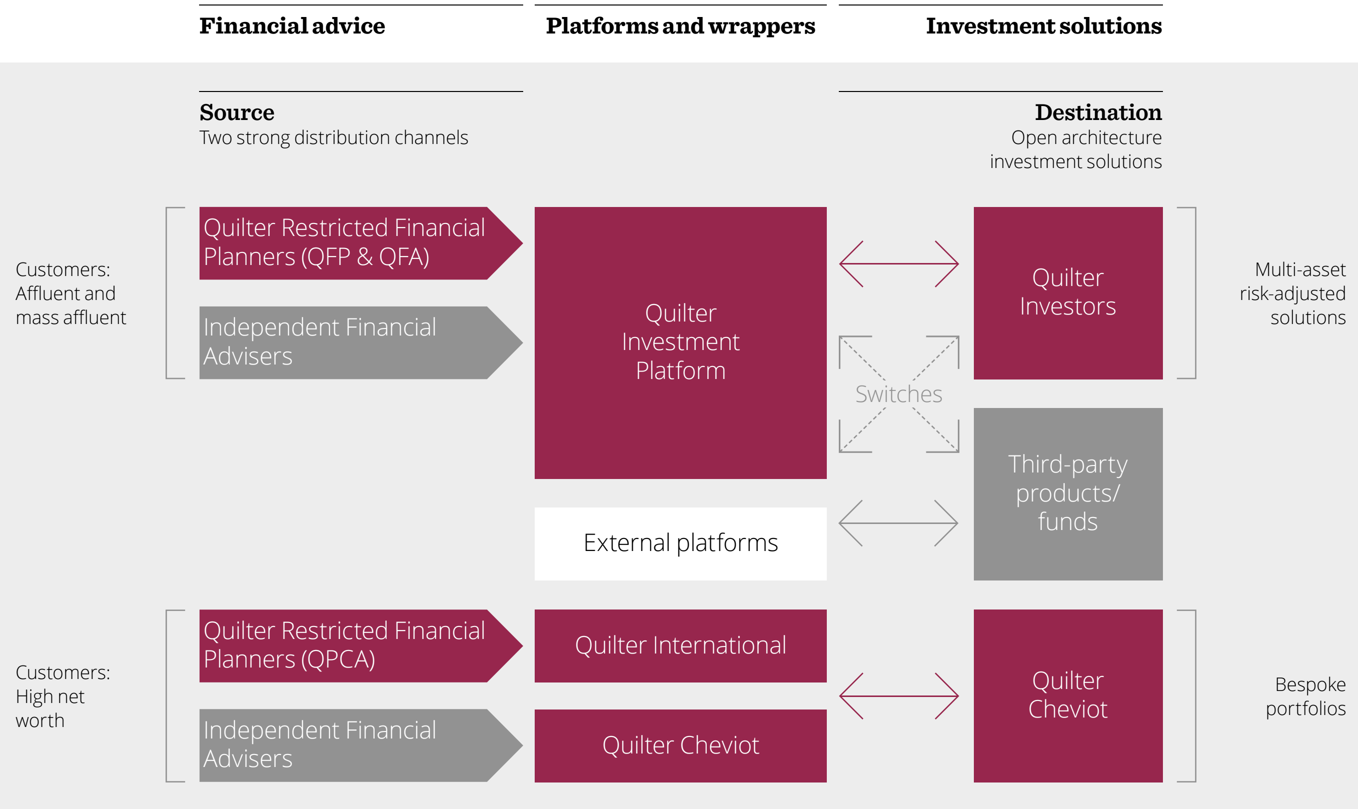
490k+

Rows of data processed across the three migrations

2.5bn+

Strategic benefits of PTP

Improving cohesion between our business capabilities and providing opportunity to broaden and deepen relationships with advisers and their clients.



Commercial benefits of PTP

New and enhanced products and adviser/customer management features, market-leading functionality, and ease of use.

Products:
Supporting growth across generations

– Junior ISA	New
– Pension	Enhanced
– ISA	Enhanced
– General Investment Account	Enhanced
– Bond	Enhanced

Functionality:
Market-leading, attractive to broader adviser base

– Arrange withdrawals and income online	New
– Flexi ISA capability	New
– Flexible income and regular withdrawal dates	New
– Flexible Direct Debit collection dates	New
– New adviser management information and reporting suite	New

Investments:
Opportunity to re-engage with inactive firms

– Option to invest in ETFs and Investment Trusts	New
– Access to cash accounts	New
– Range of available discretionary investment management solutions	Enhanced
– Adviser model portfolio management	Enhanced

Ease of use:
Single-source potential for Quilter RFPs

– Online user experience	Enhanced
– Cross browser functionality	Enhanced
– Mobile and tablet optimised	New
– Improved view and control of investments through online customer centre	Enhanced

Responsible business

Jane Goodland
Group Corporate Affairs Director

We are guided by our purpose, values and commitment to act and invest responsibly. We are here to help the generations of today and tomorrow to prosper, and so it is imperative that we consider how our activities affect long-term investment value for our customers, colleagues, shareholders and other stakeholders. This is what we call 'Shared Prosperity'.

It is this multi-stakeholder mindset that naturally guided our response to the pandemic and enabled us to balance the interests of our customers, colleagues, advisers and wider society. Within a very short timeframe the vast majority of our colleagues were working remotely, including our customer and adviser call centres, financial advisers and investment managers. We also created new and innovative ways to support advisers and their clients, for example via our "There for You" online hub we gave access to a wide array of mental health, wellbeing and practical resources to help advisers and clients adjust to new ways of working. Meanwhile through our charity, The Quilter Foundation, we were amongst the first donors to the National Emergencies Trust appeal and the Disasters Emergency Committee, donating almost £243,000 to support those most vulnerable and at risk of the economic and health impacts of COVID-19.

Aside from our COVID-19 response we also made progress during the year against the ten commitments of the Shared Prosperity Plan. We reached an important milestone towards our goal of creating an inclusive and diverse workplace, achieving our target of increasing female representation in senior management to 35% – a public pledge we made as a signatory to the HM Treasury's Women in Finance Charter. Our work on inclusion cannot and will not end there. We have set ourselves a new target to further increase female representation in senior management roles to 38 – 43% by end 2023. Like many firms, the Black Lives Matter movement provided a much-needed trigger for us to sharpen our focus on cultural and racial inclusion in our workplace. One of the first steps we took was to improve our measurement which has enabled us to disclose workforce ethnicity data in this report on page 53.

Another key development during the year was the formalisation of our climate change strategy which sets out our approach to measure, manage and reduce our contribution to climate change both as a business and an investor. We began the process to improve our climate-related disclosures by putting in place a programme which will enable us to align with the Financial Stability Board's Task Force on Climate-related Financial Disclosures ("TCFD") framework by the end of 2021. We also made good progress with respect to our commitment to embed responsible investment principles across our whole business. In particular we further embedded ESG factors into our investment management processes and made good progress to enhance our financial advice process.

Looking forward

In 2021 we will continue to focus on the issues that matter most to our stakeholders. We will embed our climate change strategy more deeply and work to understand our impact in more detail, particularly in regard to our investments. We will also work towards setting an emissions target for Quilter. Embedding and enhancing our responsible investment capabilities across our entire business will continue to be a key priority. Across financial advice, investment management and our platforms, we understand our responsibility to help clients and advisers invest in a way that is aligned with their views on sustainability. Work to increase gender and ethnic diversity in senior management is vital as we seek to create an inclusive and diverse workplace.

Quilter is here for a reason – to help create prosperity for the generations of today and tomorrow.

Our responsible business governance framework

Responsible business governance
The Board oversees Quilter's approach to responsible business and has delegated this to the Corporate Governance and Nominations Committee chaired by Quilter's Chairman, Glyn Jones.

Within the Executive Management team Quilter Chief Executive Officer, Paul Feeney, has overall accountability for ensuring we do business responsibly. The wider executive management team also have specific 'responsible leadership' requirements embedded into their annual objectives.

Paul Feeney and the Executive Management team are supported by the Responsible Business Forum, which is a management group that provides oversight, direction and challenge with respect to Quilter's approach to responsible business. The Forum, which is chaired by the Group Corporate Affairs Director, meets quarterly and comprises members from each operating business and key corporate functions.

Quilter Board

Board Corporate Governance and Nominations Committee
Chaired by Glyn Jones, Chairman

Executive Management team
Led by Paul Feeney, Chief Executive Officer

Responsible Business Forum
Led by Jane Goodland, Group Corporate Affairs Director

Responsible business strategy
Launched in 2018, Quilter's 'Shared Prosperity Plan' is our framework for delivering responsible and sustainable growth.

The plan is informed by what matters most to our stakeholders and focuses on three core themes. These themes are underpinned by ten commitments through which we aim to create long-term value for our stakeholders:

Financial wellbeing
We want to help customers, colleagues and communities improve their financial wellbeing, which plays a vital part in our overall health and happiness.

To improve financial wellbeing, we are committed to:

- Create secure financial futures for our customers through quality products and service
- Promote financial wellbeing for our colleagues
- Empower communities to manage money well for life

Inclusive growth
We believe we have a responsibility to help build a more inclusive economy in which everyone has equal opportunities to fulfil their potential and thrive.

To pursue inclusive growth, we are committed to:

- Improve access to financial advice, saving, and investing
- Create an inclusive workplace that enables colleagues to thrive
- Help our communities to thrive through employment and wellbeing

Responsible investment
We invest responsibly to help create prosperity for the generations of today and tomorrow, and to provide people with confidence and choice to invest for a sustainable future.

As a responsible investor, we are committed to:

- Embed responsible investment principles across our business
- Exercise active stewardship of our customers' assets
- Reduce the environmental intensity of our activities

Operating responsibly
Underpinning our Shared Prosperity Plan, we are committed to operating our business ethically, lawfully and with integrity at all times.

Updates to the plan in 2020

We did not make any material alterations to the Shared Prosperity Plan during 2020 as the themes of financial wellbeing, inclusive growth and responsible investment all remain relevant to our business. We reset our target for women in senior management as we met our 2020 target.

Shared Prosperity Plan performance in 2020

We have identified non-financial KPIs to help assess Quilter's performance against the Shared Prosperity Plan commitments. Progress against these KPIs is shown opposite.

Our plan and the UN Sustainable Development Goals

The UN Sustainable Development Goals ("SDGs"), adopted by all United Nations Member States in 2015, are a universal call to end poverty, protect the planet and create sustainable economic growth by 2030.

Through the Shared Prosperity Plan we are contributing to several of the SDGs:

Goal 1: Good health and wellbeing
Goal 5: Gender equality
Goal 8: Decent work and economic growth
Goal 10: Reduced inequalities
Goal 12: Responsible consumption and production
Goal 13: Climate action

How we understand our stakeholders

To help people prosper, we understand that we have a responsibility to act and invest responsibly for the long-term benefit of our customers, colleagues, advisers and society as a whole. Ultimately, we believe this is the only way to build a sustainable business that can deliver superior performance and long-term value for our shareholders too.

Please refer to page 90 for a detailed breakdown of who are stakeholders are and how we engage with them.

Responding to COVID-19

The COVID-19 pandemic has naturally been an issue of concern for all stakeholders in 2020. Given its gravity and prominence we have a dedicated section covering our stakeholder led response to COVID-19 on page 17.

Our Shared Prosperity Plan performance in 2020

Themes

Financial wellbeing

Relevant Sustainable Development Goal

3 GOOD HEALTH AND WELL-BEING

Inclusive growth

Relevant Sustainable Development Goal

5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES

Responsible investment

Relevant Sustainable Development Goal

8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

Our commitments and key performance indicators

1. Create secure financial futures for customers through quality products and service

Customer asset retention

2020	**92%**
2019	88%
2018	91%

2. Promote financial wellbeing for all our colleagues

Percentage of colleagues feeling confident about money

2020	**81%**
2019	N/A
2018	N/A

3. Empower communities to manage their money well for life

Number of people benefiting from financial literacy support

2020	**7,811**
2019	11,276
2018	6,529

4. Improve access to financial advice, saving and investing

Number of Restricted Financial Planners ("RFPs")

2020	**1,842**
2019	1,799
2018	1,621

5. Create an inclusive and diverse culture that enables our people to thrive

Proportion of women in senior management roles

2020	**35%**
2019	32%
2018	33%

6. Help our communities to thrive through employment and wellbeing

Number of people benefiting from Quilter Foundation employment and wellbeing support

2020	**3,685**
2019	1,822
2018	N/A

7. Embed responsible investment principles across our business

PRI Strategy & Governance rating

‘A’ rating

8. Exercise active stewardship of customers' assets

Number of company meetings in which we voted

2020	**348**
2019	171
2018	174

9. Reduce the environmental intensity of our activities

Tonnes of carbon dioxide ("TCO_2e") per full-time colleague/contractor

2020	**0.63**
2019	0.92
2018	0.83

Delivering for customers

Shared Prosperity Plan commitments

- **Create secure financial futures for customers through quality products and service.**
- **Improve access to financial advice, saving and investing.**
- **Embed responsible investment principles across our business.**
- **Exercise active stewardship of customers' assets.**

Providing quality products and service
Quilter is committed to helping people create secure financial futures through quality products and service. In 2020, overall asset retention for the Group – a measure of our ability to delivery good outcomes and retain customers – increased to 92% (2019: 88%) driven mainly by improvements in the Quilter Investment Platform.

For the second consecutive year, Quilter topped the FTAdviser Top 100 Financial Adviser rankings. The rankings judge firms on a number of objective measures including those which are important to customers such as adviser qualifications, amount of experience and staff retention, business growth and investment outcomes. The achievement is recognition of our continued commitment to providing high quality face-to-face advice.

Quilter Cheviot continued to perform well for customers, delivering out-performance relative to their relevant benchmarks over one, three, five and ten-year periods. Meanwhile, Quilter Investors' investment performance was good, with performance of the largest range, Cirilium Active, improving markedly on a one-year view, and Wealth Select continuing to perform strongly.

Complaints received increased year-on-year, with the increase associated to historic advice provided by Lighthouse prior to its acquisition by Quilter. Aside from these, complaints remained low and levels of upheld complaints were below the industry average.

Responsible investment
We are committed to investing responsibly, to help create prosperity for the generations of today and tomorrow.

We incorporate environmental, social and governance considerations across the business, from the financial advice we give, to how we manage investments and hold the companies into which we invest to account for their actions. For people who want to invest for a specific sustainable outcome or to avoid a particular issue, we offer a range of dedicated responsible investment solutions.

We are a signatory of the UN-backed Principles for Responsible Investment ("PRI") and achieved an 'A' rating for our responsible investment strategy and governance in the PRI's 2020 annual assessment.

ESG integration
In 2020 we continued our work to integrate responsible investment principles as standard into our advice and investment management processes, as well as enhancing ESG related disclosures. Much of our work here has been brought into sharper focus by the new wave of ESG regulation driven by the EU's Sustainable Finance Action Plan and will come to fruition in 2021.

Across both of our investment management businesses – Quilter Cheviot and Quilter Investors – a significant proportion of the assets we manage are invested in third-party funds. Therefore a vital component of our approach to ESG integration is understanding how external fund managers incorporate ESG into their investment process. In 2020, our fund research team provided enhanced training for analysts and improved ESG assessment in the fund manager appointment and monitoring process.

Stewardship
Where we do invest directly in listed equity (mainly through our discretionary investment manager, Quilter Cheviot), we continued and enhanced our stewardship activity through proxy voting and pro-active engagement with company management. In 2020, Quilter Cheviot voted at 348 company meetings, double that the previous year. The significant increase was a result of an expanded voting universe, extended to include all holdings in which we hold more than £2 million or 0.2% of the company.

Exclusions
In 2020 Quilter continued to apply ethical exclusions to investment portfolios when instructed by the client. We also maintained our firm-wide exclusion on controversial weapons. Where we invest directly, we do not knowingly invest in securities (equity or debt) of listed companies involved in the manufacture, development or trade of anti-personnel mines or cluster munitions.

Sustainability solutions and reporting
In 2020 we continued to disclose ESG fund ratings for third-party funds on the Quilter Investment Platform, helping advisers and customers to consider the impact of their investments as part of an informed decision making process.

For customers seeking a specific sustainable outcome, Quilter Cheviot's Climate Assets Fund offers a way of targeting long-term capital appreciation by focusing on investment opportunities arising from the convergence of global sustainability issues such as climate change, resource scarcity and population shifts. In 2020 the Climate Assets Fund performed strongly and has delivered superior returns when compared with its benchmark over three, five and ten-year periods.

Using our voice to champion and protect customers

During 2020 we retained our strong focus on vulnerable customers. In addition to our comprehensive internal programmes to ensure customer-facing colleagues are equipped to support vulnerable customers, we continued to chair the industry working group of TISA to raise standards across the industry. This has involved working with charities to release a series of help sheets to support financial firms understand the difficulties that different vulnerabilities may create and the development of an online self-assessment tool which will be available free of charge to financial services firms.

We also led public calls for the UK Government to protect our clients and consumers more widely against the threat of financial scams online. Our research in 2020 revealed a 110% increase in brand impersonation and association scams, whereby organised criminals 'clone' the brand of reputable financial services firms or claim association in order to sell non-existent investment products on fake websites and through paid advertising search engines.

Quilter has called for the UK Government to include financial harms within its flagship Online Harms Bill, which would legally require social media platforms and search engines to remove scam adverts immediately upon notification and improve due diligence processes.

Data privacy and IT security

In the course of our business, customers, advisers and colleagues trust us with their personal data which can include sensitive and/or financial information. The collection and use of personal data is governed by our Privacy Policy and overseen by a Group Data Protection Officer ("GDPO") with the support of a formal committee, the Quilter Privacy Forum.

The Board Technology and Operations Committee, chaired by independent Non-executive Director, Moira Kilcoyne, oversees Quilter's IT strategy, including our approach to information and data security. At an executive management level, the Group Chief Operating Officer is responsible for IT strategy and is supported by the Chief Information Security Officer ("CISO") and team, with input also from the GDPO and Data Guardians embedded in our operating businesses. All colleagues and full-time contractors are required to complete mandatory annual training to ensure they understand what is required of them with respect to data privacy and IT security. Read more in our Board Technology and Operations Committee report on page 119.

Delivering for colleagues

Related Shared Prosperity Plan commitments

- Promote financial wellbeing for our colleagues.
- Create an inclusive workplace that enables colleagues to thrive.

Colleague engagement and development

We seek views from colleagues through our weekly engagement survey, providing senior leaders and managers with meaningful real-time engagement feedback. The engagement score for 2020 was 7.4 out of 10 (2019: 7.2 out of 10) which is ahead of the industry benchmark for colleague engagement.

In 2020 we modernised our learning approach by introducing 'Degreed', an online learning platform that provides our colleagues with complete control of their own learning and development. Over 1,990 colleagues used the platform in 2020, with 20,317 learning items completed.

Code of Conduct

Our Code of Conduct sets out the duties and expectations of all colleagues and includes acting with integrity and respect, treating customers fairly, managing conflicts of interest, good market conduct, information, data and communications, use of Company assets, prevention of financial crime and working with regulators and governments. Colleagues are required to undertake annual mandatory training to ensure they fully understand the requirements of the Code of Conduct. During 2020, 99% of colleagues completed this training, up from 96% in 2019.

Whistleblowing and speaking up

In line with our whistleblowing policy, colleagues are required to report knowledge or suspicion of malpractice or actions that endanger Quilter Group's employees or assets. The whistleblowing policy provides employees who raise concerns in good faith with protection from detriment to their future employment opportunities Concerns can be reported to line managers, Risk and Compliance or via the independent confidential ethics hotline which is available year round. All reports are fully investigated and escalated to senior management and George Reid, independent Non-executive Director and designated Group Whistleblowing Champion.

Colleague mental and financial wellbeing

'Thrive' is our colleague wellbeing initiative which supports our people with their mental, physical, social and financial wellbeing and is supported by 120 colleague 'Thrive Ambassadors' internally. We enhanced mental health support by introducing 'Spill', which provides all employees with access to mental health resources, tools and online counselling services.

In 2020 we continued our financial wellbeing programme which promotes a range of information, employee benefits and guidance to support colleagues to feel more confident about money and pensions.

Remuneration

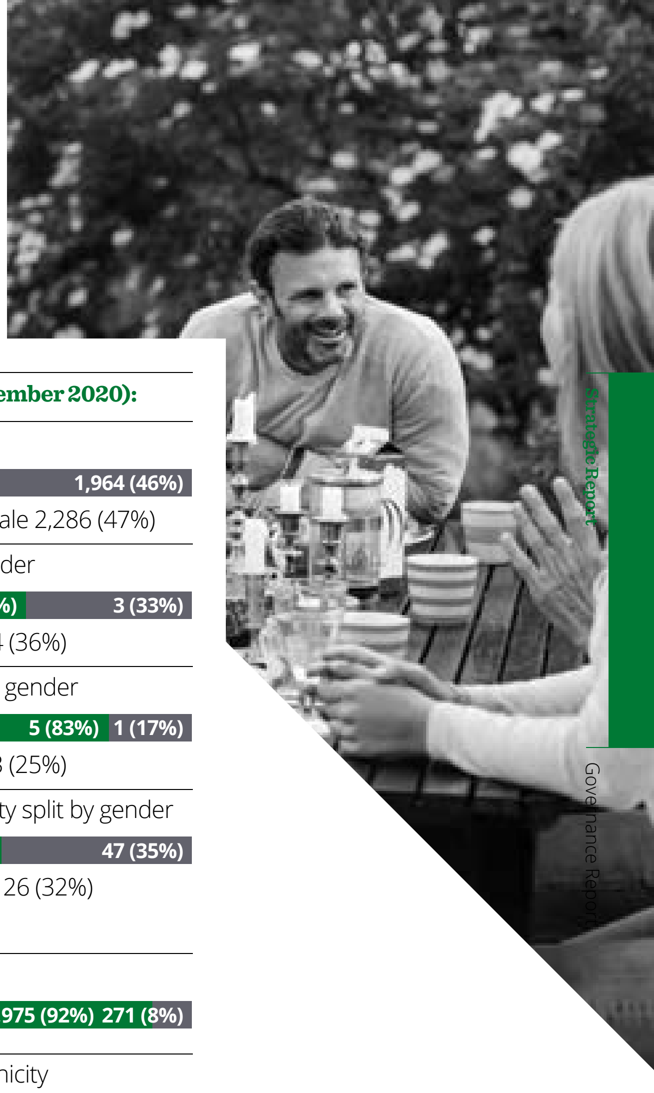
Our remuneration policy seeks to promote reward structures that encourage appropriate behaviour, avoid excessive risk taking, protect customers and support the creation and preservation of sustainable value for the benefit of all relevant stakeholders. All employees and suppliers providing on site services in the UK are paid no less than the real Living Wage (2020: £10.85 per hour for London and £9.50 per hour outside of London) calculated annually by the Living Wage Foundation and is a voluntarily initiative.

The Directors' Remuneration Policy includes the alignment of pension arrangements to the wider workforce, with pension provisions for Executive Director appointments set at 10% of base salary.

Creating an inclusive and diverse workplace

We promote equal opportunities and ensure that no job applicant or colleague is subject to less favourable treatment on the grounds of gender, marital status, nationality, ethnicity, age, sexual orientation, responsibilities for dependents, or physical or mental disability.

We achieved our target of increasing female representation in senior management to 35% by the end of 2020 – a public pledge we made as a signatory to the HM Treasury's Women in Finance Charter. Quilter's 2020 target was originally set at 35-40% of the ExCo-1 population. Due to a number of reporting line changes in January 2020 the ExCo-1 population halved in size. As a result we changed the target population to our 'senior leadership community' (SLC), a defined group of senior leaders that more accurately reflects our senior management than ExCo-1 which is solely dictated by reporting lines. We have set



a new target of 38-43% female representation in the SLC by end 2023. Fewer women in senior leadership roles is one of the main drivers behind our gender pay gap. The median pay gap was 30% (£6.72 per hour), a reduction of 2% compared with 2019.

We are committed to increasing BAME representation at all levels across Quilter and have set a target to increase BAME representation in senior management from 2% in 2020 to 5% by end of 2023. BAME colleagues earned £0.73 per hour (4%) less than non-BAME colleagues based on median pay gap data, reflecting the fairly even spread of BAME colleagues across pay quartiles. A lower percentage (79%) of BAME colleagues received a bonus than non-BAME colleagues (86%). The underlying data indicates that majority of cases are those that joined after 31 October 2019 and as such would not have met our eligibility criteria to be considered for a 2019 bonus, paid in March 2020.

We aim to achieve our diversity targets through enhanced policies, talent development, recruitment and succession planning. Strategy and progress is overseen by Quilter's Inclusion and Diversity Steering Committee, chaired by the Chief Executive Officer.

We remained an active supporter of public initiatives such as LGBT Great, a collaboration aiming to be a catalyst for LGBT+ inclusion within the investment industry and championed by our Chief Operating Officer, Karin Cook.

Diversity data (as at 31 December 2020):

Total split by gender

2,317 (54%) 1,964 (46%)

2019: Male 2,550 (53%), Female 2,286 (47%)

Quilter plc Board split by gender

6 (67%) 3 (33%)

2019: Male 7 (64%), Female 4 (36%)

Executive Committee split by gender

5 (83%) 1 (17%)

2019: Male 9 (75%), Female 3 (25%)

Senior Leadership Community split by gender

89 (65%) 47 (35%)

2019: Male 75 (68%), Female 26 (32%)

Male Female

Total split by ethnicity*

2,975 (92%) 271 (8%)

Quilter plc Board split by ethnicity

9 (90%) 1 (10%)

Executive Committee split by ethnicity

6 (100%)

Senior Leadership Community split by ethnicity

115 (98%) 3 (2%)

Non-BAME BAME

*Total workforce ethnicity data is based on number of colleagues disclosing their ethnicity (76% of colleague community). Colleagues who selected 'unknown' or chose not to disclose their ethnicity are not included in the calculation.

2020 Pay gap data	**Mean**	**Median**
Gender		
Hourly pay gap	34%	30%
Bonus gap	65%	39%
Women receiving bonuses	86%	
Men receiving bonuses	84%	
Ethnicity		
Hourly pay gap	13%	4%
Bonus gap	33%	15%
BAME receiving bonuses	79%	
Non-BAME receiving bonuses	86%	

2020 Pay quartile data	**Men**	**Women**	**Non-BAME**	**BAME**
First quartile	73%	27%	92%	8%
Second quartile	58%	42%	91%	9%
Third quartile	44%	56%	93%	7%
Fourth quartile	44%	56%	90%	10%

Delivering for advisers

Related Shared Prosperity Plan commitments

- Improve access to financial advice, saving and investing.

Helping advisers manage and grow their business

Whether an RFP in the Quilter Financial Planning network or an Independent Financial Adviser using Quilter Investment Platform to service clients, advisers can rely on us to help them manage and grow their business, and ultimately help their clients prosper.

In 2020 we launched our 'There for You' hub available to all financial advisers. Initially in response to the COVID-19 pandemic, the hub is the first time we have created a one-stop shop of resources, including tools to support client conversations and events hosted by Quilter experts. Over 2,000 advisers attended our online 'There for You' events, which focused on practical support and expertise to them and their business during the pandemic.

For RFPs in the Quilter Financial Planning network, we offer stability through strong financial backing and the security of a comprehensive compliance regime to enable them to run their business safely and profitably. Addressing the challenges many advice firms face in finding affordable Professional Indemnity Insurance, the Quilter Financial Planning network offers member firms PII to those authorised to write business by us and where they follow our advice process.

The Quilter Investment Platform won a total of nine highly sought-after awards, as recognised by financial advisers for its quality products and outstanding service. Awards included a platinum rating for the sixth year running from the independent price comparison and research provider, 'AdviserAsset'. Their rating is based on the results of charge comparisons and platform due diligence run by advisers using AdviserAsset tools and analyses over 150,000 reports and questionnaires.

Quilter was also awarded 'Company of the Year' award from prestigious Financial Adviser Service Awards.

Wellbeing support

Being a financial adviser can be a hugely rewarding role. We also understand that it can be a demanding one, and sometimes involves dealing with complex client emotions and helping them navigate difficult personal situations. The COVID-19 pandemic also brought with it unprecedented challenges for advisers, with many more likely to be struggling with stress, anxiety and burnout as the need to adapt their support for clients increased dramatically.

In direct response to these unprecedented challenges we opened up our colleague wellbeing programme – 'Thrive' – to the financial adviser community during Mental Health Awareness Week. A first of its kind in the industry, advisers were able to access a wealth of resources to support their wellbeing, and ultimately equip them to support their clients too.

The hub included podcasts and videos from our own wellbeing experts, as well as external specialist, resources on how to adapt to changing ways of working and advice on how to cope with isolation and build resilience. We also made online mental health service, 'Spill', available to advisers.

Training and development

We are committed to the ongoing professional development of our RFPs in the Quilter Financial Planning network. This is good for advisers, good for their clients and also good for our business. Our academies and masterclasses help advisers develop their knowledge and skills of specific markets, including: wealth, auto-enrolment, mortgage and protection.

Throughout the year we worked extensively with advisers to prepare them for migration to the new Quilter Investment Platform, supporting thousands of advisers and their clients to transition smoothly to the new platform.

Transition to digital

The pandemic changed the way advisers interacted with their customers as face-to-face advice moved online. With customers impacted by a range of factors affecting their personal circumstances or family members, we made it easier for advisers to stay in touch and engage with them by identifying a number of 'reasons to talk' to depending on their current situation and financial needs. We covered eight topics, ranging from maximising tax allowances and intergenerational wealth through to coping with redundancy. Each topic was presented as a pack which included background information, advice on how they could help, sales aids and pre-approved customer communications.

Advisers understand that social media is a great way of starting or joining in conversations that help their firm stay at the forefront of their customers minds. With all activity regulated by the FCA, we helped advisers promote the benefits of financial advice to prospective clients by creating specifically themed, compliance approved social media adverts. Each advert can be personalised by advisers to suit their brand through an automated process via the Hub (with no additional charge), then downloaded in the relevant size for LinkedIn, Facebook and Instagram.

Training the next generation of advisers

In 2017 we launched the Quilter Financial Adviser School to train and develop the next generation of financial advisers. We provide not just the qualifications, but also the skills needed to enjoy a successful career and provide an outstanding level of service to clients.

The Quilter Financial Adviser School is a trusted partner of The London Institute of Banking & Finance ('LIBF'), one of the top providers of professional and academic financial services qualifications. To become a trusted partner, we have demonstrated that our training programmes meet the LIBF's strict requirements for delivering high-quality learning.

In 2020, 167 people graduated from the Quilter Financial Adviser School, which is the largest cohort to graduate in one year and brings the total number of graduates to 337 since it launched 2017. The increase in graduates in 2020 was enabled by an improved digital training proposition. We have since supported the vast majority of graduates into employment as financial advisers so they are now helping customers to achieve their financial goals.

Delivering for communities and the environment

Related Shared Prosperity Plan commitments

- **Support communities to manage money well for life.**
- **Empower communities to thrive through employment and wellbeing.**
- **Reduce our environmental intensity.**
- **Operate responsibly.**

Climate change

In 2020 Quilter formalised its approach to climate change. Our strategic objective is to reduce Quilter's contribution to climate change and support the transition to a low carbon economy. To achieve our ambition, we have a framework which helps us to reduce our direct carbon footprint, embed climate considerations in our investment management and stewardship activity, offer clients climate-focused investment solutions and align with the Task Force on Climate-related Financial Disclosure.

The Task Force on Climate-related Financial Disclosures ("TCFD")

The financial sector has a critical role in the transition to a low carbon economy; however better-quality information is needed on risks, opportunities and impacts of climate change. TCFD has provided a framework to help companies to disclose comprehensive, comparable and high-quality information.

As per the mandatory requirements of premium listed companies outlined by HM Treasury in November 2020, we are committed to a fully aligned TCFD climate disclosure for the financial year 2021. We have chosen not to fully adopt TCFD early as we believe a fair and accurate disclosure at this stage would be difficult to achieve due to carbon data limitations relating to investment portfolios and climate scenario analysis requirements. In this report we instead provide a partial disclosure focused on governance and current climate metrics related to Quilter's operational emissions, as well an outline of the steps we are taking in 2021 to fully align with TCFD.

Climate change governance

The Board Risk Committee will oversee the management of climate-related risks and opportunities and review progress as part of its regular reporting from the business. The Board Corporate Governance and Nominations Committee oversees Quilter's responsible business and responsible investment strategy, both of which address Quilter's climate change response in its direct operations and in its investment propositions.

The Quilter Executive Committee, chaired by the Chief Executive Officer, is responsible for setting Quilter's overall climate change strategy. The Executive Committee receives quarterly updates regarding responsible business matters, which include progress towards our climate change strategy.

Responsibility for climate-related risk, and TCFD specifically, rests with the Executive Risk Forum, chaired by the Chief Executive Officer. The Forum oversees present and emerging risks to the business to ensure they are managed appropriately, reporting into the Board Risk Committee. Given the recent emergence of climate change as an established risk typology, a sub-committee of the Executive Risk Forum has been established to ensure focus is dedicated to climate-related risk and alignment with TCFD specifically. Individual responsibility for climate-related risk rests with the Risk & Actuarial Director, who holds regulatory accountability for this as the Senior Management Function holder.

Climate change strategy and risk management

During 2021 we are taking the necessary steps to fully align with TCFD. We will complete our assessment and measurement of our climate-related risks and opportunities, including those within the investment solutions we manage on behalf of clients. We will also enhance our risk management framework to ensure it fully reflects the climate risks relevant to the business and its risk appetite.

Existing stewardship activity undertaken by our investment management businesses already includes climate change issues and this will continue to be an area of engagement going forward.

Climate change metrics and targets

Quilter has reported the greenhouse gas emissions resulting from its operations (scope 1 and 2) since it became a public company in 2018. In 2021 we will complete the

measurement of emissions resulting from our core investment portfolios (scope 3 emissions) enabling us to report on this in our next TCFD aligned disclosure. We will also work towards establishing a greenhouse gas reduction target across our scope 1, 2 and 3 emissions.

Energy use is Quilter's primary source of Scope 1 and 2 greenhouse gas emissions. In 2020 we continued our strategy of transitioning our offices to renewable energy tariffs. Where we do not control the building, we proactively engage with landlords to transition to renewable energy tariffs if they have not done so already. In 2020 we successfully engaged the landlord of our new London headquarters to change to a renewable energy tariff.

We are pleased to report a 33% reduction in total Scope 1 and Scope 2 (location-based) greenhouse gas emissions in 2020, from 4,042 TCO_2e in 2019 to 2,705 TCO_2e. See table below for a full breakdown of our Scope 1 and Scope 2 greenhouse gas emissions and associated energy use data in 2020.

We also continued to participate in the CDP (formerly 'Carbon Disclosure Project'), the world's leading voluntary disclosure system for companies to measure, disclose, manage, and ultimately reduce greenhouse gas emissions. We achieved a rating of 'C' for our 2020 disclosure.

Emissions adjustments for 2019

We have updated our 2019 greenhouse gas emissions to reflect a fluorinated gas leak at our Southampton office and a small number regional offices not included in previous reporting. Our 2019 Scope 1 emissions are now reported as 840 TCO_2e, an increase from 664 TCO_2e originally reported. Scope 2 (location-based) emissions are also reported higher at 3,202 TCO_2e, in comparison with 2,216 TCO_2e originally reported. Scope 2 (market-based) emissions are now reported as 2,718 TCO_2e in comparison with 1,378 TCO_2e reported for 2019.

This also has the effect of increasing our 2019 intensity ratio to 0.92 TCO_2e per average number of colleagues in 2019.

Greenhouse gas emissions data

Total greenhouse gas emissions	TCO_2e 2020	TCO_2e 2019
Scope 1	302	840
Scope 2 (location-based)	2,403	3,202
Scope 2 (market-based)	1,882	2,718
Total Scope 1 + Scope 2 (location-based)	2,705	4,042
Intensity ratio – TCO_2e/average number of colleagues	0.63	0.92

Streamlined Energy and Carbon Reporting (SECR)	kWh 2020	kWh 2019
Global energy use	12,159,853	14,227,728
UK energy use	11,794,568	13,707,697

Greenhouse gas reporting footnote:
All emissions data calculated according to the GHG Reporting Protocol – Corporate Standard. The GHG protocol categorises emissions according to 'Scope', as follows:

Scope 1 (Direct GHG)
These are emissions from sources that are owned or controlled by an organisation. This includes fuel combustion on site e.g. gas boilers, fleet vehicles and air-conditioning leaks.

Scope 2 (Energy Indirect GHG)
These are emissions from the consumption of purchased electricity, steam, or other sources of energy (e.g. chilled water) generated upstream from the organisation. For purchased electricity, organisations are required to report Scope 2 according to a 'location based' method and a 'market-based' method (see below):

Scope 2 – Location Based
This reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data).

Scope 2 – Market Based
This reflects emissions from electricity that organisations have purposefully chosen and therefore includes where they may have renewable energy contracts in place or generate their own energy.

Delivering for communities and the environment (continued)

The Quilter Foundation

The Quilter Foundation is Quilter's registered charity and the cornerstone of our community engagement work. Through grant-making and the generous support of colleagues, advisers and customers, The Quilter Foundation has donated £2.2 million to charity partners since launching in 2018, enabling them to provide financial literacy, employment and wellbeing support to 23,000 young people in our local communities.

Improving financial literacy

We continued our long-term partnership with leading financial education charity, MyBnk, to fund the provision of expert led money management lessons to young people aged 11–25 in local communities. COVID-19 restrictions seriously inhibited face-to-face delivery in 2020 and despite this, the programmes still reached 7,811 young people in the year.

During 2020 Quilter continued to co-chair KickStart Money which is helping to transform the long-term savings habits of the next generation. Twenty of the UK's leading saving and investment firms are working together to champion financial education for children aged seven and upwards. Through the programme's delivery partner, MyBnk, expert-led financial education sessions reached 19,000 pupils since its launch in 2017. KickStart Money also campaigns for effective financial education for every young person from primary school onwards. During 2020, 27 UK Members of Parliament lent their support to the campaign, bringing the total number of parliamentary supporters of the campaign to 57.

Employability and skills development

Government data shows the persistency of UK youth unemployment over recent years, which has been exacerbated by the COVID-19 pandemic. In 2020 we delivered the first year of our three-year partnerships with skills and employability partners School of Safe New Futures, School of Hard Knocks and Street League. The programmes have so far supported 143 young people aged between 16 and 25.

Wellbeing and respite support for young carers

One in five secondary school children may be caring for a loved one with a serious illness, disability or mental health issues. Very often, this at the expense of their own mental health and future prospects. The Quilter Foundation and Quilter colleagues have continued to work with our charity partners – Carers Trust, The Mix and Crossroads Care – supporting 2,000 young carers in local communities in 2020. Since launching the partnerships in 2018, we have directly supported 5,600 young carers across the UK and Isle of Man.

COVID-19 relief

The Quilter Foundation donated £243,000 to trusted partners – National Emergencies Trust and Disasters Emergency Committee – to provide urgent COVID-19 relief and support to vulnerable communities across the UK and internationally.

Human rights

We recognise our responsibility to not only respect the rights and freedoms of those that work for Quilter but also of those in our supply chain. Our human rights policy has been shaped by internationally recognised principles, laws and conventions such as the International Bill of Human Rights, The International Labour Organization conventions, the UN Guiding Principles on Business and Human Rights, the UN Global Compact, The Modern Slavery Act 2015, The Human Rights Act 1998 and the Equality Act 2010. Our human resource and supplier policies and processes prohibit all forms of modern slavery, forced labour, compulsory labour and child labour. These also promote equal opportunity and prohibit any form of discrimination or unfair treatment on the grounds of protected characteristics, or because of any other personal factor. We respect the right of employees to associate for the purposes of collective bargaining and colleagues are free to join a union of their choice.

Financial crime and anti-bribery and corruption

As a financial services company we recognise the potential risk of being a target for financial crime, including money laundering, terrorist financing, tax evasion and fraud. We also acknowledge the potential risk of bribery and corruption which could result in financial loss, regulatory fines and/or censure and damage to reputation. We have zero tolerance for financial crime, bribery or corruption and have robust control environment in place including the following policies: 1) Anti-Money Laundering and Counter Terrorist Financing Policy, 2) Anti-bribery and Corruption Policy, 3) Fraud Prevention Policy. All colleagues are required to complete mandatory training on these topics annually to ensure that understand their role in preventing financial crime, bribery and corruption.

Working with suppliers

Our Third-Party Risk Management policy sets out requirements with respect to our procurement, outsourcing and supplier management activities. Our Supplier Code of Conduct applies to all suppliers and their sub-contractors that provide goods and services to Quilter. It sets out the minimum standards we expect our suppliers to adhere to when doing business with Quilter in addition to the contractual terms agreed. The Code covers legal compliance, ethical standards, conflicts of interest, anti-bribery and corruption, brands, trademarks and intellectual property, information and data protection, labour standards, living wage, discrimination, health and safety, and environmental management. We also expect them to promote these standards in their own supply chain where practical.

Tax

We are committed to full compliance with our tax obligations, paying the right amount of tax at the right time. We have zero tolerance for tax evasion and we do not promote tax avoidance or aggressive tax planning arrangements to our customers or to other parties. Our Tax Risk Policy sets out high-level requirements to ensure that tax calculations and filings comply with all applicable tax law and are prepared on a timely basis.

Non-financial information statement

The Responsible Business review from page 46 to 59 constitutes Quilter's Non-Financial Information Statement, which complies with sections 414CA and 414CB of The Companies Act. The table below sets out where to find details on specific matters relevant to these requirements within this section and elsewhere in our Annual Report:

Anti-bribery and corruption	Delivering for society – page 56 to 59.
Business model	Business model – page 42 to 43.
Employees	COVID-19 response – page 17 to 19. Delivering for colleagues – page 52 to 53.
Environmental matters	Delivering for society – page 56 to 59.
Human rights	Delivering for society – page 56-59.
Non-financial KPIs	Shared Prosperity Plan performance summary – page 48 to 49.
Principal risks	Risk review – page 70 to 77.
Social matters	COVID-19 response – page 17 to 19. Delivering for society – page 56 to 59.

Read more:
How we understand our stakeholders: Regulators
See page 94

How we understand our stakeholders: Investors
See page 91

Financial review

Mark Satchel
Chief Financial Officer

Review of financial performance

Overview

During 2020 international equity markets experienced significant volatility as a consequence of the Coronavirus pandemic. Volatility in equity market values can significantly impact the value of the Group's AuMA, and therefore the Group's revenue, as the majority of the Group's revenue is based on asset levels. The FTSE-100 index ended the year down 14% on closing 2019 levels while the MSCI World index (GBP) was up 11% on the 2019 year-end index value. Between this, equity markets reached a low point towards the end of the first quarter of 2020, as indicated by the FTSE-100 index recording a low of 5,672, a drop of 25% from the start of the year, and the MSCI World Index (GBP) recording a low value of 3,586, a fall of 16% from the opening index value as the start of the year. Global equity markets recovered in the second half of the year, with the FTSE-100 index up 5% over this period and the MSCI World Index (GBP) up 10% – buoyed predominantly by the performance of technology stocks in the US.

The Group's AuMA ended the year at £117.8 billion, a 7% increase from the opening position at the start of 2020. This increase comprised £5.8 billion of positive market movements as a consequence of the equity market rally late in the year, and positive net client cash flow of £1.6 billion. Adjusted profit before tax decreased by 8% to £168 million, with a decline in overall revenue margins as a result of asset mix shifts in Quilter Investors and Quilter International, and the repricing on the Quilter Investment Platform. Generally, revenue adversely impacted by the fall in global markets in the first half of the year, had reversed in the subsequent period. The Group's IFRS profit after tax from continuing operations was £89 million, compared to a loss after tax of £21 million in 2019. The improvement was primarily due to the positive impact on policyholder tax following the decline in equity market values, which can vary year-on-year as a result of market volatility.

Adjusted diluted earnings per share from continuing operations were broadly unchanged at 8.5p (2019: 8.6p).

Alternative Performance Measures ("APMs")

We assess our financial performance using a variety of measures including APMs, as explained further on pages 270 to 273. In the headings and tables presented, these measures are indicated with an asterisk: *

I am pleased with the Group's financial response to 2020's challenging environment, focusing on cost management and our strong balance sheet.

Key financial highlights

Year ended 31 December 2020

Continuing operations	Advice & Wealth Management	Wealth Platforms	Eliminations	Total Group
Gross sales (£bn)*	7.1	7.3	(3.5)	10.9
Gross outflows (£bn)*	(6.5)	(5.5)	2.7	(9.3)
NCCF (£bn)*	0.6	1.8	(0.8)	1.6
Integrated net inflows (£bn)*	0.9	1.4	–	2.3
AuMA (£bn)*	48.5	84.3	(15.0)	117.8
NCCF/opening AuMA (%)*	1%	2%	n/a	1%
Asset retention (%)*	86%	93%	n/a	92%

Year ended 31 December 2019

Continuing operations[1]	Advice & Wealth Management	Wealth Platforms	Eliminations	Total Group
Gross sales (£bn)*	7.5	8.0	(3.2)	12.3
Gross outflows (£bn)*	(7.8)	(6.6)	2.4	(12.0)
NCCF (£bn)*	(0.3)	1.4	(0.8)	0.3
Integrated net inflows (£bn)*	1.6	1.0	–	2.6
AuMA (£bn)*	45.8	77.7	(13.1)	110.4
NCCF/opening AuMA (%)*	(1%)	2%	n/a	–
Asset retention (%)*	81%	90%	n/a	88%

[1]Continuing operations represent Quilter plc, excluding the results of Quilter Life Assurance ("QLA") in 2019, which was sold to ReAssure on 31 December 2019.

Net client cash flow ("NCCF")*

Net client cash inflows were £1.6 billion for the year (2019: £0.3 billion), during a period where the impact of COVID-19 on the global economy has been dramatic, creating economic uncertainty and market volatility. The Group experienced slightly lower gross sales in 2020 due to the impact of the pandemic, which was more than offset by lower outflows in comparison to 2019, notably for Quilter Investment Platform, Quilter Cheviot, and Quilter International.

Net inflows to Quilter Investors were down 40% on the prior year at £0.3 billion (2019: £0.5 billion), driven by a decrease in flows from Quilter Financial Planning as the pandemic environment presented advisers with less opportunity to attract new business. Cirilium Active started the year with challenged investment performance which resulted in outflows and switches to lower margin in-house solutions. Pleasingly, performance improved during the year. Quilter Financial Planning attracted net inflows into Cirilium Blend, Cirilium Passive and WealthSelect during the year and net inflows into WealthSelect via the Quilter Investment Platform were up 23% when compared to the prior year.

Quilter Cheviot attracted net inflows of £0.3 billion (2019: outflow of £0.8 billion), which was an improvement on the prior year, primarily due to lower levels of outflows linked to the Investment Managers ("IMs") who resigned in mid-2018 (2020: £0.2 billion outflow, 2019: outflows of £1.3 billion) and the loss of a £0.2 billion quasi-institutional mandate in the second quarter of 2019. Excluding the departures of IMs who resigned in the summer of 2018, NCCF was stable at £0.5 billion (2019: £0.5 billion).

Quilter Investment Platform recorded net inflows of £1.5 billion, up 67% (2019: £0.9 billion) where the year-on-year reduction in gross sales has been more than offset by the reduction in outflows. The impacts of COVID-19 reduced overall market activity as advisers spent most of the year focused on servicing existing clients rather than seeking to attract new clients given the restrictions on face-to-face meetings. Gross outflows were down 18% to £4.2 billion (2019: outflow of £5.1 billion). In addition, client led withdrawals were lower year-on-year as clients stayed invested during the worst periods of the market downturn and the UK lockdown restricted consumer spending, reducing withdrawals. DB to DC pension scheme transfers were broadly stable with the prior year at £0.9 billion (2019: £0.8 billion).

Quilter International's net inflows were down 40% to £0.3 billion (2019: £0.5 billion) as the prior year was supported by a small number of large single investments from Hong Kong and Latin America in the fourth quarter, which totalled £0.3 billion. Excluding this, NCCF was broadly in line with the prior year.

Net flows (£bn)	2020	2019	% Change
Total integrated net inflows*	2.3	2.6	(12%)
Direct net inflows/(outflows)	0.1	(1.5)	–
Eliminations	(0.8)	(0.8)	–
Total Quilter plc NCCF*	**1.6**	0.3	433%

Integrated net inflows of £2.3 billion were down 12% from 2019 (£2.6 billion). The restricted channel of Quilter Financial Planning accounted for £0.8 billion (2019: £1.2 billion) of Quilter Investors' net flows, £1.2 billion (2019: £1.0 billion) of Quilter Investment Platforms' net flows and £0.3 billion (2019: £0.4 billion) of Quilter Cheviot net flows. The year-on-year improvement in direct net inflows was primarily driven by outflows related to the departure of a specific IM team at Quilter Cheviot not recurring in 2020, together with an increase in the performance of direct flows to the Wealth Platforms businesses.

Total RFP headcount was 1,842 at 31 December 2020, up by 2% from 1,799 at 31 December 2019. Organic growth for the year was limited as a result of the external environment coupled with a scaling back of acquisitions in Quilter Private Client Advisers as a consequence of the ongoing pandemic. Productivity* for Quilter Financial Planning was £1.3 million per RFP for the year (2019: restated to £1.6 million) as a result of reduced net inflows to Quilter Investors and Quilter Cheviot in light of the challenging market environment. Net inflows to Quilter Investment Platform performed well, up 20% year-on-year, emphasising the strength of Quilter's platform proposition and realising benefits from the acquisitions made in 2019.

Asset retention* has increased to 92% (2019: 88%), predominantly as a result of lower outflows from Quilter Investment Platform and Quilter Cheviot.

Assets under management/administration ("AuMA")*

AuMA was £117.8 billion at 31 December 2020, up 7% from 31 December 2019 (£110.4 billion), driven by positive market movements of £5.8 billion and £1.6 billion of net inflows.

Quilter Investors' AuM was £23.2 billion, up 7% since the start of the year (2019: £21.6 billion). The Cirilium fund range AuM increased by 11% to £12.3 billion at 31 December 2020 (2019: £11.1 billion), with £0.1 billion of net outflows and £1.3 billion of positive market movements. Within the Cirilium fund range, net outflows from Cirilium Active to Cirilium Passive and Cirilium Blend solutions was a notable characteristic during the year, with the COVID-19 environment adding some acceleration to the trend experienced during 2019. The WealthSelect fund range AuM increased by 18% to £7.9 billion at the end of December 2020 (2019: £6.7 billion) with £0.7 billion of net inflows and £0.5 billion of positive market movement. Quilter Cheviot AuM of £25.3 billion increased by 5% in the year, primarily as a result of positive market movements. Quilter Investment Platforms' AuA increased by 9% to £62.5 billion, driven by increases in the market value of assets and net inflows. Net inflows of £1.2 billion were received from Quilter Financial Planning and total assets held by Quilter Financial Planning clients on the platform was £9.7 billion. Net inflows of £0.3 billion were received from Independent Financial Advisers during the year (2019: outflow of £0.2 billion). Quilter International AuA of £21.8 billion was a 6% increase on the prior year (2019: £20.5 billion) primarily due to exposure to rebounding US and international markets, low surrender rates and broadly stable sales levels, partially offset by unfavourable exchange rate market movements.

IFRS profit after tax

The Group's IFRS profit after tax was £88 million for 2020, compared to £146 million in the prior year. 2019 included profit after tax from discontinued operations of £167 million, which related to the QLA business that was sold on 31 December 2019.

IFRS profit after tax from continuing operations was £89 million in 2020, compared to a loss after tax of £21 million in 2019, primarily due to the impact of a decrease in policyholder tax, which can vary significantly year-on-year as a result of market volatility, and a reduction in IFRS operating and administrative expenses during 2020 driven by the costs associated with the delivery of the Optimisation programme and the Platform Transformation Programme.

The Group's IFRS income and total expenses are impacted by the unit-linked investment contracts within Quilter Investment Platform and Quilter International, where the investment return on the underlying portfolio of assets is offset by a corresponding movement in policyholder liabilities. Consequently, the decrease of £2.7 billion in IFRS income from £7.4 billion in 2019 to £4.7 billion in 2020 is offset by a corresponding decrease in IFRS total expenses, which was £4.6 billion in 2020, reduced from £7.4 billion in the prior year.

Adjusted profit before tax*

Adjusted profit before tax reflects the Board's view of the underlying performance of the Group and is used for management decision making and internal performance management. Adjusted profit before tax is a non-GAAP measure which adjusts IFRS profit for specific items, as detailed in note 7 of the consolidated financial statements on page 191, and is the profit measure presented for the Group's segmental reporting.

Adjusted profit before tax was £168 million for the year, 8% lower than the prior year (2019: £182 million). Adjusted profit before tax for the Advice and Wealth Management segment decreased by 13% year-on-year and the Wealth Platforms segment increased by 2% compared to the prior year.

Total net fee revenue was £682 million, 4% lower than the prior year (2019: £712 million). Net management fees of £552 million were lower than those of the prior year (2019: £579 million) predominantly due to market volatility, reduced new client activity as a consequence of COVID-19, and the decline in overall revenue margins as a result of anticipated asset mix changes. The revenue margin was reduced following the Quilter Investment Platform reprice in April 2020, a continuation of the trend of clients switching from Cirilium Active to the lower margin Cirilium Passive and Cirilium Blend funds, the non-recurrence of the 2019 revenue provision release within Quilter Investors, and the anticipated trend in Quilter International where the proportion of assets on older-style pricing structures was reducing relative to the size of the overall book. The revenue margin within Quilter Cheviot remained broadly stable year-on-year. Other revenue of £130 million was down marginally against prior year (2019: £133 million), primarily due to the impact of adverse FX movements and lower interest rates and improved surrender experience for Quilter International, which were partially offset by higher advisory revenues generated by Quilter Financial Planning as a result of acquisitions made in 2019.

Operating expenses for the Group decreased from £530 million in 2019 to £514 million, primarily due to c.£40 million of tactical cost savings made during the year, with lower variable compensation costs, decreased marketing spend, and delayed development spend, which were partially offset by increased FSCS levies and regulatory costs, expenses incurred to prepare the business for remote working and providing a safe COVID-19 workplace, and higher one-off costs in relation the London office move during the year.

The Group's overall operating margin has decreased to 25% (2019: 26%) as a result of the reduction in revenue.

Financial performance from continuing operations

2020 (£m)	**Advice & Wealth Management**	**Wealth Platforms**	**Head Office**	**Total Group**
Net management fee*	279	273	–	552
Other revenue*	117	12	1	130
Total net fee revenue*	**396**	**285**	**1**	**682**
Operating expenses*	**(306)**	**(171)**	**(37)**	**(514)**
Adjusted profit before tax*	**90**	**144**	**(36)**	**168**
Tax				**(16)**
Adjusted profit after tax				**152**
Operating margin (%)*	23%	40%		25%
Revenue margin (bps)*	63	36		51

Financial performance from continuing operations

2019 (£m)	Advice & Wealth Management	Wealth Platforms	Head Office	Total Group
Net management fee*	296	283	–	579
Other revenue*	111	19	3	133
Total net fee revenue*	407	302	3	712
Operating expenses*	(304)	(190)	(36)	(530)
Adjusted profit before tax*	103	112	(33)	182
Tax				(22)
Adjusted profit after tax				160
Operating margin (%)*	25%	37%		26%
Revenue margin (bps)*	67	38		55

Total net fee revenue*

The Group's total net fee revenue decreased by 4% to £682 million (2019: £712 million) due to the mix shift within Quilter Investors and Quilter International to lower margin products, and the repricing of the Quilter Investment Platform resulting in the blended revenue margin for the Group to decrease by 4 bps to 51 bps. Generally, revenue adversely impacted by the fall in global markets in the first half of the year reversed in the subsequent period and average AuMA for the year was £107.9 billion (2019: £105.7 billion).

Total net fee revenue for the Advice and Wealth Management segment decreased by 3% during the year, to £396 million (2019: £407 million). Quilter Investors' net management fee revenue decreased by £12 million from the prior year as a result of a non-recurring revenue provision release of c.£8 million in 2019 and the earlier referenced mix shift to lower margin products. Total net fee revenue within Quilter Cheviot was 4% lower at £171 million (2019: £178 million) as average AuM was 1% lower than prior year and reduced revenues were earned following the reduction in base interest rates in March 2020. Other revenue increased to £117 million (2019: £111 million), principally due to the increase in advice fees in Quilter Financial Planning as a result of the acquisitions in 2019. Within the revenue generated by advice, recurring and fixed fees increased by £10 million against prior year, of which £8 million related to the increase of acquisitions in the prior year, while revenues generated through initial fees reduced marginally on that of the prior year.

Total net fee revenue for the Wealth Platforms segment was £285 million, down 6% from £302 million in 2019. Quilter Investment Platforms' net fee revenue decreased by £10 million, down 6% to £167 million, despite higher average asset levels, due to the continuing trend of new business margins being lower than the existing back book rates, an increase in the proportion of assets for Quilter Financial Planning clients, and the platform reprice implemented in April 2020. Quilter International's net fee revenue was £7 million lower than the prior year at £118 million, mainly as a result of the impact of adverse FX movements, lower interest rates and improved surrender experience, which is reflected in the decrease in other revenue.

The revenue margin for Advice and Wealth Management of 63 bps was 4 bps lower in comparison to the prior year. This decline was predominantly due to a 7 bps decrease in the average revenue margin for Quilter Investors to 53 bps, driven by the strategy to build out and develop a fuller suite of investment propositions. As previously reported, the comparative period margin included the impact of non-recurring revenue provision releases in 2019. Quilter Cheviot's revenue margin remained stable with that of the prior year at 72 bps. The revenue margin for Wealth Platforms decreased by 2 bps to 36 bps, due to the anticipated trend for lower margin products for new business written into Quilter International, and the charging structure reprice from April 2020 within Quilter Investment Platform.

The Group's revenue margin* of 51 bps was 4 bps lower than prior year (2019: 55 bps).

Operating expenses*

Operating expenses decreased by £16 million to £514 million during the year (2019: £530 million). The Group incurred £7 million of additional FSCS levy and regulatory fee costs compared to the prior year, the acquisitions made by Quilter Financial Planning in 2019 increased operating expenses by £12 million in 2020, and property dual-running costs in relation to the new London premises of £10 million. These cost increases, and those arising from inflation, were more than offset by c.£40 million of tactical cost savings, which included lower variable compensation costs, decreased marketing spend, and delayed development spend. Continued cost discipline was also achieved through further savings from the Optimisation programme, where additional in-year benefits of £13 million were realised in 2020 compared to 2019.

Further details on the Optimisation programme expense savings are provided further in the Financial review.

Operating expense split (£m)	2020	2019[1]
Front office and operations	226	211
IT	85	86
Development	9	20
Support functions	70	85
Property	43	28
Regulatory fees and levies	22	15
Variable compensation	59	85
Operating expenses*	**514**	530

[1]For the 2019 comparatives, some costs have been reallocated between categories to align with current year presentation.

Front office and operations expenses increased by 7% to £226 million (2019: £211 million), primarily due to the impact of the Quilter Financial Planning acquisitions made during the course of 2019 resulting in a full year run-rate of costs during 2020, including one-off integration costs.

IT expenses decreased by 1% to £85 million (2019: £86 million), driven by savings realised as part of the Optimisation programme, which were partially offset by increased information security costs.

Development expenses decreased by 55% to £9 million (2019: £20 million). The decrease was mainly due to lower development costs due to a reduction in regulatory change requirements in 2020 compared to the prior year, and postponed change activity as a consequence of COVID-19.

Support functions expenses decreased by 18% to £70 million (2019: £85 million) driven by continued savings realised as part of the Optimisation programme, partially offset by increased costs in relation to the COVID-19 pandemic to mobilise remote working across the business.

Property costs increased to £43 million (2019: £28 million). This is driven by the property dual-run and exit costs associated with the London office move of approximately £10 million as previously guided, and increased facilities costs incurred to provide a COVID-19 secure environment.

Regulatory fees and levies, which includes the Group's FSCS levies and FCA fees, have increased by 47% to £22 million (2019: £15 million) driven by increased claims experience across the financial services industry in the UK, and which is levied by the FCA. Recent announcements by the FCA indicate that the industry FSCS levy may increase to over £1 billion in 2021/22 – an increase of 48% on that of the disclosed final levy in 2020/21. Accordingly, it is anticipated that the FSCS levy cost to the Group will continue to increase in 2021.

Variable compensation costs decreased by 31% to £59 million as a result of the impact of COVID-19 on the achievement of the Group's planned adjusted profit before tax for the year. Management anticipate that variable compensation costs will increase to more normalised levels in future periods if current equity market levels are maintained, with the extent of the cost increase predominantly dependent upon the adjusted profit generated by the business.

Total operating expenses for 2021 are expected to be broadly in line with our original expectations for 2020, at around £560 million, as variable compensation, marketing and development spend return to more normalised levels as the impact of COVID-19 and the associated restrictions are eased, along with an anticipated increase in regulatory levies. Offsetting the increase will be further benefits arising from the Optimisation programme.

Taxation

The effective tax rate ("ETR") on adjusted profit before tax was 10% (2019: 11%). The Group's ETR is lower than the UK corporation tax rate of 19% principally due to profits from Quilter International being taxed at lower rates than the UK, and the change in the UK corporation tax rate from 1 April 2020 from 17% to 19% which resulted in a rebase in the Group's deferred tax assets and liabilities, and had a net positive impact to the tax expense. The Group's ETR is dependent upon a number of factors including the level of Quilter International profits, as well as the UK corporation tax rate.

The Group's IFRS income tax expense on continuing business was a credit of £3 million for the year ended 31 December 2020, compared to a charge of £66 million for the prior year. The primary reason for the IFRS income tax credit for the year is due to first-time recognition of a deferred tax asset in relation to accrued interest expense. The income tax expense or credit can vary significantly year-on-year as a result of market volatility and the impact market movements have on policyholder tax. The recognition of the income received from policyholders (which is included within the Group's IFRS revenue) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding policyholder tax expense, creating volatility to the Group's IFRS profit or loss before tax attributable to equity holders. An adjustment is made to adjusted profit before tax to remove these distortions, as explained further on page 67 and in note 7(b) of the consolidated financial statements.

Earnings Per Share ("EPS")

Basic EPS for 2020 was 5.0 pence (2019: 8.0 pence). Basic EPS is based on the Group's IFRS profit and reported including both continuing and discontinued operations. For 2020, the basic EPS from continuing operations was 5.1 pence (2019: (1.1) pence), and (0.1) pence relates to discontinued operations (2019: 9.1 pence). Discontinued operations in 2019 included profit attributable to the QLA business, and the gain on sale, whilst 2020 only includes a residual amount of costs associated with business disposals. During the year, the average number of shares in issue decreased to 1,842 million (2019: 1,902 million). The average number of shares in issue used for the basic EPS calculation was 1,760 million (2019: 1,835 million), after the deduction of own shares held in Employee Benefit Trusts and consolidated funds of 82 million (2019: 67 million). The reduction in the number of shares in issue in the year is due to the share buyback programme, which commenced in 2020, with 118 million shares bought and cancelled during the year. The decrease in shares in issue as a result of the buyback, and the corresponding impact on the average number of shares in issue used for the EPS calculation, led to an increase of 0.2 pence in the basic EPS for 2020.

The average number of shares in issue used for the diluted EPS calculation was 1,797 million (December 2019: 1,863 million). This includes the dilutive effect of shares and options awarded to employees under share-based payment arrangements of 37 million (December 2019: 28 million). The dilutive effect of share awards has continued to increase due to more share options being awarded to employees.

Optimisation

The Optimisation programme has delivered notable efficiencies and improvements in operational performance for the Group through greater technology utilisation and integration activity. Our technology enabled transformation over 2020 included successful deployment of new finance and procurement modules as part of our general ledger consolidation and modernisation activity effective from January 2021. The HR module, efficiency gains and further technical releases will follow in 2021. The automation of manual operational processes within Quilter International using robotics has continued and only a few deployments remain in what has been a transformational initiative for the business. Further potential deployment of robotics in the wider Quilter business is under assessment.

Quilter continued to leverage support function centres of excellence to achieve cost savings and reduce spend across the business by introducing tighter supplier management practices, insourcing capabilities and rationalising and consolidating technology and other suppliers across the Group.

In addition to benefits arising from prior years, the Group delivered a further £13 million of cost reduction in 2020 against the 2018 cost base, with £22 million of run-rate benefit bringing the total delivered run-rate to £46 million and associated implementation costs since inception of £56 million. Given COVID-19, management made the decision to delay certain planned activities in the short term which marginally reduced the timing of the realised benefit profile in 2020. The Optimisation programme remains on track to deliver the initial expected cost reductions.

Quilter will continue to transform with focus turning now towards operational and customer-facing areas of the business as the Group seeks to integrate further, drive efficiencies and improve both the adviser and customer experience whilst also pursuing benefits within support function centres of excellence post technology implementations. Therefore, in addition to the benefits and costs previously announced, the Group has extended the Optimisation business transformation with additional optimisation annualised run-rate savings of c.£15 million identified with costs to achieve of c.£16 million expected to be realised by mid-2022. At the outset of the Optimisation project the Group indicated that certain business activities were out of scope due to our focus on delivering a successful platform migration and to limit disruption to those parts of the business responsible for revenue generation. With the Platform migration now complete, the Group is now considering the potential for a final phase of Optimisation efficiencies and expects to provide an update on this in the latter part of the year.

Lighthouse DB to DC complaints

As reported in the Group's 2019 Annual Report, a provision was recognised in relation to a number of complaints received on pension transfer advice provided by Lighthouse for British Steel Pension Scheme members, prior to the Group's acquisition of Lighthouse in June 2019. All the complaints received related to transfers before that date and, as such, the provision was established within the fair value of the Lighthouse assets and liabilities acquired with a corresponding increase in goodwill.

A total provision of £28 million (31 December 2019: £12 million) has been calculated for the potential redress of all British Steel cases, including anticipated costs of legal and professional fees associated with the redress activity. The provision was increased during 2020 following the publication of the FCA thematic review and additional client complaints being received.

The recognition of the total provision of £28 million has been apportioned between the fair value of net assets of Lighthouse at acquisition and the expenses of the Group. £24 million (31 December 2019: £12 million) is recognised within the fair value of net assets acquired and impacts the goodwill balance recognised upon acquisition. The impact on the goodwill balance was partially offset by the recognition of an insurance recovery asset of £3 million, and a deferred tax asset of £2 million, resulting in a net increase to goodwill of £19 million.

The increase in the provision subsequent to acquisition of £5 million has been recognised within expenses of the Group, with £1 million of this provision utilised during the year. The final costs of redress for cases upheld will depend on specific calculations on a case-by-case basis, and will be impacted by market movements and other parameters affecting the defined contribution scheme asset. Final redress costs are therefore exposed to volatility from these movements which may result in final settlement cost varying from the amounts currently provided.

Further details are provided in notes 6(a), 28 and 35 to the financial statements.

Reconciliation of adjusted profit before tax* to IFRS profit

Adjusted profit before tax for the Group was £168 million (2019: £182 million from continuing operations excluding Quilter Life Assurance which was sold 31 December 2019).

The Group's IFRS profit after tax from continuing operations was £89 million, compared to a loss after tax of £(21) million in 2019, primarily due to the change in policyholder tax, which can vary significantly year-on-year as a result of market volatility. The table below provides the reconciliation of the Group's adjusted profit before tax to the IFRS profit/(loss) after tax for 2020 and 2019.

Adjusted profit before tax* reflects the profit from the Group's core operations and is calculated by making certain adjustments to IFRS profit to reflect the Directors' view of the Group's underlying performance. Details of these adjustments are provided in note 7 of the consolidated financial statements.

The 'impact of acquisition and disposal related accounting' costs of £42 million (2019: £54 million) include amortisation of acquired intangible assets of £45 million (2019: £45 million), acquisition and disposal related costs, including the unwinding of discounting on contingent consideration of £1 million (2019: £9 million), partially offset by fair value gains on the revaluation of contingent consideration of £4 million (2019: £nil). These costs have decreased in 2020, principally due to the impact of no material acquisitions being made during the year.

The loss on business disposals of £1 million (2019: profit of £103 million) represents transaction and separation costs recognised during the year, which relate to the sale of the QLA and Single Strategy businesses in prior years. The Group recognised a profit on disposal of £103 million in the prior year in relation to the sale of QLA to ReAssure on 31 December 2019.

Business transformation costs of £70 million (2019: £77 million) include £38 million (2019: £57 million) incurred on the UK Platform Transformation Programme and £33 million of costs (2019: £18 million) in relation to the Optimisation programme. In 2020, a credit of £1 million has been recognised in relation to the separation of Quilter Investors as a result of the sale of the Single Strategy business, and in 2019 restructuring costs of £3 million were incurred as a result of the sale of QLA.

Reconciliation of adjusted profit before tax to IFRS profit/(loss) after tax	For the year ended 31 December 2020			For the year ended 31 December 2019		
£m	**Continuing Operations**	**Discontinued Operations[1]**	**Total**	Continuing Operations	Discontinued Operations[1]	Total
Advice and Wealth Management	90	–	90	103	–	103
Wealth Platforms	114	–	114	112	53	165
Head Office	(36)	–	(36)	(33)	–	(33)
Adjusted profit before tax*	**168**	**–**	**168**	182	53	235
Reallocation of QLA costs	–	–	–	(26)	26	–
Adjusted profit before tax after reallocation*	**168**	**–**	**168**	156	79	235
Adjusting for the following:						
Impact of acquisition and disposal related accounting	(42)	–	(42)	(54)	–	(54)
(Loss)/profit on business disposals	–	(1)	(1)	–	103	103
Business transformation costs	(70)	–	(70)	(77)	–	(77)
Managed Separation costs	–	–	–	(6)	–	(6)
Finance costs	(10)	–	(10)	(10)	–	(10)
Policyholder tax adjustments	9	–	9	(62)	(12)	(74)
Customer remediation	(5)	–	(5)	–	10	10
Total adjusting items before tax	**(118)**	**(1)**	**(119)**	(209)	101	(108)
Profit/(loss) before tax attributable to equity holders*	**50**	**(1)**	**49**	(53)	180	127
Tax attributable to policyholder returns	36	–	36	98	76	174
Income tax credit/(expense)	3	–	3	(66)	(89)	(155)
Profit/(loss) after tax[2]	**89**	**(1)**	**88**	(21)	167	146

[1]Discontinued operations includes the results of the Quilter Life Assurance ("QLA") business in 2019.
[2]IFRS profit/(loss) after tax.

Managed Separation costs were nil (2019: £6 million), reflecting costs associated with our successful separation from Old Mutual plc and Listing in June 2018. In 2019, this cost was primarily incurred on the rebranding activities within the business, with residual costs expected to be incurred in early 2021 for the final rebranding activity of the UK Platform business following the final client asset migration.

Finance costs were £10 million (2019: £10 million) wholly related to the interest and amortisation of setup fees on the Tier 2 bond and Revolving Credit Facility.

Policyholder tax adjustments from continuing operations were a credit of £9 million for 2020 (2019: debit of £74 million) in relation to the removal of distortions arising from market volatility that can, in turn, lead to volatility in the policyholder tax charge between periods. The recognition of the income received from policyholders (which is included within the Group's IFRS revenue) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding tax expense, creating volatility to the Group's IFRS profit/(loss) before tax attributable to equity holders.

The customer remediation adjustment of £5 million in 2020 relates to the impact of post-acquisition market movements on the British Steel complaints provision relating to Lighthouse. The £10 million credit in the prior period relates to the release of the voluntary customer remediation provision in QLA associated with certain legacy products.

Cash generation*

Cash generation measures the proportion of adjusted profit after tax that is recognised in the form of cash generated from operations. The Group achieved a cash generation rate of 86% of adjusted profit after tax over 2020 (2019: 85%, restated for continuing business only following the disposal of QLA).

Review of financial position

Capital and liquidity

Solvency II

The Group's Solvency II surplus is £1,021 million at 31 December 2020 (31 December 2019: £1,168 million), representing a Solvency II ratio of 217% (31 December 2019: 221%). The Solvency II information for the year to 31 December 2020 contained in this results disclosure has not been audited.

The Group's Solvency II capital position is stated after allowing for the impact of the recommended final dividend payment of £61 million (2019: £64 million).

Group regulatory capital (£m)	31 December 2020[1]	31 December 2019[2]
Own funds	1,897	2,132
Solvency capital requirement ("SCR")	876	964
Solvency II surplus	1,021	1,168
Solvency II coverage ratio	**217%**	221%

[1]Filing of annual regulatory reporting forms due by 20 May 2021.
[2]As represented within the Quilter plc Group Solvency and Financial Condition Report for the year ended 31 December 2019.

The 4 percentage point decrease in the Group Solvency II ratio from the 2019 position is primarily due to the capital movements associated with the Odd-lot Offer and Tranches 1 and 2 of the share buyback net of profit recognised in the year and changes in capital requirements for the Group. The Board believes that the Group Solvency II surplus includes sufficient free cash and capital to complete all committed strategic investments, including the UK Platform Transformation Programme. Quilter expects to continue to maintain a solvency position significantly in excess of its internal target in the near term as a consequence of the surplus capital arising from the sale of QLA that is still intended to be returned to shareholders via further share buybacks.

Composition of qualifying Solvency II capital

The Group's own funds include the Quilter plc issued subordinated debt security which qualifies as capital under Solvency II. The composition of own funds by tier is presented in the table below.

Group own funds (£m)	At 31 December 2020	At 31 December 2019
Tier 1[1]	1,688	1,925
Tier 2[2]	209	207
Total Group Solvency II own funds	**1,897**	**2,132**

[1]All Tier 1 capital is unrestricted for tiering purposes.
[2]Comprises a Solvency II compliant subordinated debt security in the form of a Tier 2 bond, which was issued at £200 million in February 2018.

The Group SCR is covered by Tier 1 capital, which represents 193% of the Group SCR of £876 million. Tier 1 capital represents 89% of Group Solvency II own funds. Tier 2 capital represents 11% of Group Solvency II own funds and 20% of the Group surplus.

Dividend

The Board has recommended a final dividend of 3.6 pence per share at a total cost of £61 million. Subject to shareholder approval, the recommended final dividend will be paid on 17 May 2021 to shareholders on the UK and South African share registers on 9 April 2021. For shareholders on our South African share register a dividend of 76.88786 South African cents per share will be paid on 17 May 2021, using an exchange rate of 21.35774. This will bring the dividend for the full year to 4.6 pence per share (2019: 5.2 pence per share).

Holding company cash

The holding company cash statement includes cash flows generated by the three main holding companies within the business: Quilter plc, Old Mutual Wealth Holdings Limited and Old Mutual Wealth UK Holding Limited. The flows associated with these companies will differ markedly from those disclosed in the statutory statement of cash flows, which comprises flows from the entire Quilter plc Group including policyholder movements.

The holding company cash statement illustrates cash received from the key trading entities within the business together with other cash receipts, and cash paid out in respect of corporate costs and capital servicing (including interest and dividends). Other capital movements, including those in respect of acquisitions and disposals together with funding for ongoing business requirements, are also included. It is an unaudited non-GAAP analysis and aims to give a more illustrative view of business cash flows as they relate to the Group's holding companies compared to the IFRS consolidated statement of cash flows which is prepared in accordance with IAS 7 ("Statement of cash flows") and includes commingling of policyholder related flows.

£m	2020	2019
Opening cash at holding companies at 1 January	**815**	416
Quilter Life Assurance business sale – cash proceeds	–	446
Quilter Life Assurance business sale – cost of disposal	(24)	(7)
Single Strategy business sale – deferred consideration received	7	–
Share repurchase and Odd-lot Offer	(198)	–
Dividends paid	(81)	(92)
Net capital movements	**(296)**	347
Head Office costs and Optimisation programme funding	(74)	(49)
Interest costs	(9)	(9)
Net operational movements	**(83)**	(58)
Cash remittances from subsidiaries	170	307
Net capital contributions and investments	(94)	(200)
Other net movements	5	3
Internal capital and strategic investments	**81**	**110**
Closing cash at holding companies at end of period	**517**	**815**

Net capital movements

Net capital movements in the year were an outflow of £296 million. This includes £157 million relating to the share repurchase programme (including £4 million of costs), £21 million for the Odd-lot Offer and £20 million in respect of additional share repurchases to cover future vesting awards, and two dividend payments made to shareholders of £64 million on 18 May 2020 and £17 million on 21 September 2020. £24 million of costs relating to the disposal of the QLA business were also incurred during the year in line with expectations, with £7 million received in respect of final proceeds from the Single Strategy business sale.

Net operational movements

Net operational movements were an outflow of £83 million for the year and includes £74 million of corporate and business transformation costs. Interest paid of £9 million relates to coupon payments on the Tier 2 bond and non-utilisation fees for the revolving credit facility.

Internal capital and strategic investments

The net inflow of £81 million is principally due to £170 million of cash remittances from the trading businesses partially offset by £94 million of capital contributions distributed to support business operational activities, particularly due to the impact of COVID-19 and funding provided for the Platform Transformation Programme.

Balance sheet

Summary balance sheet (£m)	**At 31 December 2020 Total**	At 31 December 2019 (restated)[1] Total	At 1 January 2019 (restated)[1] Total
Assets			
Financial investments	63,274	57,207	58,054
Contract costs/deferred acquisition costs	413	455	551
Cash and cash equivalents	1,921	2,253	2,305
Reinsurers' share of insurance policyholder liabilities[2]	–	–	2,162
Goodwill and intangible assets	556	592	550
Trade, other receivables and other assets	701	605	718
Other assets	507	439	371
Total assets	**67,372**	61,551	64,711
Equity	**1,878**	2,071	2,005
Liabilities			
Investment contract liabilities	57,407	52,455	56,450
Insurance contract liabilities[2]	–	–	602
Third-party interests in consolidated funds	6,513	5,318	3,833
Contract liabilities/deferred revenue	379	403	456
Borrowings-sub-ordinated debt	199	198	197
Lease liabilities	120	137	–
Trade, other payables and other liabilities	672	801	979
Other liabilities	204	168	189
Total liabilities	**65,494**	59,480	62,706
Total equity and liabilities	**67,372**	61,551	64,711

[1]See note 4(b) for details of changes to comparative amounts.
[2]The consolidated statement of financial position at 1 January 2019 includes balances for Deferred acquisition costs. Reinsurers' share of insurance policyholder liabilities and insurance contract liabilities relating to the Quilter Life Assurance ("QLA") business that was sold on 31 December 2019.

The Group balance sheet at 31 December 2020 has total equity of £1,878 million (31 December 2019: £2,071 million). Total equity has decreased by £193 million during the year, predominantly due to the payment of dividends totalling £81 million in the year (2019: £92 million) and a reduction of £179 million in relation to the Group's share buyback programme, partially offset by the recognition of £88 million of statutory IFRS profit after tax.

Financial investments increased from £57,207 million at 31 December 2019 to £63,274 million at 31 December 2020, predominantly due to positive market performance, following the recovery from COVID-19 related market losses in Q1 2020, and positive net client cash flows in Quilter Investment Platform and Quilter International. The corresponding impact is reflected in Investment contract liabilities (an increase from £52,455 million at 31 December 2019 to £57,407 million at 31 December 2020).

Cash and cash equivalents of £1,921 million decreased by £332 million from £2,253 million at 31 December 2019. The decrease includes £198 million of payments made in respect of the Group's share buyback programme, Odd-lot Offer and other share purchases, together with dividend payments of £81 million. Included within this balance are cash investments due to policyholders, and cash to support the capital and funding requirements of the business.

Goodwill and intangible assets decreased by £36 million to £556 million at 31 December 2020. The decrease is largely due to the amortisation of intangible assets of £47 million, partially offset by a £7 million increase in the Lighthouse goodwill balance, which is £40 million at 31 December 2020 (31 December 2019: £33 million).

Trade, other receivables and other assets increased by £96 million to £701 million, mainly due to an increase in unsettled trades across the business at the balance sheet date.

Other assets of £507 million increased by £68 million from £439 million at 31 December 2019. The balance is comprised of property, plant and equipment, loans and advances, deferred and current tax assets and derivative assets. Movement in the year principally relates to an increase in deferred tax assets and a higher derivative asset balance associated with the consolidation of funds.

Trade, other payables and other liabilities decreased by £129 million to £672 million at 31 December 2020. The decrease includes the impact of a reduction in outstanding death claims and surrenders recognised at the year end, together with a decrease in other liabilities associated with the consolidation of funds.

Other liabilities have increased from £36 million to £204 million primarily due to an increase in provisions, deferred tax liabilities and in derivative liabilities associated with the consolidation of funds.

Changes to comparative amounts

Following a review of the Group's consolidated investment funds, changes to previously reported comparative amounts on the consolidated statement of financial position, consolidated income statement, and consolidated statement of cash flows have been identified and changes to comparative amounts have been accordingly reflected in this year's financial statements. There has been no impact on the Group's profit for the current or prior year, including the Group's KPIs and alternative performance measures, and no impact on equity for any of the periods presented. In accordance with the requirements under the accounting standards, an additional balance sheet has been presented as at 1 January 2019, as the opening balance sheet for the comparative year, which reflects the changes (as also presented in the balance sheet section above). Full details, and the financial line items impacted, are included in note 4(b) on page 175 of the consolidated financial statements.

Risk review

Matt Burton
Chief Risk Officer

Introduction

Effective risk management is key to Quilter delivering on its strategy to be a modern, UK-focused wealth manager. Strong risk culture and risk management disciplines have been demonstrated by Quilter's response to the COVID-19 outbreak, where management of the risk of physical harm to customers and employees has guided Quilter's decision making throughout the pandemic. Similarly, customers place their trust in Quilter to help manage their financial wellbeing, and it is critical that the interests of customers guide key decision making to support strong customer outcomes.

How we manage risk

Our Enterprise Risk Management Framework ("ERMF") is embedded across Quilter and encompasses a number of elements to help Quilter assess and manage its risk exposures. A strong and embedded risk culture is vital in ensuring that risk implications are considered when making strategic and operational decisions, and that Quilter understands its risk profile and manages the business on a continuous basis within the approved risk appetite. The ERMF drives consistency across Quilter and aims to support the evaluation and management of business opportunities, uncertainties and threats in a structured and disciplined manner.

Quilter's effective response to the COVID-19 pandemic shows strong risk management disciplines in action.

Risk governance

Quilter maintains a Group Governance Manual ("GGM") which sets out Quilter's approach to governance and the processes by which Quilter operates. The Quilter governance model is designed to promote transparency, accountability and consistency through the clear identification of roles, the separation of business management and governance and control structures, and by tracking performance against accountabilities. The segregation of risk taking, oversight and assurance is codified in Quilter's three lines of defence model, which ensures clear accountability and ownership for risk and controls.

During 2020, the Risk Function developed a Risk Function Charter which provides further clarity on the purpose and role of the Risk Function, and the means by which it maintains its objectivity and independence from management.

The Executive Risk Forum is the primary management committee overseeing the risk profile of the Quilter. This forum is chaired by the Quilter Chief Executive Officer, with representation from across Quilter. Ongoing oversight of the risk profile and of risk management arrangements is undertaken by the Board Risk Committee, with relevant matters also being considered by the Board. Similar arrangements are maintained locally in each significant business area.

On a quarterly basis, the Quilter Chief Risk Officer formally reports the second line perspective on the risk profile of the firm, performance against risk appetite and a second line perspective on the effectiveness of management responses.

Policy framework

The Quilter Policy Suite forms an integral part of our governance and risk management framework, ensuring an appropriate system of internal control. Together with the GGM, they form the basis of clear delegated authorities and accountabilities, ensuring there is appropriate Board oversight and control of important decisions, and efficient and effective management of day-to-day business. The GGM and policies are approved and adopted by the Board. The policies are subject to an annual policy compliance review, with results provided to the Board.

Quilter's three lines of defence model

First line of defence	Second line of defence	Third line of defence
Management and employees	Risk Function	Group Internal Audit
Primary responsibility for managing risks as part of day-to-day activities, in line with risk policies and appetite. Business management decides which risks to take and the exposure to assume.	The Risk Function, which includes Compliance, provides objective oversight, monitoring and independent challenge of the first line's risk taking, and risk management.	Group Internal Audit provides the Board and Management with independent, objective assurance.

Risk appetite framework

Our risk appetite is the amount of risk we are willing to take on in the pursuit of our strategic priorities and is defined by the Board. Culturally, it sets the tone regarding our attitude towards risk-taking. Risk appetite also plays a central role in informing decision making across Quilter, protecting and enhancing the return on capital invested. This risk appetite approach is applied consistently across Quilter.

To support the strategic decision-making process, we apply risk preferences which provide guidelines for striking the appropriate balance of risk and reward when setting our business strategy.

A set of Strategic Risk Appetite Principles has been set by the Board. These principles provide the top-of-the-house guidance on our attitude towards key areas of risk for Quilter and support the ongoing management and oversight of risk, and are supported by a series of more granular risk appetite statements, measures, policies and standards. Quilter's position against these principles is measured on a regular basis through the monitoring of underlying risk metrics.

Strategic risk appetite principles

Customer	**Quilter will ensure fair customer outcomes** Owner: Chief Operating Officer
Liquidity	**Quilter will ensure that it has sufficient liquidity to meet its financial and funding obligations** Owner: Chief Financial Officer
Capital	**Quilter will hold or have access to sufficient capital to maintain its own capital needs** Owner: Chief Financial Officer
Control environment	**Quilter will at all times operate a robust control environment** Owners: Chief Operating Officer, Chief Risk Officer, Chief Internal Auditor

Risk-based planning

On an annual basis a Risk Plan is developed based upon a risk analysis exercise. This analysis encompasses a risk assessment of the prevailing risk profile, as well as external factors, including regulatory change. The Risk Plan details the activities that will be implemented by the Risk Function across the risk domains, including regulatory compliance, and includes both advisory and monitoring activities. The Risk Plan is approved, and progress tracked, by the Board Risk Committee.

Conduct risk

The Financial Conduct Authority ("FCA") is the primary conduct regulator for Quilter's UK regulated entities. Quilter takes its regulatory obligations in relation to customers and our conduct seriously and is committed to operating in a responsible and compliant manner.

Quilter seeks to deliver on these obligations through culture and values, backed by a rigorous governance system and an approach to compliance that drives fair outcomes for customers. The standards of behaviour Quilter expects from its staff are set out in the Quilter Code of Conduct. This code has been updated to reflect expectations of individuals set out in the FCA's Conduct Rules which were implemented as part of the Senior Managers and Certification Regime.

Conduct risk is a core element of Quilter's ERMF, recognising that conduct risks can both impact, and result from, other risks within the risk universe.

Conduct risk is monitored across Quilter's businesses, with quarterly reporting on Quilter's conduct risk profile, emerging issues and trends. Where areas of concern are noted, actions are identified and are tracked to completion.

Prudential risk

Quilter is regulated by the Prudential Regulation Authority ("PRA") under Solvency II and by the FCA under Capital Requirement Directive regulations, and is subject to insurance prudential requirements in a small number of other jurisdictions, including the Isle of Man and Ireland. To meet these regulations, we operate a consistent approach to risk management across Quilter. As such, we have integrated the Own Risk and Solvency Assessment ("ORSA") and Internal Capital Adequacy Assessment Process ("ICAAP") into our risk management framework. Quilter's ORSA and ICAAP are comprehensive risk processes which set out how risks are managed and how risks might change over time as we execute our strategy and respond to developing situations.

We analyse the capital required to protect the sustainability of Quilter and how those capital requirements might develop over our planning period. The assessments include a range of stress and scenario testing covering a broad range of scenarios, including market shocks, new business growth scenarios and operational risk events. These tests are in addition to the regulatory solvency capital requirements, which allow for severe and extreme scenarios and stresses (1 in 200-year risk events). Critical to our process is preparing management action plans should adverse events occur. This provides assurance that Quilter is both well capitalised and prepared to take necessary action.

Operational risk

Quilter operates processes to facilitate the identification and management of operational risk and the reporting of risk events. A discipline of Risk and Control Self Assessments ("RCSAs") is undertaken across Quilter and risk events are reported via our risk system, with root cause analysis conducted on material events.

Remuneration and reward

The most important element to risk management is a good culture of risk informed decision making. We believe that a good risk culture enables effective management of risk. We link risk management to performance and development, as well as to Quilter's remuneration and reward schemes. An open and transparent working environment which encourages our people to embrace risk management, and speak up where needed, is critical to the achievement of our objectives.

Risk profile

2020 has been a truly unprecedented year, as the world has grappled with a pandemic which has caused disruption on an unparalleled scale. Quilter has adapted well to these challenges, with operations and key programmes continuing, many in a largely virtual manner. Key successes, including two client migrations within the Platform Transformation Programme, have evidenced that Quilter has been able to implement complex change in challenging circumstances.

All of Quilter's principal risks and uncertainties has been impacted to some degree by COVID-19. Quilter's business performance has been impacted by the challenging economic and market environment. Nevertheless, the recovery in markets in the second half of 2020 and net inflows contributed to Quilter's AuMA increasing by c.7% during the year and Quilter reporting solid financial results. Quilter has remained financially strong, with robust capital, solvency and liquidity positions throughout 2020. The impact of COVID-19 has required focused cost management during the year, balanced with the need to ensure good customer outcomes and a robust control environment. Supporting staff, advisers and customers through a difficult year have remained at the forefront of Quilter's approach in 2020.

Beyond COVID-19, the Quilter Financial Planning business has been under scrutiny in relation to historical defined benefit advice provided by Lighthouse prior to its acquisition by Quilter. As announced in June 2020, the FCA has initiated a skilled persons ("s.166") review into historic advice given by Lighthouse, prior to its acquisition, and has also commenced an enforcement investigation into whether Lighthouse has breached certain FCA requirements in connection with advising on and arranging defined benefit pension transfers in the period from 1 April 2015 to 30 April 2019. Quilter is committed to ensuring fair outcomes for impacted customers. A lessons learned exercise has been undertaken, and a series of control environment enhancements have been made.

The implementation of the UK-EU Trade and Cooperation Agreement has reduced the geopolitical risk profile and should lessen investor concerns, although the full impacts of the end of the Brexit transition period are yet to be seen.

Principal risks and uncertainties

The Directors have carried out a robust assessment of the principal and emerging risks facing Quilter, including those that would threaten its business model, future performance, solvency and liquidity as well as those risks that are non-financial in nature. The articulation of these principal risks and uncertainties are consistent with Quilter's Enterprise Risk Framework categorisation, and with the Top Risk reporting that is undertaken quarterly to the Board.

The Board requires management to put in place actions to mitigate these risks, and controls to maintain risk exposures within acceptable levels defined by Quilter's risk appetite.

The table below sets out Quilter's principal risks and uncertainties, including Executive Committee member ownership and key mitigants being implemented by management. The risk trend noted is the residual risk trend (risk after the application of mitigants) during 2020.

Business and strategic risks

Economic environment	Risk owner	2020 risk trend	Mitigation
Quilter's principal revenue streams are asset value-related and as such Quilter is exposed to the condition of global economic markets. The evolving COVID-19 pandemic continues to have significant impacts on economic activity resulting in market volatility. These conditions are expected to continue into 2021, alongside residual uncertainty in relation to the full impacts of the implementation of the UK-EU Trade and Cooperation Agreement. Volatility in debt, equity and currency markets may adversely impact customer investment portfolios which in turn impacts Quilter's ability to generate fee-based revenue.	Chief Financial Officer	↗	– Annual stress and scenario analysis exercise – Strength of balance sheet

Business financial performance	Risk owner	2020 risk trend	Mitigation
The challenging external environment experienced in 2020 is set to continue to impact net flows, revenues and profitability into 2021, with margin compression also set to be expedited by the current conditions. Prudent cost management, both through tactical in year savings, and longer-term Optimisation initiatives has reduced the cost base, though increasing Financial Services Compensation Scheme levies present a further cost challenge. An unmitigated negative impact on earnings, share price and/or capital position could have a resulting adverse effect on Quilter's market credibility and financial standing.	Chief Financial Officer	↗	– Ongoing cost efficiency focus – Optimisation initiatives – Financial risk policies, standards and limits

↘ Residual risk decreased during 2020

↗ Residual risk increased during 2020

→ Residual risk remained broadly stable during 2020

Business and strategic risks (continued)

Investment performance	Risk owner	2020 risk trend	Mitigation
Strong investment performance within Quilter Investors' fund management proposition and within Quilter Cheviot's discretionary fund management proposition are key to enable Quilter to meet customer expectations and to grow its customer base, and assets under management. Weaker short-term performance of Quilter Investors' Cirilium Active range was noted during volatile markets in the first quarter of 2020, with a range of management actions ongoing to support stronger performance. Stronger performance has been observed for the remainder of the year as these management actions have been implemented, reducing the residual risk profile. Longer term under-performance of core investment management propositions could have a material effect on Quilter's business, financial performance and reputation.	Chief Executive Officer – Quilter Investors Chief Executive Officer – Quilter Cheviot	↘	– Bolstered Quilter Investors' leadership team, including a new Chief Investment Officer – Enhanced Quilter Investors' performance and investment risk oversight and monitoring

Change	Risk owner	2020 risk trend	Mitigation
Quilter continues to be subject to material change programmes, as a series of long-running programmes are due to be completed during 2021, including the PTP. The scale of change is reducing, in particular, as PTP nears completion. A series of new business change programmes including the work to strengthen controls at Quilter Financial Planning, and several key digital and data initiatives will be ongoing in 2021. This delivery profile carries a delivery risk, a risk of implementation issues, and a dependence on key individuals. As 2021 progresses there will be a need to ensure these projects remain on track to deliver the intended benefits, without risking disruption to continuing operations and the control environment.	Chief Operating Officer Chief Executive Officer – Quilter Investment Platform (PTP)	↘	– Successful PTP migration preparation and migration events in 2020, with final migration on track for Q1 2021 – Active management and prioritisation of the change portfolio – Enhanced executive oversight and change assurance – Programme and portfolio governance arrangements

Operational and regulatory risks

Advice	Risk owner	2020 risk trend	Mitigation
Quilter's financial advice services are subject to fundamental regulatory conduct requirements to assure suitability of advisory recommendations. Failure to operate effective arrangements to support the delivery of suitable advice could expose Quilter to risks associated with customer detriment, regulatory censure and remediation programmes, and consequential impacts to the Group's business, financial condition and reputation. The current scrutiny of the defined benefit transfer advice provided by Lighthouse has increased the risk profile during 2020 given the need to remediate impacted cases where relevant and deliver fair outcomes for customers.	Chief Executive Officer – Quilter Financial Planning	↗	– Ongoing work to enhance the advice and adviser control framework within Quilter Financial Planning – Enhanced suitability monitoring and oversight arrangements

Operational and regulatory risks (continued)

Information technology	Risk owner	2020 risk trend	Mitigation
Quilter's business is highly dependent on its technology infrastructure and applications to perform necessary business functions, including to support the provision of services to customers. COVID-19 has required adaptation to mass home working, which has been successfully achieved across Quilter. Much of Quilter's legacy IT estate is currently being replaced, with a move to Software as a Service ("SAAS") applications reducing the Group's internal technology complexity, though increasing reliance on third-parties. Failure to manage technology risk could have a material adverse impact on Quilter's business, its resilience capabilities, financial condition, operations and its reputation.	Chief Operating Officer	↘	– Technology strategy to support the transition to modern applications and retirement of legacy technology – Infrastructure Transformation Programme to deliver technology enhancement across Quilter's estate – Active systems monitoring – Policy suite and standards compliance arrangements

Information security	Risk owner	2020 risk trend	Mitigation
Quilter's business, by its nature, requires it to store, retrieve, evaluate and utilise customer and company data and information, some of which is highly sensitive. The COVID-19 conditions mean there is increased remote handling of data. Quilter is subject to the risk of information security breaches from parties with criminal or malicious intent. Should Quilter's intrusion detection and anti-penetration software not anticipate, prevent or mitigate a network failure or disruption, it may have a material adverse effect on Quilter's customers, business, financial condition, operations and reputation.	Chief Operating Officer	→	– Ongoing Information Security Improvement Programme – Cyber threat defences and monitoring – Data governance arrangements – Information security policy and standards compliance arrangements

People	Risk owner	2020 risk trend	Mitigation
Quilter relies on its talent to deliver its service to customers and to implement the broad range of strategic change initiatives that are currently being delivered. In 2020 the COVID-19 operating conditions have posed further people challenges, although a strong focus on supporting staff through this difficult time has reduced its impact. People risk has remained elevated but broadly stable during 2020. Failure to retain key staff or to attract suitable talent may impact the delivery of Quilter's strategy and may have an adverse impact on Quilter's business, its financial and operational performance and its delivery of service to customers.	Chief Operating Officer	→	– Phasing key change programmes to avoid conflicts – Performance evaluation arrangements and related performance and risk-adjusted remuneration arrangements – Regular employee engagement surveys – Quilter's staff wellbeing initiative, 'Thrive'

Operational and regulatory risks (continued)

Third party, including outsourcing	Risk owner	2020 risk trend	Mitigation
Quilter procures certain services from third parties, which will increase as the Platform Transformation Programme concludes and results in significant business process and technology outsourcing to FNZ. If Quilter does not effectively oversee its third-party providers, they do not perform as anticipated, or Quilter experiences technological or other problems with a third party, Quilter may experience operational difficulties, increased costs and loss of business, potential customer detriment and damage to its reputation. A decreasing residual risk profile is observed as Quilter's third-party oversight arrangement matured through 2020, reducing the risk of material incidents.	Chief Operating Officer	↘	– Maturing of Quilter's Third-Party Risk Management Framework – Implementation of a systemised approach to outsourcing – Third Party Risk Management Policy and standards compliance arrangements

Operational resilience	Risk owner	2020 risk trend	Mitigation
Operational resilience was added to Quilter's principal risks and uncertainties in Q2 2020, given the magnitude of the disruption posted by COVID-19. The pandemic has tested Quilter's ability to respond and adapt to sudden disruptions and has shown Quilter to successfully manage during this crisis period. Following the maturing of crisis management protocols, the focus in 2021 will switch to reviewing standards for articulating critical processes and dependencies, and of the effectiveness of testing such that the firm can robustly demonstrate preparedness for future scenarios, and manage the risk that future events could pose to customers or Quilter. The trend represents a stable residual risk trend since inclusion in Quilter's principal risks and uncertainties in Q2 2020.	Chief Operating Officer	→ (Since Q2 2020)	– Operational resilience policy and processes – Systemised inventories of critical processes and dependencies – Resilience plans and testing

Regulatory	Risk owner	2020 risk trend	Mitigation
Quilter is subject to regulation in the UK by the PRA and the FCA, and by a range of regulators internationally. Additionally, the firm is subject to the privacy regulations enforced by Information Commissioner's Office and international equivalents. Quilter faces risks associated with compliance with these regulations and to changes in regulations or regulatory focus or interpretation in the markets in which Quilter operates. Failure to manage regulatory compliance effectively could result in regulatory censure, including the possibility of fines or prohibitions which could impact business performance and reputation. An increased risk profile was noted in 2020 as a result of regulatory attention in respect of Quilter Financial Planning.	Chief Risk Officer	↗	– Compliance advice and monitoring programme – Regulatory engagement management – Regulatory horizon scanning – Staff training and staff awareness programmes – Compliance policy and standards compliance

Emerging risk radar

Quilter is a long-term business and as such we monitor risks which are less certain in terms of timescales and impact. The emerging risk profile is subject to regular review by management committees and the Board. The identification of these risks contributes to our stress and scenario testing which feeds into our strategic planning process and informs our capital calculations. The following are the emerging risks we feel are the most significant.

Near term

Pandemic evolution
The resurgence of the pandemic in late 2020 and early 2021 is causing further economic pressure as well as direct impacts on our customers, people, advisers and operations. The rapid roll-out of the vaccine in the UK gives reason for optimism in the medium-term outlook, though further disruption is likely in the short term and there remains uncertainty as to the pace and shape of economic recovery. Quilter's NCCF, AuM, profitability and free cash levels could be materially affected by an extended or volatile economic recovery.

Cyber threat developments
Evolving sophisticated cyber criminality presents a persistent threat of attack, capable of compromising the continuity of operations, or the security and integrity of information. Quilter's cyber risk landscape is made more complex by the current remote working environment.

Margin pressure
There is increasing impetus to provide wealth management services at a lower overall cost to customers. In line with Quilter's aim to offer competitive pricing at every point in the value chain, there will be a need to re-evaluate the costs charged to customers, which include advice fees, platform costs and fund management fees.

Medium term

Political and regulatory change
Changes in regulation resulting from the shifting expectations of our regulators and the UK's withdrawal from the EU could have a material impact on Quilter. Income, wealth and corporation tax rises are also possible, to restore public finances following the pandemic. For example, changes to pension tax relief for high earners and other tax changes affecting customer wealth could impact Quilter's NCCF and AuM.

Climate change/ESG
Increased frequency of climate-related risk events or a disorderly transition to a low carbon economy could give rise to additional costs, and adversely impact asset values and investment performance. The acceleration of government, regulatory and corporate activity in support of meeting climate change targets requires Quilter to develop its approach to the identification and management of the risks associated with climate change. There is increasing focus on sustainability and sustainable investing, bringing opportunity and also increased pressure from investors and customers to bring about change. Quilter is focused on delivering against its climate and ESG responsibilities, including developing the required TCFD for the 2021 financial year.

Disruptive competition
There is increased competition in the wealth management industry and an acceleration in technological advancements. A rapidly shifting external environment brings opportunity for greater competitive disruption with potential to erode Quilter's market share.

Longer term

Generational shifts
The UK is experiencing shifts in generational wealth accumulation with newer generations potentially less able to accumulate wealth and assets from income. Existing intergenerational tensions are being further accelerated by an ageing population and the impact of the COVID-19 pandemic on the economic outlook. Robotics and, in the longer term, artificial intelligence and the increased need to manage natural resources all have the potential to materially change the nature of the future labour force (for example, through mass unemployment), which represents additional challenge to Quilter's target market. There is a risk of strategic failure to adapt to future customer needs.

Viability statement and going concern

Viability statement
In accordance with provision 31 of the 2018 UK Corporate Governance Code, the Directors have assessed the prospects of the Group for a period longer than the 12 months required in the going concern statement.

Quilter's Risk Appetite Framework supports the delivery of Quilter's strategy and business plan with risk preferences and appetite playing a central role in informing decision making across the Group.

Every year, the Board considers a three-year strategic plan and also an ORSA for the Group, as required by our UK regulators. The plan makes certain key assumptions in respect of the competitive markets and political environments in which the Group operates, economic assumptions, the level of support provided to companies within the Group and the impact of key strategic initiatives including the delivery of future benefits associated with the new platform. This year, the strategic plan considered the impact of COVID-19, and the risks and challenges this presents to the Group, in particular the potential for further volatility in debt, equity and currency markets which can adversely impact the Group's AuMA, revenue and profitability.

Quilter's Risk Appetite Framework supports the delivery of Quilter's strategy and business plan with risk preferences and appetite playing a central role in informing decision making across the Group.

The one-year planning period has greater certainty, and is used to set detailed budgets across the Group. Although three years is regarded as an appropriate period for the assessment of the Group's viability, the Board also regularly considers other strategic matters that may affect the longer-term prospects of the Group. This will include the Board's assessment of the principal risks and uncertainties facing the Group in the longer term, including any emerging risks, such as the impact of COVID-19, climate change and the generational shifts potentially impacting the ability of newer generations to accumulate wealth from income. The Board's longer-term view is that the Group will continue to grow as a wealth manager, serving clients throughout their lives encompassing their accumulation and decumulation phases.

The Board's assessment included reviews of capital, liquidity and solvency, and assessment of the principal risks over the three-year planning period, which included the impact of COVID-19. A large portion of the Group's revenue is correlated to the Group's AuMA, which can move materially when there is significant volatility in global financial markets, as was experienced in 2020 with the impact of the COVID-19 pandemic. The effect of changes in market levels, and the associated impact on investor sentiment, were all considered as part of the planning process, particularly in the calculation of expected market growth rates. In 2020, management actions were taken on costs as a result of the impact of COVID-19, to realise tactical cost savings of c.£40 million. Additional management actions available to further reduce costs were also considered during the planning process.

Appropriate aspects of the strategic plan are stress-tested under the ORSA and ICAAP reviews to understand and help set capital and other requirements. The stress tests considered include a broad range of scenarios, including economic and market shocks of up to 40% falls in equity markets, mass lapse events, new business growth scenarios and severe business interruption, equivalent to 1-50 and 1-200 year events. In 2020, the underlying case on which the stress tests were based, assumed starting equity market levels at the low point in 2020 as a result of the COVID-19 pandemic, which provided a conservative starting position. A stress test was also performed for an additional scenario relating to COVID-19, which assumed further lockdowns resulting from spikes in infection rates occurring over the three-year planning period leading to lower NCCF, and lower revenue and profitability as a result of equity market falls. In all severe but plausible adverse tests, sufficient capital and liquidity were available after management actions, demonstrating the Group's resilience to adverse conditions. Management actions included the cessation of dividend payments in the most extreme scenarios, as well as actions to reduce costs, which included reductions in variable compensation costs, discretionary spend, and staff recruitment freezes, similar to the tactical cost savings utilised in the current year.

Reverse stress tests, which are performed to identify events which would make the current plan unviable, have also been performed. The results of these tests indicate that the Group can reasonably expect to have sufficient capital and liquidity to be able to meet its liabilities over the planning period and could sustain a significant equity market fall, after management actions, well below the market falls experienced during the first half of 2020 during the COVID-19 pandemic, with no foreseeable market recovery.

The Board regularly monitors performance against a range of predefined key performance indicators and early warning thresholds, which will identify if developments fall outside of the Group's risk appetite or expectations, allowing management action to be taken.

The Strategic Report, on pages 1 to 79, sets out the Group's financial performance, business environment, outlook and financial management strategies. In addition, details of the Group's principal risks and risk management framework is set out on pages 73 to 76.

Conclusion on viability

Considering the Group's current capital and trading position, its principal risks, and remaining three-year period of the strategic plan, with due consideration of the impact of the COVID-19 pandemic, the Board has reasonable expectation that the Company and the Group can continue in operation, and meet their liabilities as they fall due for the period to 31 December 2023.

Going concern

The Directors have considered the resilience of the Group, taking into account its current financial position, the principal risks facing the business and the effectiveness of the mitigating strategies which are or will be applied. As a result, the Directors believe that the Group is well placed to manage its business risks in the context of the current economic outlook and have sufficient financial resources to continue in business for a period of at least 12 months from the date of approval of these consolidated financial statements, and continue to adopt the going concern basis in preparing the consolidated financial statements.

This Strategic Report was approved by the Board on 10 March 2021.

Glyn P. Jones

Glyn Jones
Chairman
On behalf of the Board

Governance Report

Chairman's introduction to corporate governance

Glyn Jones
Chairman

Dear Shareholder,
Over the course of 2020, your Board has had to ensure that our business responded quickly and effectively to the impacts of the COVID-19 pandemic. The response enabled Quilter to continue to serve all of its stakeholders during a time of great stress and concern for our people, our customers and the communities in which we operate.

Your Board is engaged in building a resilient business for the long term. At the same time as we were supporting the Quilter management team in taking appropriate tactical decisions to protect our business, we also focused on the continued transformation of our business and ensuring that the strategic direction remained appropriate for a rapidly changing world. The Board has also focused on ensuring that a strong culture that puts our customers at the heart of everything we do is embedded across the organisation and the Board has continued to monitor progress in that regard.

Quilter has continued to comply with the recommendations of the 2018 UK Corporate Governance Code (the Code) throughout 2020 and the unprecedented crises has provided many examples of how Quilter has sought to operate in the best interests of all of its stakeholders, despite the very difficult circumstances. From protecting the health and mental wellbeing of employees and advisers to providing reassurance and trusted financial advice to our customers during a dramatic decline in markets and an extended period of market volatility, Quilter has continued to operate in line with our values. For our shareholders, the financial resilience of our business has enabled Quilter to continue to pay dividends and to make progress in our share buyback programme which we announced early in 2020. Further examples of how the Board has operated in 2020 and continued to engage with stakeholders are set out on pages 90 to 101.

Long-term success is built on a culture of continuous improvement. Therefore, given the customer complaints arising in the Lighthouse business before its acquisition by Quilter, the Board decided to review the due diligence process in relation to the acquisition and in particular the due diligence on the advice given in relation to British Steel Pension Scheme defined benefit transfers. A Committee comprising independent Non-executive Directors under the leadership of Rosie Harris, oversaw the review which was assisted by external legal advisers. The Committee presented a comprehensive overview of the findings of this review to the Board in September 2020. Management have developed a detailed action plan to ensure that the lessons learned are fully embedded into the organisation.

Looking ahead
The Quilter Board has supported and encouraged management to stay focused during 2020 on delivering our critical major strategic programmes, in particular Optimisation and our Platform Transformation Programme. With the recent completion of our third and final phased adviser migration to our new Investment Platform, a major building block for the long-term success of our business is now in place. The Board commenced a strategic review of Quilter International in 2020 and expects to advise the outcome in the first half of 2021.

Our Corporate Governance Framework has continued to serve us well through a very challenging year, allowing us to ensure that the long-term prospects of the Group were protected and enabling your Board to look forward to 2021 with confidence in the resilience and strong potential of our business.

Glyn P. Jones

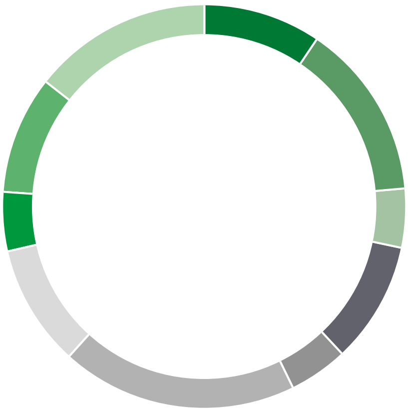
Glyn Jones
Chairman

Key activities
The Board has engaged in the following key governance activities during the year.

Governance at a glance

Board highlights

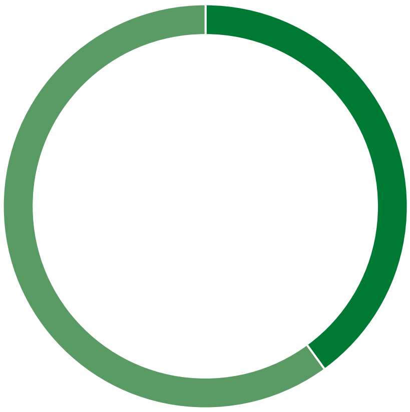
Industry knowledge and experience



- Accounting and finance **2**
- Asset management **3**
- Distribution **1**
- Governance **2**
- Insurance **1**
- International financial services **4**
- IT and operations **2**
- Legal **1**
- Risk **2**
- Wealth management **3**

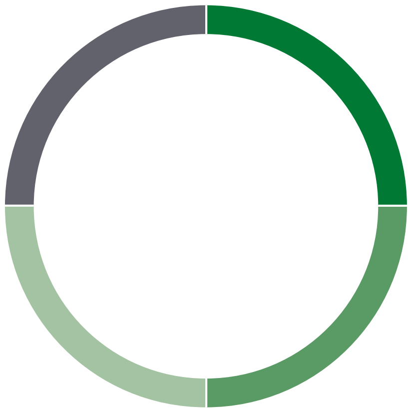
As at 10 March 2021.

Gender



- Female **4 (40%)**
- Male **6 (60%)**

Length of tenure for Chairman and Non-executive Directors



- 0-2 years **2**
- 2-3 years **2**
- 3-4 years **2**
- 4-5 years **2**

Board membership

The composition of the Board and the Board Committees meets the requirements of the Code.

The Directors' attendance at each meeting of the Board is set out in the table opposite.

The 2018 UK Corporate Governance Code

The Board considers that during 2020 the Company has complied with the principles and provisions of the Code.

The Code, issued by the Financial Reporting Council ("FRC"), and associated guidance are available on the FRC website at www.frc.org.uk.

You can read more about how we apply and comply with the Code and other relevant rules and regulations on pages 148 to 151.

Board meeting attendance during 2020

Chairman and Executive Directors	Scheduled Board meetings attended/ eligible to attend	Additional meetings attended/eligible to attend
Glyn Jones	**10**/10	**5**/5
Paul Feeney	**10**/10	**5**/5
Mark Satchel	**10**/10	**5**/5
Independent Non-executive Directors		
Tim Breedon	**5**/5	**1**/1
Rosie Harris	**9**/10	**12**/12
Suresh Kana	**5**/5	**0**/0
Moira Kilcoyne	**10**/10	**1**/1
Jon Little	**6**/6	**2**/2
Ruth Markland	**10**/10	**12**/12
Paul Matthews	**10**/10	**2**/2
George Reid	**10**/10	**12**/12
Cathy Turner	**5**/5	**0**/0

Where exceptionally, due to other commitments, a Director has been unable to attend a meeting, they have separately submitted their comments and input on the matters under discussion to the Chair of the Board or the relevant Board Committee. Rosie Harris was unable to attend one Board meeting during the year due to a long-standing prior commitment.

In addition to the meetings reported above, sufficient time was provided, periodically, for the Chairman to meet privately with the Senior Independent Director and the Non-executive Directors.

The additional meetings reported above related to the oversight of the Lighthouse Committee and the Return of Capital Committee.

Our leadership and governance structure

The Board

Chairman

The Chairman is accountable to shareholders for leading the Board and ensuring the Board receives timely, accurate information to take good decisions for the benefit of all stakeholders.

Senior Independent Director

The Senior Independent Director supports the Chairman on all governance issues and provides a communication channel between the Chairman and Non-executive Directors.

Independent Non-executive Directors

The Non-executive Directors support and constructively challenge the executive team within a spirit of partnership and mutual respect.

Board Committees

Board Corporate Governance and Nominations Committee

Chair: Glyn Jones

Number of meetings

4

Responsibilities:
- Reviews composition of the Board and recommends the appointment of new Directors
- Considers succession plans for Chairman and other Board positions
- Considers succession plans for key executive leadership positions
- Monitors corporate governance issues
- Oversees the annual Board performance review
- Provides oversight of the Group's responsible business agenda

Board Audit Committee

Chair: George Reid

Number of meetings

13

Responsibilities:
- Reviews accounting policies and the contents of financial reports
- Monitors disclosure controls and procedures
- Considers the adequacy and scope of the external and internal audit functions
- Oversees the relationship with our external auditors
- Monitors the effectiveness of internal financial controls

Board Risk Committee

Chair: Rosie Harris

Number of meetings

9

Responsibilities:
- Monitors and reviews the effectiveness of the internal control and risk management system
- Provides advice to the Board on the top risks faced by the Group
- Recommends the total level of risk Quilter is prepared to take (risk appetite)
- Monitors the risk profile
- Advises the Board on risk strategy
- Oversees the effectiveness of the Compliance function

Board Technology and Operations Committee

Chair: Moira Kilcoyne

Number of meetings

14

Responsibilities:
- Oversees the implementation, execution and delivery of the Technology Strategy and Operations Strategy
- Provides oversight and challenge on Technology and Operations risk profile
- Oversees Information Security, Information Management and Operational Resilience strategy, systems and controls
- Oversees strategic technology and operational change programmes

Board Remuneration Committee

Chair: Ruth Markland

Number of meetings

8

Responsibilities:
- Sets the overarching principles and parameters of remuneration policy across Quilter
- Considers and approves remuneration arrangements for Executive Directors and Senior Executives
- Approves individual remuneration awards
- Agrees changes to Senior Executive incentive plans

Executive Directors

Paul Feeney

Mark Satchel

The Executive Directors are accountable to the Chairman for their contribution on the Board. The executive team reports to the Chief Executive for business areas and delivery of Board-approved Operating and Business Plans.

Key management committees

- Executive Committee
- Executive Risk Forum
- Operating Committee
- Responsible Business Forum

Board of Directors

Chairman and Executive Directors

Glyn Jones
Chairman

Appointed November 2016

Board and Committee membership
- Board
- Board Remuneration Committee
- Board Corporate Governance and Nominations Committee **(C)**

Skills and experience:
Glyn Jones has over 20 years' experience of chairing Boards, including those of Aldermore Group, Aspen Insurance Holdings, Hermes Fund Managers, BT Pension Scheme Management and Towry. This extensive experience provides him with the skills and understanding needed to lead an effective and cohesive Board at Quilter. His significant experience in UK and international financial services, gained during his tenures as CEO of Gartmore Investment Management and Coutts Group, and whilst running Standard Chartered's international private banking business in Hong Kong, provides him with the necessary knowledge to lead discussions on key business matters including strategy, performance and risk. Glyn is a Fellow of the Institute of Chartered Accountants in England and Wales.

Paul Feeney
Chief Executive Officer

Appointed August 2012

Board and Committee membership
- Board

Skills and experience:
Paul Feeney is an experienced, entrepreneurial leader, having held various senior business roles in large international financial services businesses, including as Chief Executive Officer of NatWest Private Bank, and NatWest Investments USA, Group Managing Director and Head of Distribution for Gartmore Investment Management, and Global Head of Distribution at BNY Mellon Asset Management International. During his career, Paul has developed a deep understanding of the challenges, risks and opportunities faced by the industry, thereby enabling him to create and develop the vision and strategy of the Group. Paul's strong commercial acumen and dynamic leadership style allow him to effectively oversee the execution of our strategy. In recognition of his role in the industry, in January 2021 Paul was asked to Chair the FCA Practitioner Panel. Paul is passionate about promoting good mental health, and issues around mental health, both across the industry and at Quilter where he has sponsored the Thrive campaign to support colleagues including those impacted by the pandemic.

Mark Satchel
Chief Financial Officer

Appointed March 2019

Board and Committee membership
- Board

Skills and experience:
Mark Satchel brings deep finance, corporate action and business experience to the Board. He joined Old Mutual in the UK in January 2000 and held numerous leadership positions within the finance function and businesses there, during which time he played key roles in the acquisitions of Intrinsic (now Quilter Financial Planning) and Quilter Cheviot. This experience has been invaluable in ensuring that Quilter effectively executes its strategy, for example allowing him to lead the successful disposal of Quilter Life Assurance. Mark previously served as Chief Financial Officer of the business from 2010 to August 2017 and as Corporate Finance Director for the 17-month period to March 2019. Mark is a qualified Chartered Accountant in South Africa and worked for KPMG both in South Africa and Canada prior to moving to the UK. Mark is a Trustee of The Old Grey Europe Charitable Trust.

Senior Independent Director

Ruth Markland

Appointed June 2018

Board and Committee membership
- Board
- Board Audit Committee
- Board Corporate Governance and Nominations Committee
- Board Remuneration Committee **(C)**

Skills and experience:
Ruth Markland, a solicitor and previously Managing Partner of Freshfields Bruckhaus Deringer's Asia business, has a wealth of FTSE-100 Board experience. She spent over 10 years on the Boards of Standard Chartered plc and Sage Group plc, where she served as Senior Independent Director and Chair of the Remuneration Committees. Ruth was also an independent Non-executive Director of Deloitte LLP for five years until May 2020 and is a member of the Supervisory Board of Arcadis NV. She has a strong understanding of corporate governance and Boardroom dynamics, enabling her to act as a helpful sounding board for the Chair and other Board members. Ruth was appointed Chair of the Board Remuneration Committee in May 2020, having served as a member since joining the Board. Her extensive knowledge of remuneration governance and best practice, together with her deep understanding of the remuneration framework at Quilter, have enabled her to have an immediate impact in this new role.

Independent Non-executive Directors

Tim Breedon CBE

Appointed June 2020

Board and Committee membership
- Board
- Board Corporate Governance and Nominations Committee
- Board Remuneration Committee
- Board Risk Committee

Skills and experience:
Tim Breedon has a distinguished career in financial services, with past appointments including Group Chief Executive Officer of Legal & General, being a Member of the Takeover Panel, and holding Non-executive Director roles with the Association of British Insurers and the Financial Reporting Council. Tim is an experienced Non-executive Director and Committee member, having served on the Boards of Barclays plc and Barclays Bank plc since 2012, where he Chairs the Board Risk Committee and is a member of the Board Audit Committee, Board Nomination Committee and Board Remuneration Committee. He is also Chairman of Apax Global Alpha Limited. Tim's extensive business leadership and governance best-practice experience enables him to provide challenge, advice and support to Quilter management on business strategy, performance, decision making and governance matters.

Tazim Essani

Appointed March 2021

Board and Committee membership
- Board
- Board Remuneration Committee

Skills and experience:
Tazim Essani's wealth of experience in senior executive roles at regulated financial services businesses over the last 30 years equips her well to provide strategic guidance and constructive challenge to Quilter's leadership team. Her executive career has focused on strategy and business development to drive growth and transformation, with her previous roles including a senior business strategy role at Santander UK, Group Head of Corporate Development at Close Brothers Group plc and senior roles at GE Capital and Royal Bank of Scotland. Throughout her career, Tazim has developed a deep understanding of corporate finance, strategy and business development, enabling her to contribute strongly to the Board's deliberations. Her extensive transformational change experience will be invaluable in supporting delivery of Quilter's strategy. Tazim is a Non-executive Director of City of London Investment Group plc.

Independent Non-executive Directors

Rosie Harris

Appointed April 2017

Board and Committee membership
- Board
- Board Audit Committee
- Board Risk Committee **(C)**
- Board Technology and Operations Committee

Skills and experience:
Rosie Harris has extensive knowledge and experience of risk management within the insurance and wealth management industries, having served as Chief Risk Officer for UK Life at Aviva, Group Risk Director at Old Mutual plc and Chief Risk Officer (Insurance) and Managing Director, General Insurance at Lloyds Banking Group plc. She is also currently Chair of Tokio Marine Kiln's Insurance business, a Non-executive Director of its Syndicates businesses and Chairs its Risk Committee. This extensive experience has been invaluable as Quilter has developed and embedded its risk management framework. Rosie provides valuable insights into managing and mitigating the risks that are inherent in running a successful wealth management business. Rosie is a member of the Institute of Chartered Accountants in England and Wales and a Council Member of the University of Birmingham.

Moira Kilcoyne

Appointed December 2016

Board and Committee membership
- Board
- Board Risk Committee
- Board Technology and Operations Committee **(C)**

Skills and experience:
Moira Kilcoyne brings over 25 years' technology and cyber security leadership, having spent much of her career working in senior technology roles at Morgan Stanley and Merrill Lynch, latterly executing global change management and transformative IT implementation as Co-Chief Information Officer for Global Technology and Data at Morgan Stanley. Moira is also currently a Non-executive Director of Citrix Systems Inc and Arch Capital Group. This experience, gained at both executive and non-executive level, together with her understanding of business operations, operational resilience, management of data and supplier oversight, equips her to oversee and challenge the design and delivery of Quilter's technology and operations strategies as well as the delivery of Quilter's new investment platform. Moira is Trustee of the Board of Manhattan College.

Paul Matthews

Appointed August 2018

Board and Committee membership
- Board
- Board Remuneration Committee
- Board Risk Committee
- Designated Employee Non-executive Director

Skills and experience:
Paul Matthews is an experienced FTSE-100 Board Director who has over four decades' worth of knowledge of the savings and pensions industry. His career at Standard Life, spanning nearly 30 years, where his roles included Group Executive Director, Chief Executive Officer UK & Europe and Chairman of Standard Life Wealth, enables him to identify, and support management to understand, the opportunities and risks facing Quilter, particularly in its distribution businesses. This insight enables him to effectively assess and challenge the executive's strategy proposals, execution and risk management. As an executive mentor at Merryck & Co, Paul uses his extensive leadership skills and experience to coach senior leaders. Paul's track record in leading major businesses that rely on having strong leadership and positive cultures is also helpful in discharging his role in providing the vital linkage between the Board and Quilter's employees.

Company Secretary

George Reid

Appointed February 2017

Board and Committee membership
- Board
- Board Audit Committee **(C)**
- Board Risk Committee
- Board Technology and Operations Committee

Skills and experience:
George Reid spent over 20 years in the accounting profession, specialising in providing audit services to the financial services industry. During lengthy tenures at PwC, and, latterly, at Ernst & Young LLP as Managing Partner and Head of Financial Services for Scotland and UK regions, George gained a deep understanding of accounting and audit matters, and the robust financial control environments required for a modern wealth management business. Such experience allows him to critically assess key accounting and financial considerations including those associated with Quilter's corporate transactions. George is a Fellow of the Institute of Chartered Accountants in England and Wales and Chairman of the Children's Hospice Association Scotland.

Patrick Gonsalves

Appointed January 2017

Skills and experience:
Patrick Gonsalves is an experienced Company Secretary with broad experience across the financial services industry gained with Lloyds Bank, NatWest Bank and, up until December 2016, as Deputy Secretary of Barclays plc. Patrick was appointed Company Secretary of Quilter in January 2017 and is a Fellow of the Institute of Chartered Secretaries and Administrators. Patrick has extensive experience of providing advice and support to listed company boards in periods of significant change which is relevant to his role at Quilter.

Quilter leadership

Quilter Executive Committee

The Board has delegated the day-to-day management of Quilter to Paul Feeney, as Chief Executive Officer. Paul exercises these powers through the Quilter Executive Committee, the membership of which comprises the Chief Executive Officers of some of Quilter's businesses and key function heads.

The Executive Committee meets regularly to ensure the effective implementation of the business strategy, our customer strategy, the financial performance of the business against our Business Plan and the culture and risk management of our business.

Other senior leaders join meetings as required.

Quilter's Executive Committee is led by Paul Feeney, Chief Executive Officer. Mark Satchel, Chief Financial Officer is a member. Their biographies can be found on page 84

Other Executive Leadership Team biographies are available online at quilter.com

Matt Burton
Chief Risk Officer

Skills and experience:
Matt Burton was appointed as Chief Risk Officer in May 2019 and has been instrumental in defining, setting and managing Quilter's risk profile. Matt joined the business as Chief Internal Auditor in April 2016, in which role he built a highly effective Internal Audit team providing invaluable independent assurance and consultancy to the Board and Executive management. Prior to joining Quilter, he was a partner in PwC's Financial Services Practice with responsibility for leading Internal Audit services to the Insurance and Investment Management sector. Matt has over 25 years' experience across financial services having held senior roles in Credit Suisse, where he was Chief Auditor for EMEA, and Deutsche Bank. Matt is a member of the Institute of Chartered Accountants in England and Wales.

Karin Cook
Chief Operating Officer

Skills and experience:
Karin Cook was appointed to Quilter plc in January 2019 as Chief Operating Officer. She has over 30 years' experience in financial services, most recently at Lloyds Banking Group covering customer operations, payments, technology, security, property and procurement. She previously worked at HSBC, Morgan Stanley and Goldman Sachs in senior operations, technology and finance roles. These deep skills and experiences enable Karin to be instrumental in driving efficiency across all areas of the Group. Karin chairs the Quilter Operating Committee, providing oversight on material technology and operational change programmes. She is a passionate, committed and informed ally to the LGBT+ community and was recently identified in this year's OUTstanding LGBT+ Role Model Lists from Involve – The Inclusion People.

Steven Levin
Chief Executive Officer, Quilter Investment Platform

Skills and experience:
Steven Levin was appointed as Chief Executive Officer of the Quilter Investment Platform in October 2015, and has been appointed Chief Executive Officer of Quilter Investors with effect from 1 April 2021. Steven has dedicated the majority of his career to Old Mutual and Quilter, during which time he has held senior business roles such as Global Head of Distribution and Managing Director of Skandia International (now Quilter International) and Global Product & Proposition Director for Old Mutual plc. Steven started his career as an equity analyst. Steven's extensive experience in developing and distributing financial products has been instrumental in enabling him to advance and grow the Quilter Investment Platform business, including in the implementation of Quilter's new investment platform. This proven leadership, and his experience and understanding of asset management and investments, has made him the ideal candidate to bring together Quilter investment and distribution to better support our customers in the next stage of Quilter's strategic journey. Steven is a qualified Actuary and a Chartered Financial Analyst.

Andy McGlone
Chief Executive Officer, Quilter Cheviot

Skills and experience:
Andy McGlone was appointed as Chief Executive Officer of Quilter Cheviot in October 2018. He has over 25 years' experience in investment management, having worked in the evolved Quilter Cheviot business for his entire career, beginning at Quilter Goodison in 1994 as a Trainee Investment Manager. He served as Managing Director of Quilter Cheviot prior to becoming CEO. His deep knowledge of Quilter and the investment management business provides Andy with the ideal combination of skills and understanding to continue to ensure strong investment performance for its clients and to develop the Quilter Cheviot business in line with Quilter's strategy. Andy is a Chartered Fellow of the Chartered Institute for Securities and Investments.

Stephen Gazard*
Chief Executive Officer, Quilter Financial Planning

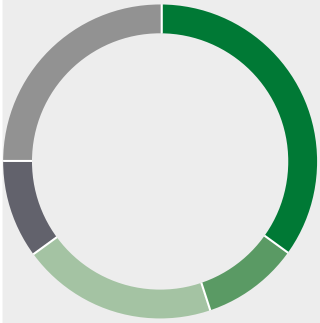
Skills and experience:
Stephen Gazard became Chief Executive Officer of Quilter Financial Planning in June 2020, having joined in 2017 as its Group Managing Director. He brings a wealth of industry experience to this role, including as a financial planner and advice business owner. Prior to joining Quilter, Stephen had been Managing Director of Sesame Bankhall Group for four years, during which time he delivered its corporate restructure and cultural transformation. Stephen has held numerous senior leadership roles in the wealth management industry and is ideally placed to ensure Quilter Financial Planning continues to provide good outcomes for its customers and high-quality support for its advisers. Stephen is also Vice Chairman of Meningitis Now.

*** Stephen Gazard regularly attends Executive Committee meetings although he is not a member.**

The work of the Board in 2020

Board activity and decision making

Board activity



- Business performance oversight **35%**
- People and culture **10%**
- Strategy and delivery of strategy **20%**
- Stakeholder management **10%**
- Risk management and governance **25%**

Key decisions made by the Board in 2020

Reviewing
Reviewing the Group's strategy to ensure that it remains appropriate for a rapidly changing environment and deciding to initiate a strategic review of the Group's international business.

Supporting
Supporting the Quilter management team as they provided visible and clear leadership for our people, took difficult decisions to ensure that Quilter and its people safely navigated the COVID-19 pandemic, including revising priorities, and supporting our staff and advisers by extending additional support, such as the Thrive initiative, to adviser firms.

Endorsing
Endorsing management's decision to split our second phased adviser migration for our Platform Transformation Programme into two tranches to mitigate the risk of negatively impacting our customers and advisers.

Protecting
Protecting the interests of shareholders by continuing the Group's share buyback programme and paying a modest interim dividend for 2020, given the resilience of our business.

Setting
Setting stretching but achievable financial and operating targets for management that ensured delivery of our strategic objectives and financial performance in line with the expectations of our shareholders and customer-focused services and products.

Section 172 (1) statement

The Companies Act 2006 (the Act) and the UK Corporate Governance Code 2018 require the annual report to provide information that enables our stakeholders to assess how the Directors of Quilter have performed their duties under section 172 of the Act. The Act provides that Quilter Directors must act in a way that they consider in good faith, would be most likely to promote the success of Quilter for the benefit of shareholders as a whole. In doing so, Quilter Directors must have regard, amongst other things, to the factors set out below:

- the likely consequences of any decision in the long term;
- the interests of Quilter's colleagues;
- the need to foster the Company's business relationships;
- the impact of Quilter's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly for all our members.

Building Quilter to deliver long-term success for all our stakeholders
The Board is clear that engaging, consulting and making decisions balancing the needs, interests and expectations of our key stakeholders is critical to Quilter achieving its purpose of helping create prosperity for the generations of today and tomorrow. On occasions these competing stakeholder views can be contradictory and it is the Board's role to navigate these complexities to achieve long-term success. The Board has a comprehensive stakeholder engagement programme and seeks to act in the best interests of the Group, and to be fair and balanced in its approach. In addition to direct engagement with our stakeholders, papers submitted to our Boards and Board Committees across the Group identify for their consideration where stakeholders could be impacted by the proposals. At all times, the Boards remain focused on ensuring good customer outcomes. Some of the ways the Quilter Board engages with our stakeholders, including some examples of how our Board has considered stakeholders when it made key strategic decisions in 2020, can be found on the following pages. In addition, throughout this report, we state how consideration of stakeholders has been embedded as part of our business operations.

You can also read more about how Quilter operates in our Responsible Business Report on pages 46 to 59.

The Board identified six key stakeholder groups whose interests and needs it regularly considers. This year, the Board refined our stakeholder map to state a broader consideration of who our stakeholders are, and given how important advisers are to Quilter's long term success, this group is now described explicitly.

Investors

Who are they

The Board considers investors in its broadest sense including equity and debt investors, alongside analysts and rating agencies. Just over half of the Group's shareholders are registered in South Africa, with the remaining 47% of our shareholders on the UK share register.

Investor priorities

- A resilient business model which generates long-term sustainable returns for shareholders
- A sustainable and growing dividend supported by cash flow and capital generation
- Robust corporate governance that ensures effective oversight and control of the business
- Financial strength and resilience that enables the business to withstand external shocks
- A business with a clear and successful strategy that is delivering growth and sustainable returns

How the Board engages with our investors

Shareholders, analysts and rating agencies

The Board and management maintain a regular and constructive dialogue with investors, to communicate with existing and potential shareholders on the Company's strategy, governance and performance. This helps to promote investor confidence and ensure continued access to capital. The Chairman and Senior Independent Director met with our major shareholders in an annual governance roadshow covering business strategy, performance, remuneration and broader governance matters and at the same time received valuable feedback from them. In addition, the Chief Executive Officer and Chief Financial Officer provided updates on our results and financial performance, undertaking two live webcasts and conducting 245 meetings with shareholders, debt holders and prospective investors in 2020.

The Company participates in investor conferences to engage with existing and prospective investors. Alongside the Chief Executive Officer and Chief Financial Officer, senior management provide insight into business strategy which helps showcase the quality of the Quilter leadership team.

The Board received regular updates from the Head of Investor Relations on key shareholder and debt holder issues and concerns. This included an annual presentation involving our corporate advisers on market dynamics and corporate perception.

Private shareholders

Our private shareholders are supported day-to-day by our registrars based in the UK and in South Africa. We closely monitor the performance of our registrars to ensure the service our shareholders receive globally is appropriate.

In 2020, given we were unable to hold an open Annual General Meeting ("AGM") due to UK Government restrictions on public gatherings in place at that time, we set up a specific AGM Hub to enable our private shareholders to raise questions with the Chairman on the business of the meeting in advance of our AGM. We strongly encouraged shareholders to vote before the meeting.

The Group's full year and interim results are sent by email to our shareholders who have provided consent for e-communications, and in addition we provide comprehensive information on our website, quilter.com.

During the year, the Board approved the Odd-lot Offer which provided small private shareholders with a cost-effective way to sell their shares in Quilter and reduced the number of private shareholders by 200,000.

Outcomes

The Board considers investor feedback on an ongoing basis. An example of how shareholders' interests are considered is set out in the Governance in action case study on page 99. In this case study, we detail how the Board decided to launch the share buyback programme and the factors considered when the Board approved the payment of the interim dividend in 2020.

In March 2020 at the beginning of the COVID-19 pandemic when market volatility was prevalent and investor confidence fragile, the Board took the decision not to extend a new Sharesave Scheme to employees. While employees value this share plan with a 45% take-up in 2019, the Board decided it was appropriate to manage costs in line with Quilter's wider efforts to make temporary tactical efficiencies rather than offer this additional benefit to colleagues at that time.

Section 172 (1) statement (continued)

Colleagues

Who are they	At Quilter, we treat all full-time, part-time and contract staff as colleagues. The success of the delivery of our strategy is dependent on talented and committed people, focused on delivering for our stakeholders in accordance with our values of Pioneering, Dependable and Stronger Together. We have 4,176 colleagues, who each take pride in working towards being part of an inclusive and diverse Quilter. We aspire to achieve a culture where everyone feels included, empowered and inspired to do the right thing for customers.
Colleague priorities	– Customer and value-led culture – Investment in people development and technology – Compelling colleague proposition – Attractive reward structure – An open and inclusive culture
How the Board engages with our colleagues	Following Cathy Turner stepping down from the Board in May 2020, the Board asked Paul Matthews to act as our Non-executive Director with responsibility to ensure that the Board understand the views of employees. Sharing the insights he gains from attending the Quilter Employee Forum, he ensures that colleagues' views are taken into consideration as part of the Board's decision making. A full description of how this happens, including some of the metrics the Board look at on a regular basis, are set out on pages 100 and 101. In addition to this mechanism, individual Directors meet regularly with individuals identified as future senior leaders. The Executive Directors directly engage with colleagues across the business and during 2020 provided frequent video updates to colleagues on business priorities, successes and to thank colleagues during this period of remote working. In 2020, the Board focused on measures to improve diversity and inclusion and you can read more about the initiatives in the Board Corporate Governance and Nominations Committee Report on page 104.
Outcomes **Read more examples of how these stakeholders have been considered** Pages 52 and 53	Paul Matthews, our Non-executive Director responsible for representing the views of the workforce to the Board, shares his insights on 2020 on pages 100 and 101. You can read more about our approach to promoting diversity and inclusion and colleague engagement in the Chief Executive Officer's statement on page 25 and on delivering for our colleagues in the Responsible Business Report on pages 52 and 53. In the Annual Report on Remuneration on page 138 you can read about the decision to create a small discretionary bonus pool to recognise the contribution of the wider workforce during the COVID-19 pandemic.

Communities

Who are they	The Board broadly defines Communities to mean the societies in which we operate and where our products are sold. Quilter's ability to deliver sustainable value for stakeholders depends on the engagement we have with key stakeholders representing the communities' needs, including policy makers, business partners, non-governmental organisations ("NGOs") and other interest groups.	
	Communities	**Suppliers**
	We target our efforts to make a difference in the communities we are located in or where our products and services are used.	We recognise the key role our suppliers play in helping us manage our business and deliver quality services for our customers.
Community priorities	– Protecting customers and investors – Operating responsibly, including wider environmental impacts – Being treated fairly and professionally during the sourcing process	
How the Board engages with our stakeholders	The Board has delegated direct oversight of the Responsible Business agenda to the Board Corporate Governance and Nominations Committee. The Chairman updates the Board on relevant matters including the views of key stakeholders, such as policy makers, NGOs and other interest groups to understand what is important to them.	Throughout the COVID-19 pandemic Quilter has proactively engaged with our suppliers as part of our focus on operational resilience. This regular dialogue enables us to gain assurance, and support the needs of the supply chain.
Outcomes	Our work to provide comprehensive and rapid support for customers, colleagues, advisers and investors is set out on pages 17 to 19. Quilter reduced its operational greenhouse gas emissions by 33% compared with 2019. The Quilter Foundation directly supported 13,525 young people in local communities, providing vital financial education, employment and wellbeing support. Quilter continued to integrate environmental, social and governance ("ESG") considerations across its investment management and stewardship activity, and achieved an 'A' rating in The United Nations backed Principles for Responsible Investment ("PRI") annual assessment. In respect to stewardship of the companies we invest in, our voting at company meetings increased by 104% compared with the previous year. Our strategic objective is to reduce Quilter's contribution to climate change and support the transition to a low carbon economy. Our framework helps us to reduce our direct carbon footprint, embed climate considerations in our investment management and stewardship activity and offer clients climate focused investment solutions.	Quilter recognises our suppliers are key to our business success and therefore to drive future collaboration and strengthen our supplier relationships we hosted a virtual supplier summit in September 2020, a first for Quilter. Bringing together a selection of hand-picked critical and important suppliers, our executive team shared insights into our values, goals and priorities.

Read more examples of how these stakeholders have been considered
Pages 56 to 59

Section 172 (1) statement (continued)

Regulators

Who are they	We have an open and transparent relationship with our regulators and other government authorities. Our core UK regulators are the Financial Conduct Authority and the Prudential Regulation Authority. We also have multiple international regulators who oversee our international business activities, including the Isle of Man Financial Services Authority and the Central Bank of Ireland.
Regulator priorities	Each regulator has its own statutory objectives to fulfil. These centre around ensuring firms are run in a safe and sound way to achieve fair outcomes for consumers and ensure the integrity of financial markets, promoting effective competition in the interests of consumers. The UK regulators publish annual business plans setting out their specific priorities within the context of these wider objectives.
How the Board engages with our stakeholders	Transparent and open regulatory relationships are fundamentally important to Quilter and its Board, and this principle forms the basis of our approach to regulatory engagement, deployed across the Quilter Group. We liaise with each regulator regularly to ensure our business is aligned to the evolving regulatory framework and is operating to regulatory expectations. The Board Risk Committee receives quarterly reporting on key regulatory relationships and matters under discussion as part of its standing agenda, and the Quilter Chief Risk Officer, as a standing attendee of each Board meeting, provides further updates as needed. The FCA attends a Quilter Board meeting annually to share directly their thoughts on our business and key areas of focus. In addition, we have a regular programme of meetings on a one-to-one basis between our UK regulators and our Chief Executive, Chief Finance Officer, the Chairman and other Board Committee Chairs, covering all aspects of the regulatory agenda. Examples of key matters discussed include customer outcomes, operational and financial resilience, future strategy and plans for the Group, and diversity.
Outcomes	Our understanding of our regulators' priorities, which have customer outcomes and sustainable business at their centre, forms an integral part of the Board's decision making. Papers presented are required to consider stakeholder interests in their recommendations, including importantly customer and regulatory considerations, and is reflected practically in Quilter's Board Risk Appetite towards regulatory compliance. The Board has a low appetite for non-compliance with regulations and this position is reflected, for example, in the levels of investment in Quilter's change programme focused on regulatory change and delivering this in a timely way.

Advisers

Who are they	Financial advisers are core to our business, delivering personalised financial advice tailored to meet the specific needs of the customer. Our business model means we have three core adviser strategies comprising 1) our National business, through which our advisers provide high-quality financial advice under the Quilter brand 2) our advice Network business, which partners with third party advice firms providing them with a compelling investment proposition and robust regulatory control framework and 3) third-party independent financial planners ("IFAs") who utilise our investment platform or place clients' assets within Quilter investment management solutions. As a firm believer in the value of advice, Quilter is committed to developing existing advisers and bringing new advisers into the industry. Since its inception in 2016, 643 financial advisers have graduated from our own-branded educational facility for advisers, the Quilter Financial Adviser School. In 2020, 211 financial advisers completed the qualification.
Priorities for advisers	– A compelling investment proposition – The provision of high-quality, productive environments in which to operate safely – A robust and intuitive platform
How the Board engages with our stakeholders	The Board receives regular updates from the Chief Executive Officer on key issues impacting advisers both within Quilter Financial Planning's Network and National businesses and third-party advisers who use our investment platform to serve their and our customers. The Customer reports scrutinised by the Board and Board Risk Committee provide key insights on how effectively and safely Quilter is supporting advisers in serving customers and, in order to better understand advisers' views and culture, the Board has requested that data collated on our employees' opinions and culture is extended to include advisers. In addition, Paul Matthews, who also serves on the Quilter Financial Planning Limited Board, engages regularly with advisers to understand their needs and priorities, reporting back to the Board on his findings. This included attending the bi-annual Quilter Financial Planning Adviser Conference in February 2020. The Board has also supported management's decision to extend the support for employees' mental wellbeing to advisers. More information on the support provided is available on page 54. The Board and the Board Technology and Operations Committee committed significant time in 2020 to ensuring the new Quilter Investment Platform is suited for the needs of advisers and their customers. Given 2020's challenging circumstances, the decision to split the second phased adviser migration into two stages was taken to limit the potential for disruption to advisers and customers. You can read more about our Platform Transformation Programme on pages 44 and 45. The Board Technology and Operations Committee also provided oversight of the plans for, and progress in, delivering new technology solutions that are central to supporting Quilter Financial Planning's advisers, including the new payments system implemented in February 2021, which ensures advisers are properly and promptly paid for the advice they provide. During the early part of 2020 the Board closely monitored the programme of work commenced in 2019 to further strengthen the robustness of the Quilter Investors investment process.
Outcomes **Read more examples of how these stakeholders have been considered** Pages 54 and 55	One important outcome was the safe implementation of the new investment platform, which enables advisers to provide excellent advice and support for customers and an enhanced range of services.

Section 172 (1) statement (continued)

Customers

Who are they	Our customers use our products and services to meet their long-term financial needs and achieve their aspirations. Ensuring customers are at the heart of everything we do is critical to Quilter's long-term success. Maintaining strong relationships built on the delivery of outstanding service and outcomes, a positive reputation and trust are key to the longevity of Quilter's performance. By the end of 2020 Quilter spent £174 million enhancing the core investment platform and further enhancements to our customer proposition are planned in 2021.
Customer priorities	– Products that meet their needs, expectations and risk appetite – Excellent customer service and access to products across all channels – Personalised customer propositions
How the Board engages with our customers	Earning and retaining the trust of customers is a high priority and the Board receives regular reports on the outcomes achieved for customers. The customer reports in 2020 confirmed that Quilter generally provided a resilient and consistent service to customers through the pandemic. The Board asked management to ensure direct feedback on end-customer satisfaction is obtained in addition to the feedback via advisers. The Board also challenged management to develop better mechanisms for measuring whether value for money is being delivered for all customers based on the work conducted by Quilter Investors in 2020. All Board papers include, where appropriate, analysis of the impacts to customers of the proposals under consideration. The Board looks to benchmark performance achieved for customers and uses insight from a range of internal and external research, including net promoter scores and other customer indices, to improve services. The Board receives regular updates and reports on the progress of Quilter's strategy, including the development of plans for the next strategic phase, ensuring the customer remains at the heart of our strategic investment. The Board receives reports providing analysis and guidance in relation to the competitive environment and market share, which enables strategic insight and allows the Board to take decisions that are focused around the needs of customers. The Board is committed to doing whatever is necessary to ensure all customers impacted by past conduct failures receive fair recompense. To ensure that our leadership team continue to put customers at the heart of everything we do, a customer metric is included in the executive scorecard that drives the remuneration of our senior executive team.
Outcomes **Read more examples of how these stakeholders have been considered** Pages 50 and 51	When the size and scale of the COVID-19 pandemic became apparent, the Board endorsed management's action to support customers impacted by the pandemic. This included heightened internal controls to prevent fraud and cyber crime. During 2020, a number of claims were received in relation to historic pension transfer advice in respect of the British Steel Pension Scheme provided by Lighthouse prior to its acquisition. This subsequently led to the FCA initiating a skilled person's review and an enforcement investigation, as noted elsewhere in this report. As a result, the Board has ensured that, working closely with the skilled person and the FCA, Lighthouse reviews relevant cases and offers remediation if the historic pension transfer advice in respect of the British Steel Pension Scheme was not suitable. The introduction of the new investment platform is a further example of how the Board has overseen enhancements in how we engage with customers. Read more about this on pages 44 and 45.

Your Board discharged its responsibilities in 2020 by

Actions	Purpose
Reviewing and setting the Group's strategy	The Board held a two-day in person strategy meeting in August 2020 which met all the government guidance for 'gatherings' in place at that time. The management team, guided by the Board, assembled detailed analysis of each business area and details of industry trends which provided key insights on which the strategy is based. The executive team then presented a proposed long-term strategy which the Board tested and challenged. In setting the strategy, the Board carefully considered the needs of customers, shareholders, employees, advisers, the communities in which we operate and the need to maintain constructive relationships with our regulators. A key consideration was whether the global pandemic was likely to make permanent changes to the markets in which we operate, the expectations of our customers and the changes the business would need to make to adjust to those changes. The Board endorsed the overall direction of the strategy which requires the business to become more customer-centric and to drive greater efficiency throughout our business to better serve our customers and advisers and continue to enhance returns for our shareholders. As part of the review of the Group strategy in the summer of 2020, the Board concluded that management should conduct a strategic review of the Quilter International business. Management were asked to provide the Board with a detailed analysis of a range of options for the business including retention of the business, alternative growth strategies or a sale to a third party, so that a fact-based decision that benefited all stakeholders in the long term could be reached.
Setting stretching but achievable financial and operating targets for management	In October and November 2020, the Board reviewed and approved a Business Plan for the forthcoming three-year period. The Business Plan sets financial and non-financial targets for the period and shows the capital and liquidity impacts of that plan which are aligned to the Group's risk appetite. Given the significant uncertainty in the external environment at the time of setting the Business Plan, management were asked to rebase some elements of the Business Plan to take account of market movements in November 2020. Alongside the production of the Business Plan, management developed an Operating Plan that set out the key initiatives and programmes of work required to deliver the Business Plan and the Group Strategy. The Board carefully considered the resources available to deliver the Operating Plan, the alignment of the financial and Operating Plans, the achievability of the plans and the risks to delivery. Particularly, in 2020, the Board had to consider the challenges in delivering significant change programmes while the business continues to work largely remotely.
Reviewing the response to COVID-19	When the business moved to largely remote working in March 2020, and the first national lockdown was announced, management carefully reviewed all planned change activities and deprioritised certain programmes, such as new product launches for Quilter Investors. It was clear that our revenues would be impacted by lower markets and that cost control would be important to secure the long-term position of the business. Despite the imperative to control costs, your Board supported management's decision to also protect our employees. Some redundancies that had been long planned to take place in the first half of 2020 were delayed, given how difficult it would be for those seeking employment at that time. Management also identified the key projects, such as the Platform Transformation Programme, which are critical to the future of the Group and prioritised those areas to ensure delivery would be safely achieved. The Board also considered how the experience of working remotely will permanently change the way that our people wish to work and agreed to keep this under review.

Your Board discharged its responsibilities in 2020 by (continued)

Actions	Purpose
Monitoring the delivery of the Operating Plan and key strategic programmes	Throughout the year, the Board has received quarterly updates from the Chief Executive Officer on the delivery of the 2020 Operating Plan to ensure that the business continued to make progress on delivery of its strategy and the Business Plan. In addition, the Chief Operating Officer reported half yearly on the areas within her responsibility. She confirmed that Quilter's operations have remained resilient throughout 2020, despite the challenges presented by COVID-19 and material improvements have been delivered in our IT infrastructure and security.
Overseeing the Group's management of material risks	The business remained financially strong throughout 2020 with robust capital and solvency positions which should provide comfort to our shareholders, regulators and those we do business with. In addition to the usual quarterly reports from the Chief Risk Officer, the Board has spent time overseeing the handling of customer complaints arising from the Lighthouse acquisition and ensuring that any lessons arising from them have been fully learnt and embedded.
Ensuring the Group's people strategy and culture are aligned with the business strategy **Read more in the Responsible Business Report** Pages 52 and 53	The Board has continued to monitor closely the health, welfare and engagement of our people and the culture of our business. Regular employee opinion surveys (Peakon surveys) confirmed that the Group has an engaged and committed workforce and the Board encouraged management to extend its work in these areas to include those advisers who we do not employ, but are still critical to the success of our business. At the Board's request, management brought forward detailed plans on enhancing the diversity of our workforce which are discussed on pages 52 and 53. The culture of the organisation is considered to be well aligned to the Group's purpose and strategy with a strong customer-oriented mindset and it is clear that our colleagues have gone the extra mile in 2020 to continue to support our customers despite the obvious challenges. The high visibility of the leadership team through the isolation of home working has been strongly welcomed by our people. The Board has requested more granular information on the culture of individual businesses to ensure that any inconsistencies across the Group are identified and addressed.
Monitoring the investment performance of our funds and solutions	The Board has continued to regularly scrutinise the investment performance being delivered by Quilter Investors and Quilter Cheviot for their respective customers. In a year of volatile markets with at times unprecedented market falls, the Board has continued to emphasise the importance of robust investment processes and strong monitoring of investment risk.
Monitoring how well we serve our customers	The Board has continued to guide the development of a comprehensive set of metrics to ensure that we are providing outstanding service to our customers. There is good evidence to confirm that Quilter has continued to provide strong customer service despite the challenges faced in 2020 when the first UK national lockdown coincided with the first phased migration to our new investment platform. Management reacted quickly when problems were identified in this difficult period.

Governance in action

Case study on capital management

Return of capital

In 2019 when the Board approved the sale of Quilter Life Assurance to ReAssure, the Board engaged with its major shareholders to obtain their views on the use of the sale proceeds. Having also discussed the matter with the Group's brokers, the Board agreed to return the sale proceeds to shareholders by way of a share buyback programme. The Board approved a programme with a value of up to £375 million, subject to remaining within certain pre-set parameters over share price and trading volumes. To ensure appropriate oversight, and given the challenges of buying back shares in a fairly illiquid stock on the UK and South African Stock Exchanges, the Board was clear that the programme needed to be subject to staged regulatory and Board approval. The Board delegated to the Return of Capital Committee, chaired by Glyn Jones, alongside the Chair of the Board Risk Committee, Rosie Harris, and the Chair of the Board Audit Committee, George Reid, with our Chief Executive Officer, Paul Feeney, and our Chief Financial Officer, Mark Satchel, authority to oversee the programme within the parameters set by the Board and consider on an ongoing basis whether the return of capital continued to be appropriate and in the best interests of our shareholders.

In March 2020, the Board was finalising our 2019 results at the same time as the first signs emerged that COVID-19 was likely to become a global pandemic. The Board Committee exercised close scrutiny over the programme to ensure that it remained in the best interests of our shareholders and, as part of our shareholder governance meetings held in February 2020, reconfirmed with our major shareholders remained supportive of the launch of a share buyback programme. Over the next few months, the pandemic impacted markets causing significant share price volatility globally. At a time when many other companies were suspending their dividend payments, we stayed in close contact with our lead regulators and monitored Quilter's share price, overall capital, liquidity and free cash. During 2020, the Committee met on three occasions and received updates from management regarding the progress of the share buyback programme and ensured that the Company stayed within risk appetite in terms of our capital, liquidity and free cash positions. Given the dislocations and volatility in markets during 2020, it has at times been challenging to maintain the pace of the share buyback programme, in part driven by the current structure whereby the programme is designed to buy back an equivalent number of shares on the London and Johannesburg Stock Exchanges to maintain our current shareholder profile.

Continuing to pay dividends in 2020

Since Listing, Quilter has paid two dividends a year, in May and September, in line with our published dividend policy. Before approving our 2019 full year results in March 2020, the Board gave careful consideration to the emerging situation with respect to the COVID-19 pandemic and agreed that it was appropriate to pay a final dividend of 3.5 pence per share, which was approved by shareholders at our Annual General Meeting in May 2020.

In the following months, Quilter, along with many other companies, paid close attention to our capital and free cash position and scrutinised what, if any, interim dividend it would be appropriate to pay in September 2020. Aware of the importance of our dividend to both private shareholders and institutional investors, including pension funds, the Board met in July 2020, to review in detail management's recommendation on the proposed dividend rate. We also remained in close and routine contact with our lead regulators regarding our thinking in respect of the dividend. Major shareholders consulted indicated that a smaller dividend at the lower end of the 40-60% target pay-out ratio would be acceptable given the market circumstances. Given our strong cash and capital reserves, the Board agreed that it would be appropriate to pay a 2020 interim dividend, but adopted a cautious position given the market conditions, progress on the share buyback and the business outlook at that time.

The Board has again deliberated in depth on the pay-out ratio and final dividend for 2020, which was announced in March 2021, once again taking into consideration our financial position, the market conditions and business outlook. The Board has recommended to shareholders a full year final dividend of 3.6 pence per share. This will be put to shareholders for approval at our 2021 Annual General Meeting.

Employee engagement

Paul Matthews
Independent Non-executive Director

I was delighted to be asked to succeed Cathy Turner as the employee representative on the Quilter Board. Quilter is fortunate to have employees who have a strong affinity with the Group and support its exciting strategy. During a period of rapid and sometimes difficult change to bring the business to full maturity, coupled with a global pandemic which has meant our employees have largely been operating remotely, it is impressive that employee engagement has remained strong during a challenging year.

The Quilter Board receives a wide range of information on Quilter's employees through the course of the year. This ranges from the regular updates on People and Culture presented by our HR Director, reports from the Chief Executive Officer on current people initiatives and feedback in response to such actions as well as analysis from our risk team on the people risks in our business. Our risk team have particularly highlighted the pressures on our employees resulting from the high volume of change in the organisation. None of these sources of information are as valuable as direct meetings with our people which I have tried to achieve in 2020 either virtually or in person.

Looking forward

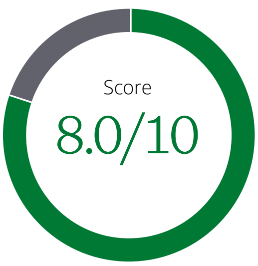
Having taken over as the Quilter Non-executive Director responsible for providing a linkage between the Quilter Board and our people in May 2020, and having so far met many people virtually, I am very much hoping to be able to meet more Quilter staff face-to-face in 2021. I hope that my interactions with the Quilter Employee Forum, the employee talent sessions the Board has recently relaunched and my regular visits to Quilter's offices around the country will soon be possible in person rather than virtually. In this hope, I will be joined by many of my fellow Directors who in more normal times would routinely travel to our various offices to attend townhalls or roadshows and benefit from the one-to-one conversations that this enables.

Key themes

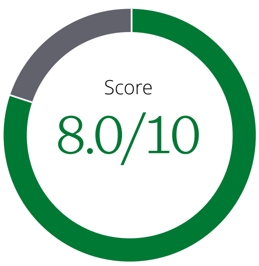
Supporting our people in difficult times

Quilter conducts regular surveys on employee engagement and during 2020 there was a particular focus on how well Quilter was supporting our employees through the pandemic and keeping them informed on a fast-moving and largely unprecedented situation. Having placed a high priority on employee wellbeing, with additional support provided by Quilter to both employees and advisers, it was reassuring that employees were appreciative of these efforts. This was confirmed by the strong results for specific questions in employee opinion surveys about Quilter's response to the pandemic and supporting our people. Employees also recognised the significant efforts made to ensure that they had the right tools to fulfil their roles after moving to remote working.

"Quilter is doing a good job of keeping me updated with the information I need right now"



"Quilter is doing a good job of supporting me during COVID-19"



Note: Quilter Peakon Survey September 2020.

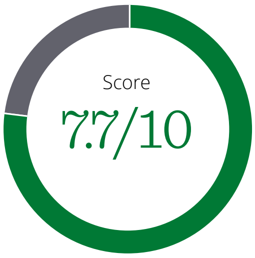
Key themes

Leadership

In difficult times, visible and vocal leadership becomes even more crucial and when I joined a meeting of the Quilter Employee Forum in September 2020, it was very clear that the efforts by the senior leadership team to be highly visible and accessible during remote working had been warmly welcomed by employees. Business and function leaders have successfully used video messaging to engage directly with employees. Employees shared with me their feedback that the cascading of key messages through line management was less effective and this will be an area of further focus going forward.

Good progress has been made in setting expectations for Quilter's leaders who are expected to demonstrate inclusive and responsible leadership practices and this is an area that the Board will monitor going forward.

"Senior leaders role-model the behaviours underpinning our values"



"My manager provides me with the support I need to complete my work"

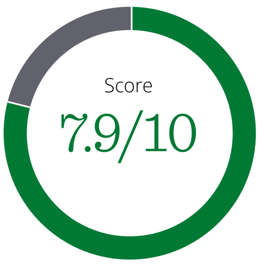
Aligning our culture and values to our strategy

The proportion of our people who are inspired by the purpose and vision of Quilter is above the norm for the financial services industry and the majority feel that the strategy is taking Quilter in the right direction. Our employees highlight the need to build a better understanding of the work of other businesses and departments to enhance the cohesion of the Group. This is an area where we can improve even further with enhanced communications. There is strong alignment for our employees with the Quilter values of Dependable, Stronger Together and Pioneering and all three were above the average for the financial services industry. Some employees noted an element of risk aversion in the business and the Board has asked to see more granular analysis of the culture at a business level so that any material differences can be addressed.

One important measure of a strong and healthy culture is the extent to which employees feel able to voice concerns knowing that they will be listened to and appropriate action taken. The communications to staff in this area have been refreshed during the year and the employee survey makes it easy to highlight areas of potential concern and ensure that the organisation learns the appropriate lessons when things do not go according to plan. George Reid, who is our Whistleblowing champion, also references this in the Board Audit Committee report.

"I am inspired by the purpose and vision of Quilter"

"The overall business strategy set by senior leadership is taking Quilter in the right direction"



"I feel able to report risks without fear of reprisal"

Note: Quilter Peakon Survey September 2020.

Board Corporate Governance and Nominations Committee report

Glyn Jones
Chairman

Dear Shareholder,
The Board Corporate Governance and Nominations Committee is responsible for overseeing the Quilter Corporate Governance Framework and for ensuring that the composition of the Board and the skills and experience present within our senior leadership team is appropriate to support the successful delivery of the Quilter strategy. Additionally, the Committee is responsible for overseeing the delivery of the Group's responsible business and responsible investing agenda. I set out opposite how the Committee has discharged its responsibilities in these areas.

In my Chairman's statement on page 15, I noted some of the changes to our Board. This work has been overseen by this Committee to ensure that we have a strong Board with diverse and relevant experience.

During the year the Committee undertook a thorough process to identify and assess candidates which resulted in the appointment of Tim Breeden to our Board. You can read more about the process and Tim's impressions on pages 106 and 107. The search in the second half of 2020 for an ethnically diverse Non-executive Director who could bring valuable additional skills and experience to our Board led to the appointment of Tazim Essani in March 2021. Tazim brings corporate finance, strategy and business transformation experience. During the year, the Committee continued to focus on the combined skillset and capabilities of the Directors to ensure their effectiveness in driving our transformation strategy forward. We also continued to fulfil our core responsibility of reviewing the composition of the Board and Committees.

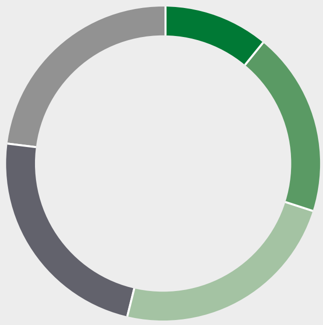
Based on its assessment for 2020, the Committee is satisfied that, throughout the year, all Non-executive Directors remained independent in accordance with the Code. In recommending Directors for re-election at our AGM, the Committee considered the performance of each Non-executive Director, as confirmed by the Board Effectiveness Review, and their ability to continue meeting the time commitment required, taking into consideration individual capabilities, skills and experiences and any relationships that have been disclosed. All Directors were considered to have the appropriate skills and experience for their roles.

In addition, the Committee has considered the overall strength of the executive talent pipeline, together with detailed executive succession planning aimed at supporting the development of executives who will support the delivery of Quilter's strategy. Further detail on executive succession planning can be found on page 103.

Glyn P. Jones

Glyn Jones
Chairman

Committee activity



- Board evaluation **11%**
- Board and Board Committee succession planning **19%**
- Executive succession planning and talent **24%**
- Corporate governance **23%**
- Responsible business framework **23%**

Committee governance

The Board Corporate Governance and Nominations Committee currently comprises the Chair of the Board and two independent Non-executive Directors. Details of the skills and experience of the Committee members can be found in their biographies on pages 84 and 85.

Evaluation
As part of the 2019/20 Board Effectiveness Review, the Board has assessed that the Committee membership is appropriate in providing challenge and oversight and that the Committee is operating effectively.

Discharging our responsibilities
The Committee reviewed its activities over the previous 12 months against its terms of reference and confirmed that it had fully discharged its responsibilities in line with its remit. The terms of reference are available at quilter.com.

Attendance
The Chief Executive Officer and HR Director regularly attend Committee meetings, except when it would not be appropriate for them to do so.

Collaboration
The Chairman briefs the Board on key discussions and provides a written report to the Board, where feasible, after each meeting. The papers and reports presented to the Committee are made available to all Quilter Non-executive Directors.

Committee meetings attended/eligible to attend

Glyn Jones (C)	**4**/4
Tim Breedon	**3**/3
Suresh Kana	**1**/1
Ruth Markland	**4**/4
Cathy Turner	**1**/1

Number of meetings

4

Key areas of Committee focus	
Board evaluation	Having completed a comprehensive, externally facilitated Board Effectiveness Review in 2019 the Committee concluded that a lighter touch, internally facilitated review would be appropriate in 2020. Further details on the review can be found in the report on page 105 from Ruth Markland, our Senior Independent Director, who oversaw the review at the Committee's request.
Board and Board Committee succession planning	The Quilter Board membership is regularly reviewed by the Committee using a Board Skills and Experience Matrix to ensure that the Board has available to it all of the required skills to oversee the delivery of Quilter's strategy and long-term success. In line with best practice, the Committee has also agreed the emergency succession arrangements for all of the key Board positions, including the Chairman of the Board, the Senior Independent Director and the Board Committee Chairs. Although strong candidates are available for each position on an emergency basis, it is still likely that some external recruitment would be required for permanent successors given that the Board is not large enough to carry a pool of succession candidates for all Board roles. Following Dr Suresh Kana and Cathy Turner's decision not to seek re-election at the AGM in May 2020, a search was commissioned to add at least one Non-executive Director to the Board. Details on the approach adopted to recruit Tim Breedon to the Board are set out overleaf. When Jon Little decided to step down from the Board in light of his other commitments, a further search was initiated, and the decision was taken to prioritise an ethnically diverse candidate who would also bring valuable additional skills and experience to the Board. The Board was also keen to continue to meet the target set by the Parker Review following the departure of Suresh Kana. That search resulted in the Committee recommending the appointment of Tazim Essani to the Board in March 2021. Further information on the diversity of our Board can be found on the following page.
Executive succession planning and talent	The Committee has also spent considerable time evaluating the succession plans for senior executive roles. This included an assessment of the strengths of the senior management team, any development areas and the plans in place to address those. The succession plans sought to identify both emergency succession arrangements as well as longer-term succession candidates from those already in the business. In conducting the review of these succession plans the Committee carefully considered the need to create a pipeline of succession candidates that are suitably diverse in order to achieve the Group's objectives in this area which are discussed in more detail overleaf. The Board has for some time held breakfast meetings with talented individuals within the organisation. Once it became clear that restrictions on face-to-face meetings would be relatively long lasting, the decision was taken to move these talent successions to be virtual meetings. We are very pleased to have reinstated this important link to potential future leaders of our business.
Corporate Governance	The Quilter Corporate Governance Framework places material emphasis on the role of our subsidiary Boards and during the year the Committee supported the changes to the Quilter Financial Planning and Quilter Investors Boards. Both Boards now have new Chairs and, given the importance to our customers of strong investment performance, the Quilter Investors Board has established an Investment Oversight Committee focused on reviewing investment processes, rules, controls and performance outcomes. The Group's Subsidiary Governance Manual has been reviewed and an updated version was approved by the Committee early in 2021 that clarifies some of the reporting and escalation processes from subsidiary Boards.
Responsible business and responsible investing	The pace of change and strong interest in responsible business and responsible investing has continued to accelerate. A comprehensive review of the enhanced reporting now expected by investors has been conducted and the Group's response to those new expectations can be seen in the Responsible Business report on pages 46 to 59. The Committee has also taken a keen interest in the development of a responsible investing strategy. Responsible investing is an area where Quilter sees significant potential to leverage Quilter's unique skills. This is discussed in more detail in the Chief Executive Officer's statement on page 26.

Key areas of Committee focus (continued)

Board diversity and inclusion

The Board and the Board Corporate Governance and Nominations Committee have given significant consideration to the diversity of the Board and our workforce. A range of initiatives have been launched or reinvigorated during the year to drive diversity and inclusion across our businesses. These include establishing an Inclusion and Diversity Steering Committee chaired by Paul Feeney, creating networks for BAME and LGBT+ colleagues and the adoption of diverse short-lists for all roles at Executive Committee level and the executives who report to them. A range of family-friendly policies have been implemented during the year. Significant progress has been made in collecting comprehensive data on the diversity of our workforce to provide the basis for further targeted action. It is also pleasing that Quilter met its target of 35% of leadership roles being held by women. As at 31 December 2020, 26% of our senior management team, comprising the Executive Committee, the Company Secretary and their direct reports, are female but it is clear that more needs to be done.

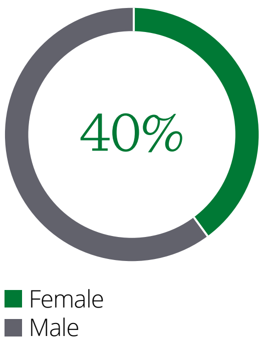
The Board acknowledges that it has an obligation to both role-model and drive a culture of diversity and inclusion across Quilter. Consideration is given to the combination of skills, professional experience and personal qualities that are present and required on the Board in line with its stated intent to create a more diverse membership. All appointments are made on merit, taking account of the skills, experience, knowledge and background needed to ensure a rounded and effective Board. There is more to be done to ensure the continued diversity of the Board and creating opportunities for all is critical, so that a robust pipeline of diverse candidates is available. We will continue to strongly pursue these goals.

No members of the Quilter Board identify as having a disability or as coming from the LGBT+ community. As shown below, the composition of the Quilter Board meets the recommendations of the Hampton-Alexander Review for one third of its members to be women. This requirement has been met at all times since the Group's Listing in June 2018 and three of the Board's five Committees are chaired by female Directors. The Committee has carefully considered the recommendations of the Parker Review and the Board's membership met its requirement to have at least one ethnically diverse Director on the Board up until May 2020, when Suresh Kana decided not to seek re-election at the 2020 AGM. The Board Corporate Governance and Nominations Committee launched a search in the second half of 2020 for a Non-executive Director who could bring valuable additional skills and experience to the Board from an ethnically diverse background. The Committee identified a short-list of candidates who met these criteria and recommended the appointment of Tazim Essani to the Board. The composition of the Quilter Board once again aligns with the Parker Review's recommendations. During the year the Committee recommended to the Board the adoption of a new Board Diversity Policy which is available on the Quilter website at quilter.com.

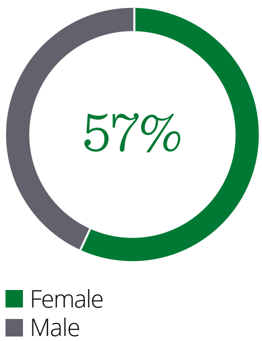
Read more in the Responsible Business Report
Pages 52 and 53

Four of our seven Board leadership roles are held by women. The Board currently comprises nine white Directors and one ethnically diverse Director.

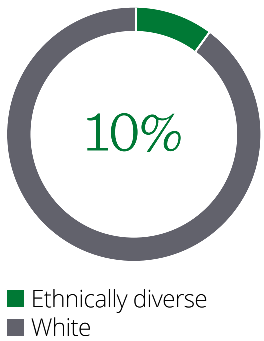
Current female representation on Board



Current female representation in Board leadership roles



Current ethnic diversity of the Board



Board leadership roles are the Chairman, Senior Independent Director and Chairs of our five Board Committees.
Data as at 10 March 2021.

Board effectiveness review

Ruth Markland
Senior Independent Director

The 2019/20 Board effectiveness review concluded that our Board and Committees are fully effective.

Having overseen the externally facilitated Board effectiveness review in 2019 the Board Corporate Governance and Nominations Committee also asked me to oversee the internal review conducted in 2020. The review was conducted by way of a questionnaire which was completed by all Board members in September 2020 (except for Tim Breedon who had recently joined the Board, in June 2020) and a small number of executives who work closely with the Board. The questionnaire used for the evaluation was similar to that used for the 2019 review so that trend data was available, and it covered the performance of the Board, each of its Committees and individual Board members.

I am pleased to report that the review concluded that the Board and the Board Committees continue to be fully effective in the discharge of their responsibilities. As usual, the review identified a small number of areas where improvements could be made. An action plan to address those areas of focus was agreed by the Board in November 2020 and the Board Corporate Governance and Nominations Committee is monitoring the delivery of that action plan.

The Board effectiveness review included individual feedback for each Non-executive Director and the Chairman. Using the results of the review, the Chairman held one to one feedback meetings with each Non-executive Director. After consulting with my fellow Non-executive Directors as Senior Independent Director, I then provided the feedback to the Chairman.

2019/20 effectiveness review and action plan

2019/20 effectiveness review

- **Decision taken to conduct a lighter touch internally facilitated Board effectiveness review in 2019/20;**
- **Internally facilitated review conducted in September 2020 by using a questionnaire designed to assess progress on issues identified in previous review;**
- **Outputs of the 2019/20 Board and Committee effectiveness review debated and agreed; and**
- **Action plan to address issues identified and agreed by the Board and each Board Committee.**

The action plan approved by the Board in response to the Board effectiveness review included actions to:

- **Review the management information and key performance indicators used to oversee the progress and performance of the business;**
- **Share additional reporting on succession planning with the Board;**
- **Introduce additional reporting from the subsidiary Boards; and**
- **Share more granular reporting on culture at a business level with the Board.**

Refreshing the Board

Glyn Jones
Chairman

Q. How does the Board decide to appoint a new NED?

The Board Corporate Governance and Nominations Committee is responsible to the Board for ensuring that the Board composition is appropriate for the successful delivery of the Quilter strategy. As part of that responsibility, the Committee has agreed and reviews on a regular basis a Board Skills and Experience matrix which identifies the skills and experience that are required to deliver Quilter's strategy and promote the long-term success of Quilter. Directors' skills and experience are mapped to this matrix and this enables areas where further strength is required to be identified. The Board also considers Board composition as part of the Board Effectiveness Review which you can read more about on page 105 and is led by the Senior Independent Director, Ruth Markland.

Q. Why did the Board need a new non-executive Director?

As stated in our 2019 Annual Report, when Cathy Turner and Dr Suresh Kana indicated their intention not to seek re-election to the Quilter Board at the 2020 Annual General Meeting, the Board Corporate Governance and Nominations Committee agreed that an external search should be conducted to identify at least one new Non-executive Director.

Q. What skills and experience were you looking for?

The brief the Committee agreed was to conduct a search to find a candidate who could bring strong listed company CEO experience and ideally a track record as a strong independent Non-executive Director with public company experience to further strengthen the Board. Tim's candidacy exceeded our criteria, as he also brings a strong risk, governance and investor lens to our Board. I am delighted we were able to appoint a director of Tim's calibre and experience.

Q. How did you approach the search?

An external executive search firm, Egon Zehnder, was engaged to assist in the recruitment. Egon Zehnder have no other connection to Quilter or any individual director. In line with our Board Diversity Policy, we only engage search firms who have signed up to the voluntary Code of Conduct on both gender and ethnicity. A long-list of candidates was identified by the search firm, from which a short-list of three candidates was interviewed in the first instance by me, our Chief Executive Officer and our HR Director. The candidates were independently ranked by us against the agreed selection criteria and there was unanimous agreement that Tim Breedon was the outstanding candidate based on his stronger track record in both the executive and non-executive phases of his career. Second round interviews were conducted with, amongst others, the Senior Independent Director, the Chairs of the Board Audit and Board Risk Committee, and independent references were taken up by the Chairman. The Board Corporate Governance and Nominations Committee considered feedback from the interviews and the references, alongside an analysis of Tim's other directorships to assess whether there were any conflicts of interest or any issues in terms of his ability to commit the appropriate time to Quilter. Having concluded that there were no impediments to the appointment, and that Tim's skills and experienced mapped strongly to the vacancy, the Board Corporate Governance and Nominations Committee recommended Tim's appointment to the Board for their approval.

Q. How did you change your recruitment process to take account of remote working?

For the first time in my career, this entire search was conducted virtually. All the key decisions to commence the search and all the meetings between the short-listed candidates and the Directors were conducted by video conference.

Q. How did you keep the whole Board informed on progress of the recruitment?

As Chairman, I kept the Board Corporate Governance and Nominations Committee informed on progress and briefed the Board in full on the process and the proposed appointment for their approval. A detailed Board paper and action plan were shared with the Board.

Tim Breedon shares his thoughts on joining the Quilter Board

Tim Breedon
Independent Non-executive Director

Q. How much did you know about Quilter before joining the Board?

As a result of my range of non-executive director roles across the UK financial services industry I was very aware of Quilter and its ambitions, and I had observed with interest the Company's successful listing and its continued progress thereafter. I admired the entrepreneurial nature of the leadership team and the careful stewardship by the Chairman. It is a young and exciting business with a clear strategy and a strong sense of purpose.

Q. Why did you want to join Quilter and what skills and attributes do you bring to the Board and Quilter?

Having been a CEO of a FTSE-100 company operating in the UK long-term savings market, I intend to bring challenge, advice and support to Quilter management on business performance and decision making, as well as working with my fellow Board members in developing strategy and overseeing the delivery of long-term success for Quilter. I particularly enjoy working with management teams to help them to identify and exploit competitive advantage to deliver strong and sustainable business growth.

Q. Joining during a pandemic, how did you get to grips with your new role?

It is testament to the Chairman, the Board and many Quilter colleagues that I have felt so warmly welcomed, particularly as due to pandemic restrictions, I have so far only been able to participate in person at the annual strategy day. Quilter have arranged access to secure technology that has enabled me to join meetings and hold calls via secure video conferencing. Whilst I miss personal interactions, this has been a good substitute for face-to-face meetings.

Q. How long did it take to complete your induction?

I was very impressed with the speed, thoroughness and quality of the induction Quilter arranged for me. It was detailed and well-structured. Corporate Secretariat made arrangements for the induction and necessary background materials to be made available in a secure Board portal, and I met Quilter Executives by video conference or telephone. The induction was completed promptly, and I am still learning about Quilter. It takes time to get to know a business and I am conscious that there is always more to do.

Q. What are your first impressions of Quilter and its culture?

Despite Quilter's long history as part of the Old Mutual Group, it only became a listed company in 2018. As a result it is a maturing business, changing rapidly, and is still working towards fully achieving its desired business shape. It has grown quickly through acquisition and there are opportunities to further integrate the various elements and to bring the Quilter Group together more. Rebranding is an important part of this and the exercise is well underway to symbolically demonstrate a cohesive group. Now that the new investment platform is operational, the Group has what it needs to move forward rapidly to grasp the strategic opportunities ahead.

Q. What do you see as the main opportunities and challenges for Quilter?

The financial services industry has been under pressure for some time now, challenged by global political and economic change, market instability, increased regulatory scrutiny and now a global pandemic. The external headwinds are strong, but I am confident that Quilter is poised to deliver on its potential and I am excited about how I can support management on the next stage of their journey.

Board Audit Committee report

Dear Shareholder,
An important role for the Committee throughout the year, and particularly during the COVID-19 pandemic which required the vast majority of our employees to perform their roles remotely, has been providing robust governance over the Group's financial reporting. During the year, we took the decision early to defer the release of the Group's 2020 interim results by a few days in order to ensure we could deliver a robust set of financial statements, notwithstanding the remote working environment and the recent change of external auditors. Maintaining the transparency and integrity of our financial statements is of vital importance to our stakeholders, particularly in a period of significant market volatility.

The Committee has continually assessed the state of the financial control environment throughout the year and is content that remote working has not led to any significant weakening in the operation of our internal financial controls and the controls over our financial reporting. We have continued to oversee the modernisation and optimisation of the finance function and the preparations for the migration to a new General Ledger. The first phase of the migration has now completed safely and as the work progresses the Group will adopt increasingly automated controls providing real time assessments of control effectiveness. The Committee also spent time reviewing the impact of the Platform Transformation Programme on financial controls and reporting. Further information on how the Committee has overseen the Group's financial reporting and controls can be found on pages 109 to 112.

Another area where the pandemic required us to adapt our usual approach was the work of the Internal Audit function. The Committee took swift action following the onset of the pandemic to agree a revised set of priorities and a more flexible planning approach for the Internal Audit function, further details of which are set out on page 113.

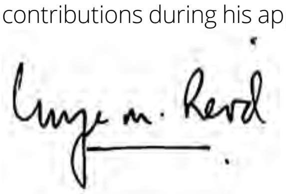
I reported to you last year that, following a detailed and comprehensive audit tender process, the Board would be recommending the appointment of PwC as the new auditors for the Group. PwC were formally appointed by our shareholders as the Group's statutory auditors at the Annual General Meeting in May 2020. During the year, the Committee has closely monitored the auditor transition process and the preparations for and delivery of PwC's first audit to ensure their effectiveness. Further details on the external auditor transition process are set out on page 115.

There is further information on how the Committee has discharged its role over the coming pages covering the following areas:

Key areas of Committee focus:
- Internal Audit;
- external audit, including the auditor transition; and
- committee governance

Looking ahead, the Committee will be focused on ensuring that the completion of the Platform Transformation Programme and the launch of the new General Ledger are fully leveraged to continue enhancing the Group's internal financial control environment. The Committee has set a clear set of objectives for what will be needed to achieve these enhancements, informed by the Controls Maturity Assessment conducted by PwC, and I will report on the progress made in the 2021 Annual Report.

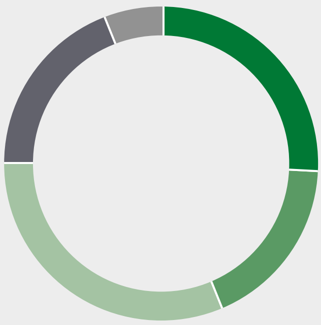
I would also like to take this opportunity to thank Suresh Kana, who served on the Committee until May 2020, for his insightful contributions during his appointment.



George Reid
Chair

George Reid
Chair

Committee activity



- Review of financial statements **26%**
- Internal controls **18%**
- Internal and external audit **31%**
- Regulatory compliance and reporting **19%**
- Governance **6%**

Committee meetings attended/eligible to attend

George Reid (C)	**13**/13
Rosie Harris	**13**/13
Suresh Kana	**5**/5
Ruth Markland	**13**/13

Number of meetings

13

Key areas of Committee focus

Key area	Purpose
Financial reporting	The Group's accounts are prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain Alternative Performance Measures ("APMs") are used to add insight for Quilter's shareholders on the performance of the business, aligned with how the business is managed. The Committee has continued its close scrutiny of APMs to ensure that where they are used they are clearly highlighted and explained and are reconciled to statutory performance measures. The Committee has reviewed the Accounting Policies and confirmed that they are appropriate to be used for the 2020 financial statements. Specific attention has been paid to the disclosures made in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, particularly the assumptions regarding provisions and unrecognised deferred tax assets. During the year, the Committee has also reviewed the preparations for IFRS 17 Insurance Contracts and its impact on the Group despite the delays in the implementation of this new standard and the reduced impact following the sale of the Quilter Life Assurance business. The Committee has reviewed the basis of accounting, the appropriateness of adopting the going concern basis of preparation for the Group's financial statements, and the Group's viability statement. In doing so, the Committee considered: – the Group's three-year Business Plan which includes consideration of the economic, regulatory, competitive and risk environment; and – the latest Group own risk and solvency statement, and internal capital adequacy assessment process, which cover current and future risk profile and solvency positions based on a series of core assumptions, stress tests and scenario analysis. The form of the viability statement and period covered by the statement were specifically considered by the Committee. The Committee was satisfied with the content of the viability statement and supported the time period of the statement which aligns with the three-year internal financial planning cycle. The viability statement can be found on pages 78 and 79. The Committee reviewed and challenged the Interim Results for 2020 and the Annual Report for 2020, which included consideration of changes to comparative amounts of the consolidation of funds and the associated disclosures. The Committee's reviews for the interim and full year were supported by analysis and discussion provided by the Finance and Actuarial teams, reports from the second line of defence on the solvency position and the reports of the external auditors. Having considered these inputs and the Committee's own independent judgements, the Committee recommended to the Board the approval of each of these sets of financial statements.

Key areas of Committee focus (continued)

Key area	Purpose
Accounting judgements and estimates	The Committee has continued to receive good support from the Quilter finance team which has enabled it to consider in advance of the end of each reporting period the approach that it would wish to take on the key areas of judgement and estimates that impact the financial results. Critical judgements and estimates, including principal estimates, deliberated by the Committee during review of the 2020 Annual Report included the treatment of:

Area of focus	Issue/role of the Committee
Lighthouse pension transfer advice provision and insurance recovery asset	The Committee reviewed the basis for recognition of the provision, in accordance with the requirements of IAS 37, and the estimates involved in the calculation. The information available as part of the skilled persons review, and how this was applied in the calculation of the provision by management, was considered and challenged where appropriate. The Committee also reviewed the judgements applied by management in determination of the insurance recovery asset. The disclosures in the Group's financial statements were reviewed to ensure compliance with IFRS.
Deferred tax assets	The approach taken for the recognition of deferred tax assets, and the estimations and assumptions used, were reviewed by the Committee, along with consideration of the associated disclosures in the Group's financial statements for compliance with IAS 12.
Impairment of goodwill	The Committee considered the appropriateness of the key assumptions underpinning the Group's goodwill impairment testing, and the sensitivities modelled, which required more focus this year in light of the COVID-19 and the impact on the Group. The Committee reviewed the associated disclosures in both the half-year and year-end financial statements to ensure these met the requirements under IFRS, and provided the relevant information to the readers of the financial statements.

In addition, the key performance indicators to be included in the Strategic Report were approved by the Committee and the Committee is content that they have been appropriately disclosed. Many of the above key areas of judgement and estimates are also commented on by PwC in their Auditor's Report on pages 158 to 166. The Committee has carefully reviewed the contents of PwC's opinion and considers that PwC's views on these areas are closely aligned with those of the Committee.

Key areas of Committee focus (continued)

Report	Purpose
Fair, balanced and understandable	There has been a comprehensive review process to support the Board in reaching its conclusion that the 2020 Annual Report is fair, balanced and understandable and whether it provides the necessary information for shareholders to assess the Group's position, performance, business model and strategy. The process which enabled the Committee to reach this conclusion included: – the production of the 2020 Annual Report, managed closely by the Chief Financial Officer, with overall governance and co-ordination provided by a cross-functional team of senior management; – cross-functional support to drafting the 2020 Annual Report which included input from Finance, Risk, Investor Relations, Corporate Secretariat, HR and wider business leaders; – a robust review process of inputs into the 2020 Annual Report by all contributors, to ensure disclosures were balanced, accurate and verified, with further comprehensive reviews by senior management; – a review by the Company Secretary of all Board and Board Committee minutes to ensure all material matters considered at Board-level meetings have been disclosed in the 2020 Annual Report; – a specific management paper detailing the 2020 year-end assessment of fair, balanced and understandable; – a formal review by the Board Audit Committee of the draft 2020 Annual Report in advance of final sign-off; and – a final review by the Quilter Board of Directors. Having carefully reviewed and considered all relevant information, the Committee is satisfied that, taken as a whole, the 2020 Annual Report is fair, balanced and understandable and has confirmed that to the Quilter Board. This process was also undertaken in respect of the Group's 2020 Interim Results to ensure that, taken as a whole, based on the information supplied to it and challenged by the Committee, they were fair, balanced and understandable, and the Committee advised the Board to that effect.

Key areas of Committee focus (continued)

Report	Purpose
Controls over financial reporting	As reported in prior years, there is an ongoing programme of work to strengthen and enhance the internal financial controls and governance framework that underpins the Group's financial reporting. This work is being closely monitored by the Committee and management have continued to report on the state of the financial control environment throughout the year, which has shown that good progress is being made towards delivering the enhancements required. The Committee has also spent time overseeing the work to ensure adequate controls on the financial reporting processes for the new investment platform and reviewing the state of the financial control environment within the Quilter Financial Planning business, given the recent restructure of its finance team and the number of acquisitions undertaken in recent years. The Committee has received frequent updates from the Head of Financial Control on how the Finance function has operated and maintained the effectiveness of financial controls and financial reporting processes given the national lockdowns, which required the majority of finance staff to work remotely. To ensure sufficient focus on this key area of work, we agreed to defer our 2020 interim results announcement by a few days. We have also analysed the increased risk of fraud driven by the pandemic and the mitigating actions taken in response. As part of the process to review and challenge the 2020 financial statements, the Committee considered the processes and controls in place to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements. The Chair of the Committee has reported on this to the Board.
Alternative performance measures	The Committee understands that APMs are an area of particular focus in terms of the understanding of the Group's financial statements by shareholders and other stakeholders and the enhancements made to these disclosures in 2019 have continued to be refined in the 2020 Annual Report. Careful consideration has been given to these disclosures and the Committee is satisfied that they provide clear definitions and explanations of the APMs, as well as a reconciliation of the APMs to the nearest IFRS measure which has been cross-referenced to Quilter's KPIs. See pages 270 to 273.
CASS compliance	Monitoring compliance with the CASS rules, and the programmes of work under way in each of the regulated businesses to maintain appropriate CASS controls, is crucial to protecting the interests of Quilter's customers. The Committee performs this role by reviewing reports on CASS produced by the internal and external auditors, the second line of defence and by management. This has included overseeing the impact of our Platform Transformation Programme on our CASS processes and controls and the performance of third-party suppliers who manage the CASS arrangements in certain parts of the business. We have also heard from management about the challenges faced by the businesses in maintaining the CASS control environment while operating remotely due to the pandemic and the actions taken to mitigate any increased risk.
Regulatory reporting	During the year, the Committee reviewed, challenged and recommended to the Board for approval the Solvency II reporting for the Quilter businesses for the 2019 year end and, in doing so, were supported by detailed reports on the disclosures from management, the second line Actuarial function and the external auditors. The Committee also scrutinised and approved the methodology and assumptions to be applied to the 2020 year-end Solvency II reporting and reviewed the 2020 year-end consolidated Capital Requirements Directive IV disclosures for the Group ahead of their publication on Quilter's website.
Whistleblowing	Quilter is committed to ensuring a transparent and open culture that encourages employees to speak up. To support this, it is important that the Group's whistleblowing arrangements are not only effective in practice but are seen by staff and all other stakeholders as being fair, safe, rigorous and effective in addressing concerns. During the year, the Committee has reviewed the effectiveness of the whistleblowing processes in place across the Group and reviewed the details of specific whistleblowing complaints and the outcome of management's investigations. The Committee has continued to encourage management to embed a "speak up" culture in the organisation and to find new ways to test that issues are being raised by our people. The Chair of the Board Audit Committee is the Whistleblowing Champion for Quilter.

Key areas of Committee focus (continued)

Report	Purpose
Internal Audit	Quilter's shareholders and customers can take comfort that the Group's Internal Audit function is mature, appropriately focused and functioning efficiently and effectively. The Chief Internal Auditor attends all meetings of the Committee and has reported in detail on the work conducted by Internal Audit including key statistical analysis on the results of its work, the pace at which management are addressing any issues raised and the extent to which management have self-identified the issues being raised by Internal Audit. This is an important indicator of the maturity of the Group's control framework and this measure is tracked closely. The Committee has regular meetings with the Chief Internal Auditor without management present, in accordance with best practice. In March 2020, an urgent review was undertaken to identify measures that the Internal Audit function could reasonably take to ensure the welfare of its staff and to support the wider business in navigating the COVID-19 pandemic, whilst maintaining its effectiveness and delivering on its mandate. The Committee approved a revised Internal Audit plan, which involved postponing several non-critical reviews and introducing new audits specifically driven by the pandemic, including the remote working control environment. We reviewed the Internal Audit plan on a regular basis, to ensure it remained flexible and appropriate throughout the year given the fast-moving situation. In November 2020, the Committee approved a risk-based Internal Audit plan for 2021 focused on the most critical areas for the Quilter business and supporting the delivery of good customer outcomes. The Internal Audit plan was formulated to complement the second line of defence's plan for 2021 and was reviewed in conjunction with the Board Risk Committee. The Chief Internal Auditor has confirmed that he has the necessary resources to deliver the 2021 Internal Audit plan, including having contingency resources in place to ensure that they can respond to unexpected demands. It had been Quilter's intention to commission an external quality assessment of the Internal Audit function in 2020, however, in light of the pandemic, the Committee took the decision to defer the external quality assessment to 2021. Instead, the Committee commissioned an internal review of the effectiveness of the Internal Audit function, which sought views from key stakeholders across our businesses and central functions. The outputs of this review demonstrated that the Internal Audit function is operating effectively, is highly regarded by senior management and makes a strong contribution to the control environment across the Group. The function scored highly for independence, objectivity and integrity. The Internal Audit function was encouraged to continue to enhance its use of technology to maximise efficiency in delivery of its work.
External audit	It is crucial that Quilter benefits from a robust, high-quality external audit conducted by an independent and professional audit firm. To this end, the Committee has received regular and detailed reports from the external auditors throughout the period, covering all aspects of their work. The Committee has also assessed management's response to the external auditors' internal control findings. In advance of each Board Audit Committee meeting, the Chair of the Committee meets separately with PwC's lead audit partner, Mark Pugh, to ensure the discussions at Committee meetings are appropriately focused, challenging the conclusions reached by management as well as the audit work performed thereon. Following the external audit tender conducted in 2019, PwC were formally appointed as the Group's statutory auditors for the 2020 financial year by shareholders at the 2020 AGM. Mark Pugh has been the lead audit partner for Quilter plc since PwC's appointment. Details of the auditor transition process are provided on page 115. The Company has complied with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the financial year ended 31 December 2020.

Key areas of Committee focus (continued)

Report	Purpose
Auditors' remuneration	

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Fees payable for audit services		
Group and Parent Company	1.8	1.0
Subsidiaries	2.8	2.7
Additional fees payable to KPMG LLP related to the prior year audit of the Group	0.7	–
Total fees for audit services	5.3	3.7
Fees for audit-related assurance services	1.6	1.1
Total Group auditors' remuneration – continuing operations	**6.9**	4.8
Total Group auditors' remuneration – discontinued operations	**–**	0.2
Total Group auditors' remuneration	**6.9**	5.0

PwC partners and staff have attended all meetings of the Committee since their appointment, withdrawing only when their attendance would be inappropriate. PwC have contributed strongly to discussions on Quilter's financial statements, the financial reporting processes and key accounting and reporting judgements. In November 2020 a survey was conducted by the Company Secretary of management's initial assessment of PwC's performance across a range of criteria including independence, effectiveness, objectivity, industry knowledge, efficiency and service quality. The results of that survey concluded that PwC had performed strongly and delivered an effective service overall for the Group since appointment, including managing the transition to taking on the audit in spite of the challenges of remote working. Accordingly, PwC are recommended for re-appointment by shareholders at Quilter's AGM to be held in May 2021.

Committee governance

The Board Audit Committee currently comprises three independent Non-executive Directors. The Chair of the Committee has recent and relevant financial experience and the Committee as a whole has competence relevant to the business sectors that Quilter operates within. Details of the skills and experience of the Committee members can be found in their biographies on pages 85 to 87.

Evaluation	As part of the 2019/20 Board Effectiveness Review, the Board has assessed that the Committee membership is appropriate in providing challenge and oversight and that the Committee is operating effectively.
Discharging our responsibilities	The Committee reviewed its activities over the previous 12 months against its terms of reference and confirmed that it had fully discharged its responsibilities in line with its remit. The terms of reference are available at quilter.com.
Attendance	Other Non-executive Directors have attended certain meetings of the Committee throughout the year, in the interests of assisting with their own responsibilities and understanding the work of the Board Audit Committee.
Collaboration	The Chair briefs the Board on key discussions and provides a written report to the Board after each meeting. The papers and reports presented to the Committee are made available to all Quilter Non-executive Directors. The Committee has continued to work collaboratively and effectively with other Board Committees, particularly the Board Risk Committee and the Board Technology and Operations Committee, on matters such as the oversight of the Platform Transformation Programme and the approval of the Internal Audit plan. The Committee also relies on, and is supported by, the detailed work conducted by the Audit Committees and Governance, Audit and Risk Committees of Quilter's significant subsidiaries.

Auditor transition

PwC provided regular updates to the Committee on the status of the external auditor transition process throughout 2020. Despite some challenges presented by the COVID-19 pandemic which required most of the transition process to be completed remotely, all required work was completed on time with close collaboration from the outgoing auditors, KPMG.

Key elements of the transition process:

Independence	It was confirmed to the Committee that all non-audit assignments conducted by PwC in 2019 had been completed and PwC confirmed their independence with effect from 1 January 2020.
Shadowing	PwC started to attend the meetings of the Quilter Board Audit Committee alongside KPMG in December 2019 and once their independence was confirmed they commenced the review of KPMG's audit files and working papers so they could effectively shadow KPMG through the 2019 year-end audit process.
Walk-throughs	Full virtual walk-throughs of key business processes were conducted and meetings held with management to enable PwC to gain a full understanding of the Quilter business and its control environment in preparation for their first interim results review and statutory audit.
Audit planning	PwC presented their audit plan for the 2020 year-end statutory audit to the Committee, including the timetable, significant risks and the impact of the pandemic.
Controls Maturity Assessment	As was agreed as part of the Audit Tender process, PwC used the information gained through the audit transition process to provide the Committee with a benchmarking Controls Assessment across the Group. While overall this confirmed that the Group's control environment is within PwC's experience range for similar financial services firms, helpful guidance was provided on areas where improvements could be made.

Board Risk Committee report

Dear Shareholder,
During 2020 the Committee maintained focus on the impact of macro-economic developments and geopolitical issues on the delivery of the Business Plan. This included the UK withdrawal from the EU and the US Presidential elections. However, the year was also dominated by the sudden and extreme impact of the global COVID-19 pandemic. All of these factors created headwinds for net client cash flow, profitability and margins.

As you can read in more detail on the following pages, the pandemic rapidly changed the nature and scale of some of Quilter's key risks, particularly our operational risks as colleagues moved to work remotely, the risks for our people of this new way of working, and capital and liquidity risks resulting from more volatile market conditions.

The Group's conservative risk appetite has been maintained and despite the stresses of market volatility and lack of consumer confidence there have been no breaches of targets. We continued close scrutiny of capital and liquidity appetites and no issues have arisen.

The growing maturity of the Risk Framework has helped minimise the risks of moving rapidly to a remote working environment. The emphasis given by management to staff and client safety, both physical and digital, was clear to the Committee. We were assured by the work of both the Risk function and Internal Audit that the risk and control framework remained robust through the year.

Unsurprisingly, as the scale and longevity of the pandemic became clear, we agreed changes to the plans of the Risk and Compliance teams to enable them to concentrate more effort on the most important risks. We postponed our plans to review the effectiveness and performance of the risk function to enable our colleagues to focus on the changing risk profile. I am pleased to confirm that despite only meeting once in person in 2020, and holding the rest of our meetings by telephone and video conference, the Committee has concluded as part of the 2019/20 Board effectiveness review that we discharged our responsibilities in full.

Despite a challenging external environment, Quilter has continued to successfully deliver the internal changes necessary to bring our business to full maturity, although there is still more to do. Since Listing, our business has continued to evolve and we were able to capitalise on the growing maturity of the embedded Risk Framework to focus our time on key business risk issues, such as oversight of our advice business. At the request of the Board, this Committee has taken on additional scrutiny of how our advisers do business and, when appropriate, we will invite the Chairs of the Governance, Audit and Risk Committees of our Business Oversight Boards to join our meetings to ensure the Board Risk Committee is well informed and cognisant of their view of their risk profile. Our scrutiny will provide comfort to our stakeholders that we manage this business for our customers in a safe and controlled manner.

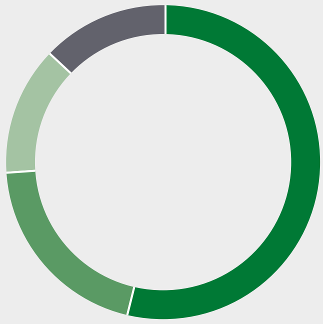
We were pleased to welcome Tim Breedon to the Committee in June 2020. Tim brings great experience and highly relevant skills to our membership.

R Harris

Rosie Harris
Chair

Rosie Harris
Chair

Committee activity



- Top risk oversight **54%**
- Risk appetite and profile, including capital and liquidity **20%**
- Change programmes **13%**
- Regulatory change **13%**

Committee meetings attended/eligible to attend

Rosie Harris (C)	**9**/9
Tim Breedon	**5**/6
Moira Kilcoyne	**9**/9
Paul Matthews	**9**/9
George Reid	**9**/9

Number of meetings

9

Key areas of Committee focus

Report	Purpose
Being operationally resilient and supporting our stakeholders during a global pandemic	Since March 2020 when the far-reaching implications of the pandemic became clear, this Committee has focused on supporting management as they rapidly mobilised colleagues to work remotely whilst ensuring Quilter was open for business. This demanded a careful balance to manage colleague and adviser wellbeing, whilst ensuring that the necessary internal controls were operating effectively given the change in working practices and also to ensure the new risks arising from remote working were mitigated. I am pleased to report that there is no evidence of any degradation of controls during this period. Indeed, we have strongly encouraged management to capitalise on the efficiencies that remote working necessitated and embed improved business practices in a controlled manner. We challenged management through the year to consider any adverse impact on the risk profile. As the external market conditions became more volatile, the Committee continued to monitor closely the Group's capital and liquidity and I am pleased that we remained strongly capitalised, with liquidity remaining within risk appetite. A further important role of the Committee is to ensure that the control framework is strong and that the Group's stress and scenario planning is comprehensive and robust. During the year, the Committee debated extensively the scenarios used for our stress testing and approved these on behalf of the Board. The parameters for the own risk and solvency assessment ("ORSA") and internal capital adequacy assessment process ("ICAAP") reports were scrutinised and adjusted in response to the tightening of market conditions during the year so that they were performed on a more prudent basis. In addition to the heightened risks for our people, we were mindful that our business is reliant on the services provided by other suppliers who were also likely to be impacted by the pandemic. To that end, we received regular updates on the performance of our third-party suppliers, in collaboration with the Board Technology and Operations Committee who monitor our most important technology suppliers, to ensure that our business was operationally resilient and secure.
Managing Quilter's top risks	Our Chief Executive Officer and Chief Risk Officer update us at least quarterly on their views of the top risks facing Quilter, how management are mitigating these risks and how this compares to agreed risk appetite. This enables us to commission further in-depth updates on topics of material interest. For our top risks we asked business leaders for their analysis of the key risk issues and invited comments from our second line risk team, colleagues in internal audit and our external auditors. Where our risk profile was heightened, for example on operational resilience for our systems and controls or our people as a result of the pandemic, we received more frequent updates to keep pace with the fast-moving environment. The Board asked us to act on its behalf to apply additional scrutiny on Advice Risk in Quilter Financial Planning. We have asked to receive half yearly updates on the work to enhance the control environment in that business. We will also continue to oversee management's efforts to embed the lessons learnt from recent acquisitions. The welfare and wellbeing of our people this year especially has been an area of increased focus and we were pleased to hear how the highly visible leadership provided by management during the pandemic was welcomed by colleagues, as evidenced in colleague engagement scores. We have kept a close watch on these scores and the reasons why people leave Quilter and have asked HR to keep this under scrutiny. In addition to the Chief Risk Officer's report, we were further informed on conduct and risk culture by reports from the compliance team including their annual plan. We continue to receive regular updates on our engagement with UK and International regulators. A key part of our role is ensuring as part of the annual planning process that our risk and compliance teams remain suitably resourced and independent from first line management and we remain confident that this is the case. In line with best practice, we have endorsed a new risk team charter which will be rolled out in 2021.

Key areas of Committee focus (continued)

Report	Purpose
Monitoring and assessing emerging risks	An important part of the Committee's work is monitoring new and emerging risks and ensuring management are clear on the potential timing, scale and impact of these risks and how they can be mitigated. During the year the Committee received regular reports on emerging risk issues, and any changes to actual and potential legal and regulatory risk. At the request of the Committee, management have analysed Quilter's preparedness for a negative UK interest rate scenario and we continue to keep a watching brief on this matter. The reporting on emerging risks has been enhanced and the Committee has specifically identified managing the impact of climate change risk and ESG to our risk radar and asked management to update us on these topics in 2021. In addition, we are monitoring the impact for Quilter of the changes in the prudential regime for investment firms.

Committee governance

The Board Risk Committee currently comprises five independent Non-executive Directors. Details of the skills and experience of the Committee members can be found in their biographies on pages 85 to 87.

Evaluation	As part of the 2019/20 Board Effectiveness Review, the Board has assessed that the Committee membership is appropriate in providing challenge and oversight and that the Committee is operating effectively.
Discharging our responsibilities	The Committee reviewed its activities over the previous 12 months against its terms of reference and confirmed that it had fully discharged its responsibilities in line with its remit. The terms of reference are available at quilter.com.
Attendance	The Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Risk Officer and Chief Internal Auditor regularly attend Committee meetings. The Group Chairman and, on occasion, other Non-executive Directors attended Committee meetings for matters as desired.
Collaboration	The Chair briefs the Board on key discussions and provides a written report to the Board after each meeting. The papers and reports presented to the Committee are made available to all Quilter Non-executive Directors. The Chair continues to collaborate with other Committee Chairs to ensure that issues are given appropriate scrutiny. The collaboration is supported by the cross-committee membership with the Board Audit Committee, Board Technology and Operations Committee and the Board Remuneration Committee.

Board Technology and Operations Committee report

Dear Shareholder,
When I wrote to you last year, I stated that our number one priority for 2020 was to deliver the new investment platform safely for our advisers and customers. At that time, no one predicted that 2020 would be dominated by the impacts of a global pandemic which has touched so many people in so many ways. Despite the additional challenges this brought to our migration programme, which are described in more detail overleaf, I am pleased to report that our new platform is in place and operating successfully. Since year end, and despite another national lockdown, remaining clients have been migrated successfully to the new investment platform. This is a significant step forward in enabling the delivery of our business strategy and delivered in a way that minimised disruption for our advisers and customers. We will, of course, reflect on what lessons from this programme we can apply to other projects and oversee management as they close down the legacy platform.

As the impacts of the pandemic became clear during Spring and Summer 2020 the Committee adapted its areas of focus to support management during these unprecedented times. Our immediate priority shifted to ensuring that colleagues could work safely and securely, whilst continuing to support our customers. We ensured that appropriate controls were in place to give us comfort that this was indeed the case. I am, however, pleased to report that once the immediate impacts of COVID-19 were understood and Quilter's people mobilised to work largely remotely, our Committee's oversight continued as planned albeit with renewed focus on operational resilience and data security.

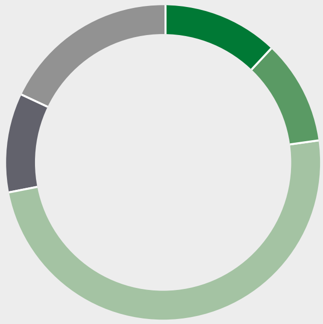
Moving forwards, the Committee is focused on supporting management in delivering on the opportunities for Quilter that arise from the transformation of our technology base. During 2021, we expect that many of the planned improvement and change programmes will be delivered. This will transform Quilter's technology estate to be more simple, modern, agile, resilient and a true enabler for our business and for our colleagues, customers and advisers.

I would like to end by extending on behalf of the Committee and the Board my thanks for the unstinting effort and dedication of the many colleagues, in Quilter and at our external technology partners, in achieving so much during such a challenging year.

Moira Kilcoyne
Chair

Moira Kilcoyne
Chair

Committee activity



- IT security **12%**
- Operational resilience **11%**
- Platform Transformation Programme **49%**
- Other change programmes **10%**
- Technology and operations strategy **18%**

Committee meetings attended/eligible to attend

Moira Kilcoyne (C)	**14**/14
Rosie Harris*	**12**/14
George Reid	**14**/14

* The Committee meetings that Rosie Harris was unable to attend during the year were additional meetings arranged at short notice.

Number of meetings

14

Key areas of Committee focus

Report	Purpose
Platform Transformation Programme	The Committee has spent much of its time providing oversight to the transformation programme to introduce our new platform for customers and advisers. Any technology change is challenging, and to deliver this during the extraordinary period of remote working is quite exceptional. Alongside business updates we heard from risk and internal audit who worked to challenge management and ensure that the best result for our advisers and customers was achieved. As in prior years, we worked collaboratively with our technology partner, FNZ, and were supported by Deloitte in managing this complex and challenging programme. Given the importance of this programme to Quilter, we were joined on occasions by other Board members, and the meetings were held jointly with our Quilter Investment Platform Board Non-executive Directors. We closely monitored progress and challenged management to ensure that the programme of change could be delivered safely. We were delighted when the second phase of advisers and customers migrated over the period of 26 to 29 November 2020, resulting in approximately 360,000 customers and around 80% of the total assets being administered on the new platform technology. The remainder of our clients and customers, including more than 5,000 advisers holding around £14 billion of assets, were moved successfully over the period 26 to 28 February 2021. You can read more about the programme and the impacts for our business on pages 44 and 45 of the Strategic Report.
Cyber and IT security	Underpinning our technology and operational strategy is the need to keep our systems secure and our data safe. Reflecting the extraordinary nature of 2020, many companies have seen an increase in the levels of attempted fraud, including phishing attempts for staff and cloned firms for customers. During the year, we received regular updates on our information security improvement programme and our infrastructure transformation programme. We welcomed management's vigilance and continued focus on protecting our customers and our clients. The enhancements made to our control measures have included the issuing of new technology and tools to all staff to enable them to work securely whilst being remote, alongside enhanced guidance and training to colleagues to support remote working. We have also reviewed progress of the plans to further simplify our website domain strategy and will keep this under close scrutiny in 2021. Given the interdependency between operations and technology during the year, we asked management to ensure close co-ordination of these activities. Given the ongoing external threat, IT and cyber security will remain one of Quilter's top risks and require ongoing focus and attention.
Operational resilience	Another important area of focus was ensuring Quilter was operationally resilient. Following the UK Government's "Stay at Home" advice, 98% of colleagues were working remotely from late March 2020. Colleagues were provided with technology to enable them to work effectively and where appropriate, offices were made COVID-19 secure to enable work that needed to be performed in the office to continue to be delivered in that way. We ensured that management maintained focus on IT and data security, reminding colleagues of their new responsibilities during this unprecedented period. Managing our external technology partners effectively is a key part of our resilience strategy and during the year relationships were further strengthened and improved with technology incidents and outages reduced as a result. The Committee routinely received updates on our third-party suppliers, many of whom were also challenged by COVID-19 necessitating remote working in other countries, including South Africa and India, where the COVID-19 impact was experienced somewhat differently than the UK.

Key areas of Committee focus (continued)

Report	Purpose
Oversight of change programmes	During the year, we provided oversight and scrutiny as management worked through other material transformation programmes, with execution timing carefully considered to prioritise the platform transformation. These programmes included enhancements to our payment systems in Quilter Financial Planning, a new General Ledger and other procurement systems and the client relationship management system in Quilter Cheviot. We keenly anticipate the formal lessons learnt process that businesses undertake as routine after such implementations so that future change programmes can benefit from these insights. The Committee further scrutinised the plans for the return of colleagues to our new Head Office and how technology will enhance future working practices.
IT risks and controls oversight	The Committee routinely received independent reviews from the Risk and Internal Audit functions. These reviews complement the first line risk management by business areas. We welcomed improvements in processes and have been encouraged by the growing maturity in first line risk identification as they become more proactive in identifying and managing risks across the Group.

Committee governance

The Board Technology and Operations Committee currently comprises three independent Non-executive Directors. Details of the skills and experience of the Committee members can be found in their biographies on pages 86 and 87.

Evaluation	As part of the 2019/20 Board Effectiveness Review, the Board has assessed that the Committee membership is appropriate in providing challenge and oversight and that the Committee is operating effectively.
Discharging our responsibilities	The Committee reviewed its activities over the previous 12 months against its terms of reference and confirmed that it had fully discharged its responsibilities in line with its remit. The terms of reference are available at quilter.com.
Attendance	The Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Risk Officer and Chief Information Officer regularly attend Committee meetings. On occasion, the Group Chairman and other Non-executive Directors attended Committee meetings for matters of particular interest, such as the Platform Transformation Programme.
Collaboration	The Chair briefs the Board on key discussions and provides a written report to the Board, where feasible, after each meeting. The papers and reports presented to the Committee are made available to all Quilter Non-executive Directors. During the year, eight additional ad hoc meetings focusing on the Platform Transformation Programme were held jointly with the Quilter Investment Platform Board Non-executive Directors to scrutinise matters of common interest. Some of these additional meetings of the Committee and the Quilter Investment Platform Board were held at short notice to examine key decisions and the impact of COVID-19 on the migration plans.

Board Remuneration Committee report

Dear Shareholder,
As Chair of the Board Remuneration Committee ("Committee") for my first year, I am pleased to present on behalf of the Board the Remuneration Report in respect of the year ended 31 December 2020. This statement and the accompanying Report aims to ensure high levels of disclosure regarding pay policy and transparency of remuneration decision making.

Our current Remuneration Policy ("Policy") was approved by shareholders at the 2019 Annual General Meeting ("AGM") with 97% of votes in favour. For information only, we have included a summary of our current Policy on pages 128 to 132. Our Report for 2019 received 96% of votes in favour at the last AGM. The Committee's decisions, which take into consideration the key drivers of our Policy (alignment to culture, clarity, simplicity, risk, predictability and proportionality) are summarised in this statement and set out in the Report.

We have explained the performance outcomes in respect of the 2020 financial year. Of particular note is that, on the recommendation of the Executive Directors, the Committee has exercised its discretion to reduce short-term incentive ("STI") outcomes to zero. We also set out how we intend to continue operating our Policy in 2021, and have added one measure to the STI performance metrics, as set out below.

As detailed in last year's Report, Executive Directors' pension allowances are already aligned with the wider Quilter workforce, and a post-cessation share ownership policy also applies, in accordance with the Investment Association's latest guidelines.

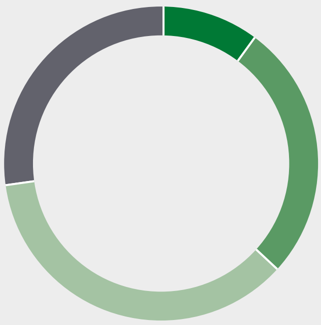
Business context in 2020
The operating environment in 2020 presented unprecedented challenges for the business, with macro geopolitical issues and the COVID-19 pandemic impacting investor confidence and creating market volatility throughout the year.

The COVID-19 pandemic required the business to adapt quickly to ensure continuous support for customers and employees at a time of significant social and economic disruption. The business demonstrated strong operational resilience to maintain high levels of service for advisers and customers at the height of the crisis, whilst simultaneously transitioning 98% of our workforce to remote working.

Our 2020 results demonstrate that we have a financially resilient business. We did not use support measures made available to companies by the UK Government, we did not furlough any employees and we paid an interim 2020 dividend to our shareholders. Nevertheless, the volatile markets over 2020 coupled with a challenging environment for new business flows impacted revenue, mitigated in part by proactive management actions and strong expense discipline. Notwithstanding a strong set of results given the unprecedented market conditions, the impact to business performance caused by the external environment is such that 2020 profit is below the threshold level we set ourselves at the start of the year. This is reflected in the remuneration outcomes set out in the Report.

Ruth Markland
Chair

Committee activity



- Group remuneration policy **10%**
- Specific remuneration arrangements **27%**
- Remuneration schemes, including all-employee schemes **36%**
- Governance **27%**

Committee meetings attended/eligible to attend

Ruth Markland (C)	**8**/8
Glyn Jones	**8**/8
Tim Breedon	**3**/3
Jon Little	**5**/7
Paul Matthews	**4**/4
Cathy Turner	**4**/4

Number of meetings

8

Key performance highlights

- IFRS profit before tax (excluding amortisation, policyholder tax adjustments and other one-off items) was £87 million for 2020, compared to £141 million in 2019. In 2019, profit from discontinued operations of £67 million was included, which related to the Quilter Life Assurance business that was sold on 31 December 2019. For remuneration purposes, the profit was £63 million for 2020, compared to £128 million in 2019.
- NCCF of £1.6 billion was a material increase from £0.3 billion in the previous year.
- AuMA increased by 7% during the year to close at £117.8 billion, which includes £5.8 billion of positive market movement as a consequence of the equity market rally late in the year.
- Expenses were closely managed with the Optimisation programme delivering significant benefits.
- Good progress was made with strategic priorities; Optimisation activity and operational improvements have been implemented and we safely and securely completed the largest transfer of advisers and assets in our phased migration plan to our new UK Platform, which is now in its final stage of delivery.
- We have increased customer focus across the business, particularly in response to the COVID-19 pandemic and have continued to make progress across our Customer Strategic Risk Appetite Principles covering governance, products and proposition, customer experience, suitability and servicing.

Overall, 2020 has been a year of resilient business performance in a very challenging environment.

Short-term incentive outcome

- Whilst business performance has been robust in difficult circumstances, our 2020 IFRS profit result for STI purposes of £63 million was below the threshold STI level of £80 million. As a result, 60% of the Executive Directors' STI award was zero.
- Whilst our risk appetite has been effectively embedded in decision making and the management of the business, in particular the prudent execution of the migration to our new UK Platform, there is further work required to bolster the overall control environment.
- Customer performance was strong across our key metrics, including strong investment performance and service across our business areas, with Quilter awarded 5 Stars in the Financial Adviser Service Awards across investments, protection and pensions, platform and discretionary fund management.
- The Company also made good strategic progress in 2020, notably on the UK Platform Transformation Programme with the successful phased migration of the majority of advisers and assets onto the new platform.
- The management team demonstrated strong leadership throughout 2020 to protect the interests of all stakeholders during the COVID-19 pandemic.
- Overall this would have generated an STI award of 24% of maximum for the Chief Executive Officer and 28% of maximum for the Chief Financial Officer, prior to consideration of risk-based adjustments described below.
- As part of its review of 2020 performance, the Committee considered the impact of any material risk events that arose during the year and decided that a downward adjustment of 10% of maximum should be applied to the STI outcomes for both Executive Directors. This adjustment was to reflect the risks brought into Quilter relating to historic pension transfer advice provided by Lighthouse to British Steel Pension Scheme members prior to Quilter's acquisition of Lighthouse plc, which resulted in a net provision of £24 million to cover redress costs and fees.
- The non-financial elements of the STI scorecard, which account for up to 40% of the award, would have generated outcomes after the risk-adjustment referred to above of 14% of maximum for the Chief Executive Officer and 18% of maximum for the Chief Financial Officer. However, having carefully considered the overall STI outcomes for the wider workforce, the Executive Directors recommended to the Committee that they do not take receipt of any STI award for 2020 and redirect the amounts that would have been payable toward a small discretionary pool for other employees to recognise their achievements in very challenging circumstances. The Committee approved their recommendation.

Long-term incentive outcome

- The first long-term incentive ("LTI") award was granted to Executive Directors following the Company's Listing in June 2018 (the "2018 LTI"). The performance conditions measure compound annual profit growth from 2017 to 2020, and TSR relative to the FTSE 250 (excluding investment trusts). The award will vest in March 2021 with an outcome of 48.7% of maximum for the Chief Executive and Chief Financial Officer, as detailed in the Report.

Adjustments and exercise of discretion

- The Committee applied a risk-based downward STI adjustment for the historic Lighthouse pension transfer advice issues.
- In consideration of the impact of COVID-19 and the need to appropriately target the available STI spend, the Committee also exercised its discretion, at the recommendation of the Executive Directors, to reduce their STI award to zero, and redirect the STI funding for 2020 towards other employees.
- The financial performance targets in the 2018 LTI were adjusted following the sale of Quilter Life Assurance. This comprised two changes: Quilter Life Assurance profits (adjusted for certain stranded costs) excluded from the base year to ensure a like-for-like comparison with the measurement year, and the target growth range was amended, including a substantial increase in the growth requirement for maximum vesting.
- No other discretion was exercised to override performance or variable pay outcomes.

Considerations for the year ahead

We continue to monitor executive remuneration developments within the industry and the regulatory landscape, and to ensure that remuneration supports the alignment of executive and shareholder interests and is consistent with the prudent risk management of the business.

The Committee considered the overall remuneration arrangements for the Executive Directors for 2021 in accordance with the Policy. Key points are as follows:

- there will be no increase to the Executive Directors' salaries at the 1 April 2021 review date, and base salaries were also not increased at the April 2020 review;
- the structure, non-financial performance metrics and maximum award level of the STI awards in respect of 2021 will remain unchanged. However, the financial performance metrics will include NCCF as a percentage of opening AuMA, with a weighting of 20% of the overall scorecard, with the weighting applied to IFRS profit before tax (excluding amortisation, policyholder tax adjustments and other one-off items) reducing from 60% to 40%, such that the total financial performance weighting of the scorecard remains at 60%. NCCF is an important lead indicator of business performance and the Committee decided that it was the appropriate time to incorporate it into the annual scorecard. STI for on-target performance is set at 50% of maximum, which remains unchanged;
- the structure, performance metrics and maximum award opportunity of the LTI grants in 2021, including the maximum level of awards, will also be unchanged; and
- there will be no increase in fees for the Board Chairman for 2021 and there will also be no increase to Non-executive Directors' fees for 2021.

Consideration of shareholders' views

The Committee actively engages with shareholders and investor bodies and welcomes the opportunity to engage with shareholders and discuss their views on remuneration issues in advance of the 2021 AGM.

The current Policy was approved by shareholders at the Company's first AGM in 2019 and will be due for renewal at the AGM in 2022. The Committee will undertake a review of the Policy during 2021 to take account of latest market developments, regulatory requirements and corporate governance best practice and to ensure the Policy continues to encourage and reward the growth of shareholder value, and promotes the long-term sustainable success of the Company.

The Committee will consult with shareholders on any changes proposed to the Policy ahead of the 2022 AGM.

Inclusion, diversity and the gender pay gap

A key priority for the Company is the continued commitment to an inclusive culture and the equality and diversity of our workforce. The Inclusion and Diversity agenda is led by Paul Feeney. Further details can be found in the Responsible Business report on page 53. During 2020 we made progress across several areas, including:

- appointing a Group Head of Inclusion & Wellbeing, a new role dedicated to our Inclusion, Diversity and Wellbeing priorities and supported by a new Inclusion and Diversity Steering Committee, comprised of Quilter Executive Committee members;
- updating our talent programme to ensure we can identify, track and support individuals of under-represented ethnicities and gender in progressing their careers in Quilter;
- refreshing our Values and leadership behaviour frameworks to further reinforce our Inclusion and Diversity goals within our culture; and
- continuing to evolve our recruitment processes to ensure that we market roles, shortlist and select candidates on a fully diverse and inclusive basis.

For 2020 we have reported a median gender pay gap of 30% and a median bonus gap of 39%. Whilst our pay gaps have reduced since Gender Pay Gap Reporting was introduced four years ago, we still have much further to go. Further details regarding our gender pay gap figures can be found on page 53 of the Responsible Business report.

Employee voice
Paul Matthews, Independent Non-executive Director, member of the Board Remuneration and Board Risk Committees and a Non-executive Director of Quilter Financial Planning Board, took over responsibility for reflecting the employee voice in the Boardroom following Cathy Turner's departure in May 2020. Paul engaged directly with our Employee Forum during 2020 to gain valuable insight on the matters pertaining to corporate strategy, change management and culture. Further details on the progress made during the year can be found in the Governance in action report on pages 100 to 101.

The Committee is conscious of its heightened role during times of significant uncertainty and in navigating the unprecedented challenges caused by the COVID-19 pandemic to ensure that remuneration outcomes for the Executive Directors and wider workforce are appropriately aligned with performance and shareholders' experience. We will continue to make careful decisions which balance the interests of all stakeholders. I appreciate the ongoing support and feedback from our shareholders.

From 9 March 2021, we look forward to bringing a fresh perspective to the Committee with the appointment of a new independent Non-executive Director, Tazim Essani.

I would also like to take this opportunity to thank my predecessor, Cathy Turner, for her excellent chairmanship prior to my appointment.

Ruth Markland

Ruth Markland
Chair

Committee governance

The Board Remuneration Committee currently comprises five independent Non-executive Directors. Details of the skills and experience of the Committee members can be found in their biographies on pages 84 to 86.

Evaluation	As part of the 2019/20 Board Effectiveness Review, the Board has assessed that the Committee membership is appropriate in providing challenge and oversight and that the Committee is operating effectively.
Discharging our responsibilities	The Committee reviewed its activities over the previous 12 months against its terms of reference and confirmed that it had fully discharged its responsibilities in line with its remit. The terms of reference are available at quilter.com.
Attendance	The Chief Executive Officer, HR Director, Reward Director and Jeremy Orbell, the Committee's independent remuneration adviser, regularly attend Committee meetings, except when it would not be appropriate for them to do so.
Collaboration	The Chairman briefs the Board on key discussions and provides a written report to the Board, where feasible, after each meeting. The papers and reports presented to the Committee are made available to all Quilter Non-executive Directors. The members of the Board Risk Committee are invited to join Committee meetings when risk-adjusted remuneration matters are being discussed.

Remuneration at a glance

The following pages detail the remuneration paid to our Executive Directors and our Policy. These two pages summarise the key elements.

Components of remuneration (chart illustrates the weighting of target outcomes)

Fixed pay
Salary, benefits and pension

+

Short-term incentive ("STI") **Variable pay:** **Long-term incentive ("LTI")**

Total remuneration

How much our Executive Directors earned in 2020

Single total figure of remuneration – Executive Directors
The following chart sets out the aggregate emoluments earned by the Directors in the year ended 31 December 2020.

Paul Feeney **£1,487k**

£750k **£737k**

Mark Satchel **£739k**

£501k **£238k**

Link between remuneration and business strategy

Short-term incentive	Performance indicators	Metrics in executive remuneration	2020 achievement	2020 weighted outcome
Profit	IFRS profit before tax[1]	**60%** of 2020 STI awards	**0%** of max	**0%** of max
Non-financial	Risk management	**10%** of 2020 STI awards	**50-70%** of max	**5-7%** of max
	Customer outcomes	**10%** of 2020 STI awards	**65%** of max	**7%** of max
	Strategic personal performance	**20%** of 2020 STI awards	**60-70%** of max	**12-14%** of max
Total before adjustment				**24-28% of max**
Risk adjustment				**(10%)** of max
COVID-19 adjustment				**(14-18%)** of max
Total after adjustment				**0% of max**

Long-term incentive	Performance indicators	Metrics in executive remuneration	2020 achievement
EPS growth	EPS compound annual growth rate ("CAGR")	**70%** of 2020 LTI award EPS CAGR 2019-2022	Results in 2023
Shareholder value	Total shareholder return (relative)	**30%** of 2020 LTI award TSR (relative) 2020-2022	Results in 2023

1 IFRS profit before tax (excluding amortisation, policyholder tax adjustments and one-off items).
2 Includes, but not limited to, key measures of performance such as NCCF.

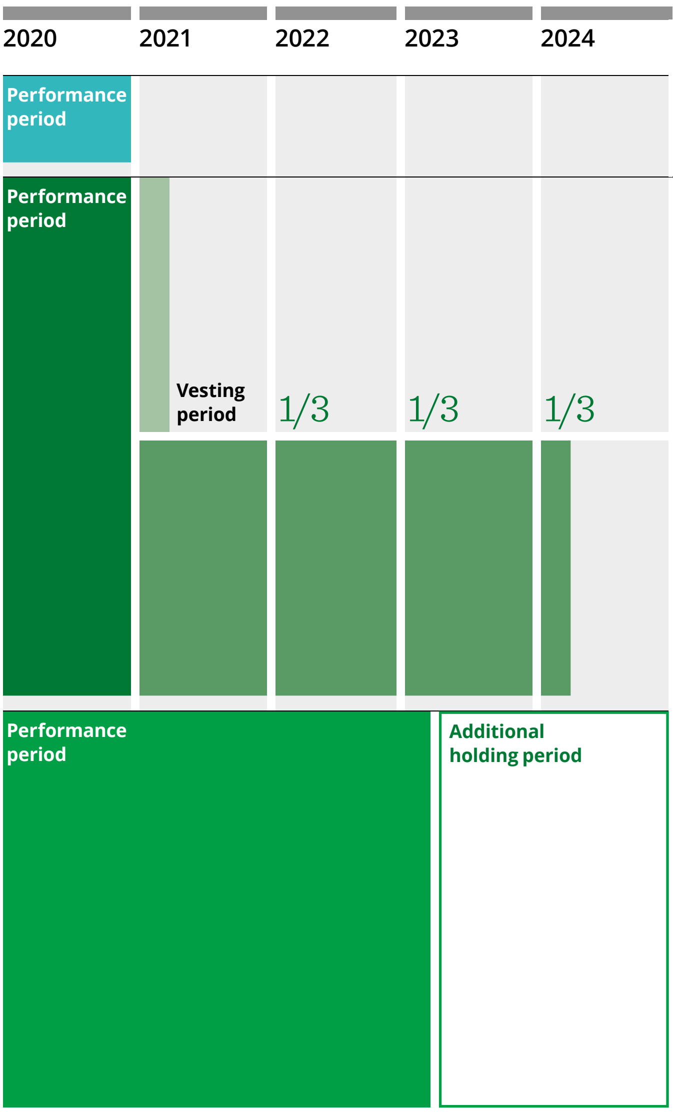
Shareholding

	Ownership as % 2020 base salary[1]	Minimum shareholding required (after 5 years)[2]
Paul Feeney	291%	300%
Mark Satchel	320%	300%

1 Includes personal holdings and the estimated net of tax value of unvested share awards which are not subject to performance conditions as at 31 December 2020.
2 Executive Directors have five years from the Company's Listing date, or date of appointment, to meet the shareholding requirement.

Summary of the key elements of our Policy

The table below provides a high-level summary of the key remuneration elements under our Policy, which was approved at our 2019 AGM. The key elements of the Policy are set out in pages 128 to 132.



Base salary

Normally reviewed annually with effect from 1 April.
Paul Feeney – £675,000
Mark Satchel – £450,000

Short-term incentive

Total incentive award in respect of Company and individual performance.

Key performance measures and weighting:
- IFRS profit before tax (excluding amortisation, policyholder tax adjustments and one-off items) (60%)
- Customer/Risk measures (20%)
- Personal objectives (20%)

Paul Feeney
Maximum opportunity 200% of salary

Mark Satchel
Maximum opportunity 200% of salary

Cash element of incentive outcome (50% of the whole award) is paid in Q1 following the end of the performance year.

Deferred element of incentive outcome (50% of the whole award) is granted in shares and vests in three equal tranches in Q1 2022, Q1 2023 and Q1 2024 subject to the plan rules.

Long-term incentive

Awards subject to three-year performance period ending 31 December 2021.

Key performance measures and weighting:
- EPS CAGR (70%)
- Total shareholder return ("TSR") ranking relative to FTSE-250 excluding investment trusts (30%)

Paul Feeney
Maximum opportunity 200% of salary

Mark Satchel
Maximum opportunity 200% of salary

Award vests in Q1 following end of the performance period and subject to further two-year holding period.

Directors' Remuneration Policy (summary)

Remuneration Policy for Executive Directors
The following table summarises the key components of Executive Director remuneration arrangements, which form part of the Policy. The Policy originally came into effect when the business Listed in 2018 and was supported by shareholders in a vote at the 2019 AGM, details of which are provided on page 147 of this Report. The full Policy document is contained in the 2018 Annual Report, which is available on the Company website.

Remuneration element	Base salary
Purpose and link to strategy	Essential to attract and retain Executive Directors with the calibre, personal skills and attributes to develop, lead and deliver the Group's strategy.
Operation	Base salaries are paid in 12 equal monthly instalments during the year and normally are reviewed annually with increases effective 1 April. In reviewing base salaries the Committee takes into account a number of factors, including: – Group and individual performance; – the skills, experience and level of responsibilities of the Executive Director and his/her market value; – the scope, nature and size of the role; – levels of increase across the wider employee population; and – affordability, economic factors, external market data, business and personal performance. The Committee considers the direct and indirect impacts of any base salary increases on total remuneration.
Maximum opportunity	There are no prescribed maximum salary levels, but any salary increases will normally be in line with percentage increases across the wider employee population. In specific circumstances, the Committee may award increases above this level, for example: – where the base salary for a new recruit or promoted Executive Director has been set to allow the individual to progress into the role over time; – to reflect a material increase in the size or scope of an individual's role or responsibilities; – where a change is deemed necessary to reflect changes in the regulatory environment; and – where the size, value or complexity of the Group warrants a higher salary positioning.
Performance metrics	Individual and Company performance will be taken into account in determining any salary increases.

Proposed changes to application for 2021
No change in approach.

Remuneration element	Benefits
Purpose and link to strategy	Benefits are provided to Executive Directors to attract and retain the best talent for the business and to ensure that the total package is competitive in the market.
Operation	The Committee's policy is to provide Executive Directors with a market competitive level of benefits taking into consideration benefits offered to other senior employees in the UK. Benefits currently provided to Executive Directors include: – private medical insurance; – life assurance; and – income protection. The approach for benefit provisions for Executive Directors is to be consistent and operated in line with the rest of the UK organisation. As such, from April 2020 personal accident insurance ceased to be provided as a core benefit. Specific benefit provisions are subject to regular review in line with market practice and may be subject to change from time to time. In line with other Quilter employees, Executive Directors can access discounted Company products and are eligible to participate in the Company's voluntary benefits which they fund themselves, sometimes through salary sacrifice. Executive Directors are eligible for other benefits that are introduced for the wider workforce on broadly similar terms. They are eligible to participate in the UK all-employee share plans on the same terms as other employees, including the Company's Share Incentive Plan and Sharesave Plan. Where the Committee considers it appropriate, other benefits may be provided on recruitment or relocation for a defined period. Any reasonable business-related expenses (including tax thereon if determined to be a taxable benefit) can be reimbursed.
Maximum opportunity	In line with other UK employees, there is no maximum monetary level for benefits as this is dependent on the individual's circumstances, market practice and the cost to the Company.
Performance metrics	There are no performance conditions.

Proposed changes to application for 2021
No change in approach.

Remuneration element	Pension
Purpose and link to strategy	To provide a market-competitive contribution towards retirement benefits that helps to attract and retain the best talent for the business.
Operation	Executive Directors are eligible to receive employer contributions to the Company's pension plan (which is a defined contribution plan) or a cash allowance in lieu of pension benefits, or a combination. Contributions and/or a cash alternative are paid monthly.
Maximum opportunity	10% of base salary per annum. This is the same as the pension provision for the wider workforce.
Performance metrics	There are no performance conditions.

Proposed changes to application for 2021
No change in approach.

Remuneration element	Short-Term Incentives ("STI")
Purpose and link to strategy	The STI plan is designed to align remuneration with performance against financial and strategic business plan targets and personal pre-determined goals, within the Group's risk appetite and taking into consideration the Company's culture and values, on an annual basis. A portion of any award is deferred and delivered in shares to aid retention, encourage long-term shareholding, discourage excessive risk-taking and align the executive and shareholder interests.
Operation	Performance targets and weightings are reviewed and set annually by the Committee taking into account business plans and the Company's risk appetite. STI awards are funded from the overall Group bonus pool, which is approved each year by the Committee. STI pay-out for on-target performance is set at 50% of maximum. Overall pool funding is also subject to risk adjustment after the Committee's consideration of a comprehensive report from the Chief Risk Officer and recommendations from the Board Risk Committee in relation to the nature and incidence of risk events and an overall assessment of risk management relative to the Board's risk appetite. 50% of any STI awarded to an Executive Director is normally deferred in the form of Conditional Awards under the Share Reward Plan ("SRP"), which vest annually in equal annual instalments over a three-year period subject to the rules of the SRP. Dividend equivalents may accrue on deferred awards during the deferral period and are paid in the form of shares or, exceptionally, cash to the Executive Directors upon vesting. Malus and clawback provisions apply to both cash and deferred portions of the STI awards as described in further detail in 'Risk adjustments, malus and clawback' on pages 137 to 138.
Maximum opportunity	The maximum STI opportunity for Executive Directors is set at 200% of base salary for stretch performance.
Performance metrics	The STI plan uses a balanced scorecard of Group and individual performance measures, which are aligned with the key strategic priorities of the Group and designed to deliver sustainable shareholder value. Performance is measured based on a mix of financial, strategic and personal targets. The splits between the performance measures and relative weighting of the targets are reviewed by the Committee at the start of each year and set out in the Annual Report on Remuneration. The majority of any annual bonus is subject to challenging financial measures, with at least 50% of the scorecard reflecting financial performance. When determining the outcome of the performance measures, the Committee will seek the advice of the Chief Risk Officer and the Board Risk Committee to ensure all relevant risk factors are identified and the bonus pool and/or individual awards adjusted accordingly. Specific measures, targets and weightings will be set by the Committee annually and disclosed on a retrospective basis.

Proposed changes to application for 2021

In 2021, the financial aspect of the STI award will include Net Client Cash Flow ("NCCF") as a percentage of opening AuMA, as a new measure on the scorecard. This metric will have a scorecard weighting of 20%, with the IFRS profit (excluding amortisation, policyholder tax adjustments and one-off items) weighting reduced from 60% to 40%, which results in the total financial aspect of the scorecard remaining unchanged at a 60% weighting. There are no other proposed changes in approach.

Remuneration element	Long-Term Incentives ("LTI")
Purpose and link to strategy	To incentivise and reward Executive Directors for achieving superior long-term business performance that creates shareholder value and maximises sustainable shareholder returns.
Operation	LTI awards are made under the Quilter plc Performance Share Plan ("PSP"). Awards are normally granted annually as nil cost options, which are subject to performance conditions. Awards normally vest after three years, subject to the achievement of performance conditions and continued employment. Financial performance targets are set annually by the Committee prior to the beginning of the relevant performance period to provide alignment with the Company's strategic priority of delivering sustainable returns to shareholders over the long term. The targets may be subject to review and possible amendment for future plan cycles. Vested awards: – are subject to a post-vesting holding period of two years during which the net-of-tax number of shares may not normally be exercised or sold; and – must be exercised within ten years of the grant date. Dividend equivalents accrue during the vesting period and are released on the vesting date, or date of exercise of the vested option. These will normally be delivered in the form of shares on an assumed reinvested basis. LTI awards are subject to malus and clawback provisions as described in further detail in 'Risk adjustments, malus and clawback' on page 139.
Maximum opportunity	The maximum annual value of a PSP award for any Executive Director is an award over Company shares with a face value of 200% of base salary at the date of grant. If the Committee deems that there are exceptional circumstances, such as the recruitment of a key individual or a significant strategic initiative, the maximum PSP award may be increased up to 400% of the Executive's base salary.
Performance metrics	Performance measures are selected by the Committee for the relevant plan cycle prior to the beginning of the relevant performance period. Measures are designed to align with the Group's strategic priority of delivering sustainable returns to shareholders over the long term. Performance measures currently include an adjusted EPS CAGR (pre-dividend excluding amortisation and goodwill) and TSR Ranking relative to the FTSE-250 excluding investment trusts. The Committee may introduce or re-weight performance measures so that they are directly aligned with the Company's strategic objectives for the performance period. For each performance metric, a threshold and stretch level of performance is set. At threshold, 25% of the relevant element vests rising on a straight-line basis to 100% for attainment of levels of performance between threshold and maximum targets. When determining the outcome of the performance measures, the Committee will seek the advice of the Chief Risk Officer and the Board Risk Committee to ensure all relevant risk factors are identified and the award outcomes adjusted accordingly. The Committee also has discretion to reduce award outcomes to nil if required, via a risk management assessment based on a report of risk exposures; or to reflect financial underperformance not adequately reflected in the financial measures.

Proposed changes to application for 2021
No change in approach.

Remuneration element	Shareholding requirement, including post-cessation
Purpose and link to strategy	To align Executive Directors' interests with those of shareholders.
Operation	The Group operates a mandatory shareholding policy under which Executive Directors are required to build up and maintain a shareholding in the Company with a value at least equal to 300% of base salary. Executive Directors are expected to meet the requirement within five years of Admission or, for newly appointed Executive Directors, within five years of appointment if later. At least 50% of any shares vesting under Quilter share plans (on a net-of-tax basis) are expected to be retained until the shareholding requirements are met. In accordance with changes to the Code, the Committee has developed a post-cessation shareholding policy taking into account emerging market practice and shareholder guidelines. Executive Directors are required to hold shares for at least two years following cessation of their appointment at the lower of the minimum shareholding requirement of 300% of base salary or the value of shares held at the point of departure (if the Executive Director is still in the five-year accumulation period). Any shares purchased by an Executive Director from the open market (i.e. separate to shares originally awarded under a Company share plan) will be excluded from the post-cessation holding requirement. However, only 25% of the value of such purchased shares will count towards the minimum shareholding requirement during employment. This will apply to shares purchased after the date the post-cessation policy came into effect, in January 2020. For any good leaver, unvested share awards that may be permitted to be retained shall vest on their original vesting date(s) and remain subject to post-vesting holding periods post-termination. The Committee has discretion to make adjustments to the shareholding and post-cessation shareholding requirement in exceptional circumstances.

Proposed changes to application for 2021
No change in approach.

Annual Report on Remuneration

Audited
Content within an 'Audited' tab indicates that all the information is audited.

Application of the Policy in 2021
Content within a shaded box indicates that the information is planned for implementation in 2021.

The Report sets out how the Policy of the Company has been applied in 2020 and how the Committee intends to apply the Policy going forward. An advisory shareholder resolution to approve this Report will be proposed at the AGM.

The table below sets out the single figure of remuneration for the full financial year 2020 together with 2019 comparator figures.

Audited

Executive Director	Base salary £'000	Benefits £'000	Pension[2] £'000	STI £'000	LTI[3] £'000	Other[4] £'000	Total £'000	Total Fixed £'000	Total Variable £'000
2020									
Paul Feeney	675.0	7.5	67.5	–	737.3	–	1,487.3	750.0	737.3
Mark Satchel	450.0	5.9	45.0	–	237.6	–	738.5	500.9	237.6
2019									
Paul Feeney	675.0	5.4	67.5	1,065.0	81.6	1.8	1,896.3	747.9	1,148.4
Mark Satchel – appointed to the Board 13 March 2019[1]	360.5	3.4	36.0	600.8	61.5	1.4	1,063.7	399.9	663.7
Tim Tookey – stepped down from the Board 13 March 2019[1]	121.0	1.7	36.3	200.0	–	–	359.0	159.0	200.0

1 Mark Satchel and Tim Tookey's 2019 remuneration is pro-rated for the period served as an Executive Director in 2019.
2 Pension includes contributions made under the Group defined contribution pension scheme plus, where applicable, amounts received as a pension allowance.
3 LTI is a vesting value determined as a result of the achievement of performance measures or targets relating to the performance period ending on 31 December of the relevant financial years. These relate to the Performance Share Plan (see page 140). The value is calculated using the average share price over the final three month period of the year ending 31 December 2020, which is £1.3943. The actual vesting date is 26 March 2021 and the actual value will be reflected in next year's Report. The amount of this figure attributable to share price depreciation is valued at (£23,098) for Paul Feeney and (£7,443) for Mark Satchel as at 31 December 2020.
4 Other includes dividends received in 2019 on shares awarded under the legacy Joint Share Ownership Plan, further details can be found in the 2019 Report.

Components of the single figure

There were no increases to Executive Director base salaries at the 1 April 2020 review date, and no increases are planned for the 1 April 2021 review date.

Audited

Executive Director	Annual base salary as at 1 April 2020 £'000	Total base salary paid in 2020 for qualifying services £'000	Total base salary effective 1 April 2021 £'000
Paul Feeney	675.0	675.0	675.0
Mark Satchel	450.0	450.0	450.0

Benefits

Benefits include life assurance, private medical cover, income protection and personal accident insurance. Personal accident insurance ceased to be a core benefit from April 2020, therefore the 2020 amounts below are minimal and rounded to nil.

Audited Name	Life assurance £'000	Medical £'000	Income protection £'000	Personal accident insurance £'000
2020				
Paul Feeney	3.1	1.4	3.0	–
Mark Satchel	2.2	1.1	2.6	–
2019				
Paul Feeney	2.3	1.3	1.6	0.2
Mark Satchel – appointed to the Board 13 March 2019	1.4	1.1	0.8	0.1
Tim Tookey – stepped down from the Board 13 March 2019	0.9	0.2	0.6	–

Benefits for 2021

No changes to the approach.

Pension

Pension includes contributions made under the Group defined contribution pension scheme and/or amounts received as cash in lieu of pension contributions due to the impact of HMRC limits. The pension provisions of Executive Director appointments are aligned to the pension arrangements of the wider workforce, set at 10% of base salary.

Audited Name	Cash in lieu of pension contribution £'000	Contribution to pension scheme £'000	Total contribution £'000
2020			
Paul Feeney	67.5	–	67.5
Mark Satchel	39.2	5.8	45.0
2019			
Paul Feeney	67.5	–	67.5
Mark Satchel – appointed to the Board 13 March 2019	28.0	8.0	36.0
Tim Tookey – stepped down from the Board 13 March 2019	36.3	–	36.3

Benefits for 2021

No changes to the approach.

2020 Short-Term Incentive ("STI") Awards

For the purpose of determining the 2020 STI outcome, the Committee assessed the performance of the business and the individuals by reference to a balanced scorecard of Financial (60%), Customer/Risk (20%) and Strategic Personal performance objectives (20%) in line with the Policy.

The summary below reflects the Committee's assessment of performance for the year ended 31 December 2020, before consideration of any adjustment for material risk events.

Group financial achievement

Audited

Group financial performance measures	Weighting as % of total STI opportunity	Threshold (25% of max)	Target (50% of max)	Maximum (100%)	Outcome	STI as % of max
IFRS profit before tax (excluding amortisation, policyholder tax adjustments and one-off items)	60%	£80m	£100m	£120m	£63m	0%

IFRS profit reconciliation

In determining the outcome of the Group financial metric shown above, the Committee considered the impact of key programme and acquisition costs on IFRS profit and approved a discretionary downward adjustment to IFRS profit for STI purposes to ensure it reflected a fair and reasonable outcome for the overall performance achieved. The adjustments are detailed in the schedule below, which provides a reconciliation between reported profit, the STI target and STI outcome.

Audited

2020 profit reconciliation	Reported profit	STI target	STI outcome
Adjusted profit before tax (before financing costs)	**£168m**	**£202m**	**£168m**
Debt financing costs	(£10m)	(£10m)	(£10m)
Adjusted profit before tax (after financing costs)	**£158m**	**£192m**	**£158m**
UK Platform Transformation Programme ("PTP")[1]	(£38m)	(£49m)	(£49m)
Optimisation[1]	(£33m)	(£36m)	(£36m)
Quilter Life Assurance restructure	(£1m)	(£3m)	(£1m)
Quilter Investors' build out costs[2]	£1m	–	–
One-off Managed Separation costs[1]	–	(£4m)	(£4m)
Customer remediation[3]	–	–	(£5m)
IFRS profit before tax (excluding amortisation, policyholder tax adjustments and one-off items)	**£87m**	**£100m**	**£63m**

1 The PTP and one-off Managed Separation costs relate to the rebrand of certain entities alongside the PTP programme. Although actual costs for these items were below the plan expectation for the year, some of this underspend relates to the extended timeline of PTP delivery communicated to the market during 2020. Optimisation costs were also lower than the plan expectation for the year due to the timing of delivery. All costs are still expected to be incurred at a later date. As such, the Committee approved an adjustment to these amounts to remove the benefit of below-plan spend in the outcome.
2 A provision release of £1 million has been recognised in relation to the build of Quilter Investors following the sale of the Single Strategy business. As these costs were a function of transaction and necessary for Quilter Investors to operate as a standalone business, the benefit of this credit has been excluded for remuneration purposes.
3 The customer remediation adjustment relates to the impact of the post-acquisition market movements on the pension transfer advice complaints relating to Lighthouse.

Group risk and customer performance achievement

Key Group non-financial objectives represented a maximum of 20% of the total STI opportunity. The risk measure assesses the effectiveness of risk management at an overall corporate level for each of the Executive Directors. For the Customer element of the scorecard, performance was assessed against key risk and performance indicators covering customer strategy and governance, product and proposition, customer experience, advice, suitability and customer on-boarding and post-advice servicing as measured by the Company's Customer Strategic Risk Appetite Principles ("SRAP"), as well as a qualitative assessment of broader customer focus. Performance commentary is given in the table below.

Audited

Customer and Risk Performance measures	Executive Director	Weighting as % of total STI opportunity	Key achievements in the year	Outcome as % of max
Risk Management Framework Effectiveness	Paul Feeney	10%	– Strong tone from the top in setting an effective risk culture, with evidence of front-end consideration of risk in setting business strategy, embedding risk into decision making and the overall management of the business. – Safely delivered the major migration of advisers to our new UK Platform during a national lockdown, without bringing significant risks to the business, advisers or customers. – Early action in response to COVID-19, managing a rapidly changing risk environment and positioning Quilter well to manage through the crisis. – The control environment in the Quilter Financial Planning business required improvement and a programme has been established to address this.	50%
Risk Management Framework Effectiveness	Mark Satchel	10%	– Pro-active engagement and consideration of risk in key decisions, ensuring effective second line engagement. – Improvements to business planning process with clearer upfront articulation of strategic priorities, improved flow of strategy to business initiatives and operational activity with a greater focus on risks. – Early action taken in the wake of COVID-19; enhanced cash management, financial and capital position reviews and scenario modelling.	70%
Customer Outcomes	Paul Feeney and Mark Satchel	10%	– Enhanced customer care and support throughout the pandemic across all business areas, whilst receiving unprecedented high call volumes over the tax year end. – Maintained customer service and mitigated risk of customer detriment during the PTP implementation of a prudent phased migration approach. – Strong investment performance following the Q1 2020 sharp fall, particularly in Cirilium Active in the Quilter Investors business area. – Commitment to customer and advisers recognised by receiving a 5 Star award for service in the Financial Adviser's Service Awards across investments, protection and pensions, platform and discretionary fund management.	65%

Strategic personal performance – achievement

Personal objectives represented a maximum of 20% of total STI opportunity. A performance commentary is given in the table below.

Audited

Executive Director	Weighting as % of total STI opportunity	Overview	Key achievements in the year	Outcome as % of max
Paul Feeney	20%	Objectives for 2020 were focused on the strategic development of the business to maximise future growth potential, whilst achieving strong core business performance and creating value for shareholders.	– Strong leadership throughout the COVID-19 pandemic, ensuring uninterrupted support for customers, advisers and employees. Increased support for employees' and advisers' wellbeing as Quilter's 'Thrive' programme sponsor. – PTP prudently managed and poised for completion in early 2021, following the safe and secure execution of two migrations in 2020, despite the disruption and restrictions caused by COVID-19. – The business demonstrated strong resilience throughout the year, including financial and operational strength, with a rapid response to the unprecedented operating environment supported by accelerated digitalisation across the business. – Good progress made on important strategic initiatives, in particular PTP, as well as delivery of the workplace strategy on London property, progress on a new payments system for Quilter Financial Planning advisers and the Information Security Improvement Plan.	60%
Mark Satchel	20%	Objectives were to support our Optimisation goals, deliver strong cost management across the business, whilst achieving strong core business performance and creating value for shareholders.	– Robust cash and liquidity monitoring, proactively managing risks and market volatility. – Instilled strong cost discipline, delivering expenses ahead of expectations. – Oversaw management actions to realise cost savings in response to the COVID-19 crisis, protecting shareholder interests. – Optimisation programme progressing well with £46 million in run-rate benefit delivered to date. – Led the implementation of a new integrated General Ledger system which is a key development to the Optimisation programme.	70%

Risk adjustment

As part of the review, the Committee considered whether the overall STI outcomes were appropriate in the context of overall business performance and individual strategic/personal objectives, and whether any exceptional risk events occurred which, in the Committee's opinion, may have materially affected the STI outcome. The Committee also considered an annual risk report and the recommendations of the Chief Risk Officer and Board Risk Committee in respect of the incidence and materiality of any risk issues arising during the year and an overall assessment of risk management relative to the Board's risk appetite and risk culture across the business.

The Committee decided that a discretionary risk-based downward adjustment should be applied to both Executive Directors' STI outcomes. This is in respect of the risks brought into the business relating to historic pension transfer advice provided by Lighthouse to British Steel Pension Scheme members prior to Quilter's acquisition of Lighthouse, which have resulted in a net provision of £24 million to cover redress costs and fees. The Committee concluded this constituted a material risk event for the business and, given the Executive Directors have overall accountability for all business activity, decided that a downward adjustment equal to 10% of maximum STI should be applied to the outcomes above.

COVID-19 adjustment

The Executive Directors considered the impact of the COVID-19 pandemic on business performance and the interests of all stakeholders, and recommended to the Committee to receive zero STI award for 2020, and to instead direct any available funding towards a small discretionary bonus pool to recognise the contribution of the wider workforce. The Committee considered the post risk-adjusted STI outcomes in the context of the COVID-19 pandemic, and that the wider employee base had done an excellent job in very challenging and unprecedented circumstances to continue to support our customers and maintain progress with key strategic activity throughout this difficult period. On this basis, the Committee agreed with the Executive Directors and, consequently, exercised discretion to reduce the Executive Directors STI award to zero for 2020.

Executive Director	Financial performance	Non-financial performance	Risk adjustment	COVID-19 adjustment	Total STI
	% of salary	% of salary	Reduction in % of salary	Reduction in % of salary	% of salary
Paul Feeney	0%	47%	(20%)	(27%)	0%
Mark Satchel	0%	55%	(20%)	(35%)	0%

Short-Term Incentive ("STI") for 2021

In line with our Policy, both Executive Directors are eligible to receive up to 200% of base salary. Performance will be based on a combination of Group financial performance targets as well as strategic (including customer and risk measures) and personal measures.

In 2021, the financial aspect of the STI award will also include NCCF as a percentage of opening AuMA, with a scorecard weighting of 20%. The IFRS profit before tax (excluding amortisation, policyholder tax adjustments and one-off items) weighting will be reduced from 60% to 40%, resulting in the total financial aspect of the scorecard remaining unchanged at 60%.

There are no other changes to the scorecard metrics or weightings.

Actual targets for 2021 have not been disclosed due to commercial sensitivity. These targets will be disclosed in the 2021 Report.

Vesting of Long-Term Incentive ("LTI") Awards

On 31 December 2020, the awards granted on 25 June 2018, the day the Company listed, under the PSP (which is an LTI plan) reached the end of their performance period. These awards will vest on 26 March 2021, with the vested shares subject to a further two-year post-vesting holding period. The performance conditions which applied to the 2018 LTI and the performance achieved are set out below.

Audited

Performance condition	Weighting	Threshold[1] (25% vesting)	Maximum[1] (100% vesting)	Performance Achieved[2]	Weighted Percentage of Award Vesting
EPS CAGR (2017-20)[3]	70%	5%[4]	15%[4]	6.8%	26.9%
Relative TSR[5]	30%	Median	Upper quartile	64 out of 184 companies	21.8%
			Award Outcome		**48.7%**

1 Straight-line interpolation between points.
2 The Committee adjusted the EPS CAGR performance condition to reflect the sale of Quilter Life Assurance.
3 Adjusted Profit-based, pre-dividend excluding amortisation and goodwill.
4 The Committee adjusted the EPS CAGR threshold and maximum targets from 6-10% to 5-15% to reflect the sale of Quilter Life Assurance. This had the effect of increasing the level of challenge in the targets, and reducing the pay-out for the EPS metric for 2017-20 from 27.9% to 26.9%.
5 Ranking relative to the constituents of the FTSE-250 excluding Investment Trusts.

To ensure that performance could be fairly and consistently assessed against the performance conditions and the outcome appropriately reflective of performance achieved, the Committee, supported by independent expert advice, considered the impact of the sale of Quilter Life Assurance, which completed on 31 December 2019. The Committee decided to exclude Quilter Life Assurance profits adjusted for certain stranded costs from the base year of the Adjusted Profit-based EPS CAGR calculation to ensure the earnings growth was measured on a like-for-like basis between the end year and the base year. The Committee also revised the CAGR performance range from the original targets of 6% at threshold and 10% at maximum, to 5% at threshold and 15% at maximum. This wider CAGR range aligns to the 2020 LTI award, the targets for which were set following the sale of Quilter Life Assurance and reflect the expectation for an increased rate of earnings growth for the business excluding Quilter Life Assurance. The Committee also considered the performance outcome against the original CAGR range of 6-10% and decided the approach to apply the 5-15% range, which provided the lesser of the two potential vesting outcomes was appropriate. A breakdown of the adjustment is provided below:

Audited

Performance condition	2017 £m	2020 £m	Outcome
Adjusted Profit (before tax)[1]	**209**	**168**	
less Quilter Life Assurance Profit	(66)	–	
plus stranded costs	(13)	–	
less finance costs[2]	–	(10)	
Revised Adjusted Profit for LTI purposes	**130**	**158**	
Adjusted Profit CAGR (2017-20)[1]			**6.8%**

1 Pre-dividend excluding amortisation and goodwill.
2 In 2017, finance costs related to loans from Old Mutual plc and are not comparable to finance costs since Listing in 2018. Therefore, finance costs are excluded from the base year, 2017, in the above calculation.

The Committee also considered whether the performance had been achieved within the Company's agreed risk appetite and the impact of any risk events during the performance period and concluded that no further discretionary adjustment to the outcome was required.

As a result of the 2018 LTI awards vesting at 48.7%, the Executive Director outcomes are as follows:

Audited

Executive Director	Number of shares granted	Share-settled dividend equivalents	% of Awards vesting	Number of shares vesting	Value of shares vesting (£000)[1]
Paul Feeney	931,034	155,848	48.7%	528,768	737.3
Mark Satchel	300,000	50,216	48.7%	170,380	237.6

1 Deemed value based on the average share price of the final three month period ended 31 December 2020 of £1.3943, the actual value will be based on the share price when the awards vest on 26 March 2021.

Long-Term Incentive ("LTI") Awards granted in 2020

Executive Directors are eligible to participate in the PSP, which is an LTI plan. The awards granted in 2020 are subject to the following performance conditions:

Audited

Performance condition	Weighting	Threshold[1] (25% vesting)	Maximum[1] (100% vesting)
Adjusted EPS CAGR (2019-22)[2]	70%	5%	15%
Relative TSR[3]	30%	Median	Upper quartile

1 Straight-line interpolation between points.
2 Pre-dividend excluding amortisation and goodwill.
3 Ranking relative to the constituents of the FTSE-250 excluding Investment Trusts.

At the end of the three-year performance period, the Committee will critically assess whether the formulaic vesting outcome produced by the criteria is justified. To do this, the Committee will look at several factors, including whether the result is reflective of underlying performance and has been achieved within the Company's agreed risk appetite. If such considerations mean that the formulaic outcome of the vesting schedule is not felt to be justified, then the Committee can exercise downward discretion.

The following LTI awards were granted in respect of the 2020 performance year:

Audited

Executive Director	Form of award	Date of award	Basis of award (% of salary)	Share price at the date of grant	Nil cost options awarded	Face value of award[1]	% vesting at threshold	Performance
Paul Feeney	Nil cost options	27 March 2020	200%	£1.2325	1,095,335	£1,350,000	25%	2020–2022
Mark Satchel	Nil cost options	27 March 2020	200%	£1.2325	730,223	£900,000	25%	2020–2022

1 The face value of the award figure is calculated by multiplying the number of shares awarded by the closing share price on the day before the award was granted, of £1.2325.

The Committee will consider the impact of the sale of Quilter Life Assurance and other material corporate events on all outstanding LTI awards at the respective vesting dates, as disclosed in the 2019 Remuneration Report. As with the 2018 LTI outcome, the details of any adjustments applied by the Committee will be disclosed in the relevant Remuneration Report.

Long-term Incentive Awards to be granted in 2021

The Committee intends to grant awards to the Executive Directors in March 2021 over nil cost options under the PSP with a face value of 200% of base salary. There is no change proposed to the metrics, their respective weightings or the threshold and maximum outcome performance targets. It should be noted that in setting the target EPS CAGR range the Committee has taken into account the anticipated impact of the Company's current share buyback programme.

Performance condition	Weighting	Threshold[1] (25% vesting)	Maximum[1] (100% vesting)
Adjusted EPS CAGR (2020-23)[2]	70%	8%	20%
Relative TSR[3]	30%	Median	Upper quartile

1 Straight-line interpolation between points.
2 Pre-dividend excluding amortisation and goodwill.
3 Ranking relative to the FTSE-250 excluding Investment Trusts.

Non-executive Director total remuneration

The total remuneration for the Non-executive Directors is set out in the table below. Non-executive Directors are not entitled to any benefits, pension or pension equivalents, or awards under any of the equity plans. All Non-executive Directors have a service contract with a three months' notice period and an initial three-year term from appointment, subject to annual re-election at the AGM, as detailed in the Policy. For 2020, the regular fees were paid at the following rate:

Annual fees (Quilter Board)	2020 fee
Chairman	£375,000
Basic annual fee	£65,000
Additional fees:	
Senior Independent Director	£20,000
Chairs of Board Audit, Risk, Remuneration and Technology and Operations Committee	£25,000
Members of the above Committees	£10,500
Members of the Board Corporate Governance and Nominations Committee	£5,500
Fees (Subsidiary Boards):	
Chairman of Subsidiary Boards	£80,000
Board Member of Quilter Financial Planning ("QFP"), Quilter Investors ("QI"), Quilter Cheviot ("QC")	£45,000
Board Member of Quilter International ("International")	£35,000
Members of the Subsidiary Board Committees	£5,000

Audited

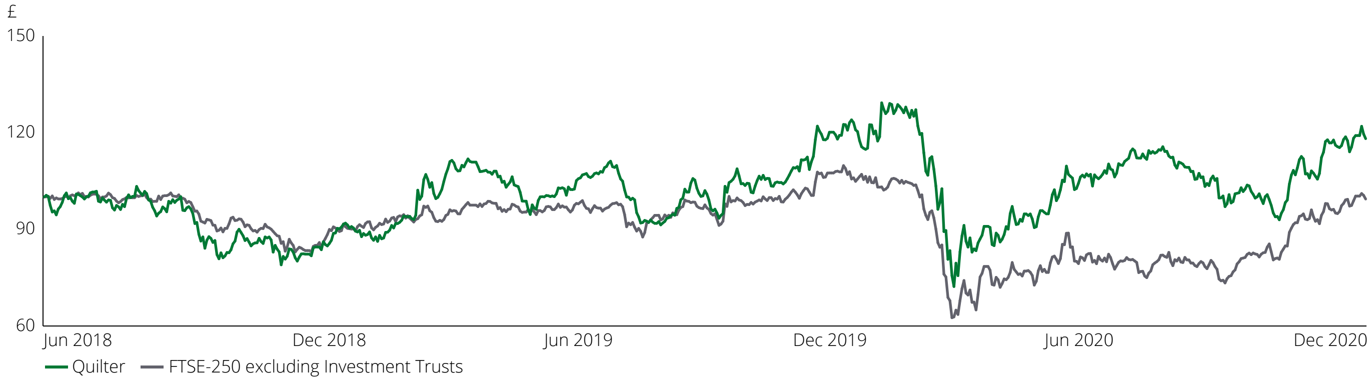
Non-executive Director	Board & Committee membership	Subsidiary Board & Committee membership	Fees for 2020 £'000	Subsidiary Board fees £'000	Total for 2020 £'000	Fees for 2019 £'000	Subsidiary Board fees £'000	Total for 2019 £'000
Glyn Jones	Chairman (C)		375.0	–	375.0	375.0	–	375.0
Rosie Harris	(C)	QC Board and GARC member	111.0	50.0	161.0	111.0	50.0	161.0
Moira Kilcoyne	(C)		100.5	–	100.5	100.5	–	100.5
George Reid[1]	(C)	QIP Chair	111.0	81.7	192.7	111.8	85.0	196.8
Ruth Markland[2]	(C)	International Board member	120.7	35.0	155.7	111.5	35.0	146.5
Paul Matthews[3]		QFP Board and GARC member	82.1	50.4	132.5	75.5	45.4	120.9
Tim Breedon[4]		QI Chair	53.3	23.8	77.1	–	–	–
Cathy Turner[5]	(C)	QI Board member	35.4	16.7	52.1	95.5	45.0	140.5
Suresh Kana[5]			30.0	–	30.0	81.0	–	81.0
Jon Little[5]		QI Chair	56.6	60.0	116.6	75.5	82.4	157.9

Board Committee Key:

= Board
= Board Audit Committee
= Board Remuneration Committee
= Board Risk Committee
= Senior Independent Non-executive Director
= Board Technology and Operations Committee
= Board Corporate Governance and Nominations
(C) = Chair

1 George Reid's responsibilities reduced in 2020 following the sale of QLA on 31 December 2019 of which Board George Reid was Chair. Additionally George Reid stood down from the Quilter Wealth Solutions GARC on 30 April 2020.
2 Ruth Markland was appointed Chair of the Board Remuneration Committee 14 May 2020.
3 Paul Matthews was appointed to the Quilter Board Remuneration Committee on 14 May 2020. Paul is a member of the Quilter Financial Planning Limited Board and, with effect from 1 January 2021, serves on its Audit Committee and Risk and Governance Committee, which has replaced its Governance Audit and Risk Committee. Paul is in receipt of a temporary uplift in his Quilter Financial Planning Limited fees with effect from 1 January 2021, which reflects the additional time commitment currently required in the business area.
4 Tim Breedon was appointed as an Independent Non-executive Director on 1 June 2020, QI Board member on 1 September 2020 and Chair on 1 October 2020.
5 Cathy Turner and Suresh Kana stood down from the Quilter Board and all Quilter-related appointments on 14 May 2020, Jon Little stood down from the Quilter Board and all Quilter-related appointments on 30 September 2020.

TSR performance graphic over the period since Admission



The graph above shows the Company's TSR performance versus the FTSE-250 excluding Investment Trusts over the period ended 31 December 2020. The FTSE-250 has been chosen as the Company is a member of that index.

Group Chief Executive Officer pay

The table below contains the Chief Executive Officer's annual remuneration since the Company listed in 2018:

Financial year	Name	Total remuneration £'000	Annual bonus as % of maximum	LTIP vesting as % of maximum
2020	Paul Feeney	1,487.3	0%	48.7%
2019	Paul Feeney	1,896.3	79%	n/a
2018	Paul Feeney	2,778.9	93%	n/a

Percentage change in Directors remuneration compared to the average employee

The table below sets out the percentage change in salary or fee and STI between the Executive Directors and average employee from 2019 to 2020. The annual change in salary is based on the salary of permanent UK employees as at 31 December 2019 and 31 December 2020, and the annual change in STI excludes employees that are not eligible for bonus. The annual increase in the average employee salary is impacted by the inclusion of a high number of operational employees in the Quilter Life Assurance business area in 2019, who are no longer employed by Quilter in 2020. This has led to an increase in average salary per employee in 2020. As Executive Directors' benefits have been aligned to other UK employees, the analysis of movement in average benefits was not considered practical or meaningful and therefore not included in the below comparison. Further detail of Executive Directors' benefits can be found on page 134 of this Remuneration Report.

		Executive Directors		Independent Non-executive Directors						
Remuneration outcome	Average employee	Chief Executive Officer	Chief Financial Officer	Glyn Jones	Ruth Markland	Rosie Harris	George Reid	Moira Kilcoyne	Paul Matthews	Tim Breedon
Salary/fees	5%	0%	0%	0%	0%	0%	0%	0%	0%	0%
STI	(49%)	(100%)	(100%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Chief Executive Officer pay ratio

The table below sets out the ratio between the Chief Executive Officer's total remuneration and the median, 25th and 75th percentile of the total remuneration of full-time equivalent UK employees.

Total remuneration

		Pay ratio			All employees £		
Year	Method	25th percentile	Median	75th percentile	25th percentile	Median	75th percentile
2020	Option A	50:1	33:1	19:1	29,663	45,349	78,368
2019	Option B	62:1	39:1	27:1	30,478	48,486	69,114

Salary

		Pay ratio			All employees £		
Year	Method	25th percentile	Median	75th percentile	25th percentile	Median	75th percentile
2020	Option A	28:1	19:1	11:1	24,000	36,350	61,000
2019	Option B	28:1	18:1	14:1	24,333	37,001	48,667

Total remuneration includes salary, benefits, pension, short-term incentives and any value vested from long-term incentives during the year. As some 2020 STI amounts across the wider workforce are subject to change until after the publication of this report, the total remuneration may not be exact. However, any STI changes are expected to be minimal and it is unlikely the pay ratios will change significantly once the STI amounts are determined. Our Chief Executive Officer has a higher proportion of variable pay in total remuneration, which is the main factor driving the difference in the ratios between salary and total remuneration.

From the three options disclosed in the regulations regarding the methodology to identify the employees at median, 25th and 75th percentiles for comparison between those and the Chief Executive Officer, we recognise that the most precise method, and therefore often referred to as the preferred method, is Option A, which calculates the single figure for each UK employee. Whilst in 2019 we adopted Option B, which uses the Gender Pay Gap Reporting methodology to identify the employees at each quartile, we have adopted Option A for 2020 and intend to continue reporting under this method in future years.

Whilst adopting Option A has had a slight impact on the 2020 ratios when compared to 2019, the year-on-year variances at each quartile, in particular the 75th percentile, reflect the reduction and change in profile of our workforce following the sale of Quilter Life Assurance at the end of 2019, and the recommendation of the Chief Executive Officer to receive zero STI for 2020.

Gender pay gap

The Company reported a median gender pay gap of 30% and a median bonus gap of 39% for 2020. The results reflect the under-representation of women in senior roles, which we recognise is a systemic issue facing the wealth management industry and will require ongoing, multi-year efforts to resolve. Further details regarding our gender pay gap figures can be found on page 53 of the Responsible Business report.

Relative importance of spend on pay

The following table sets out the profit, dividends and overall spend on pay in the years ended 31 December 2020 and 31 December 2019:

	2020	2019	% Change
Adjusted profit before tax (£m)	168	235	(29%)
Dividends[1] (£m)	78	95	(18%)
Employee remuneration costs[2] (£m)	291	316	(8%)

1 In 2019, the Company paid an interim dividend of 1.7 pence and a final dividend of 3.5 pence, with total dividends of £96 million estimated in the 2019 Report. However, based on the final share count for 2019, the total dividends paid came to £95 million. For the 2020 financial year, the Company paid an interim dividend of 1.0 pence and recommend a final dividend of 3.6 pence.

2 Employee remuneration costs represent the underlying employee costs within the adjusted profit view for Quilter, excluding the impact of one-off items. 2019 includes £22 million of costs relating to Quilter Life Assurance; excluding these, 2019 costs were £294 million, and the annual reduction is £3 million, a 1% change.

Executive Directors' shareholding and interests in Quilter Share Schemes

The table below shows the Executive Directors' interests in Company share plans which will vest in future years subject to performance and/or continued service at 31 December 2020 together with any additional interests in shares held beneficially by the Executive Directors outside of Group share schemes. The share price at 31 December 2020 was £1.5360.

During the period 31 December 2020 to 10 March 2021, there were no exercises or dealings in the Company's share awards by the Directors.

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				Scheme interests at 31 December 2020	
Performance condition	**Legally owned (shares)**	**Subject to SIP (shares)**	**Subject to SAYE (options)**	**Deferred STI and other awards not subject to performance conditions (shares)**	**Subject to performance conditions under the LTIP (shares)**
Paul Feeney	650,340	1,533	24,000	1,182,877	3,246,375
Mark Satchel	655,392	1,533	14,400	527,073	1,789,881

Executive Directors' shareholding requirements

In line with the Remuneration Policy, each Executive Director is required to acquire and maintain a shareholding equivalent to 300% of base salary (including shares beneficially held by the individual or his/her spouse, the net of tax value of unvested share interests within Company share plans which are not subject to performance conditions and 25% of the value of beneficially held shares purchased by the individual or his/her spouse since the post-cessation shareholding policy came into effect).

As of 31 December 2020, Paul Feeney had not yet satisfied the minimum shareholding requirement but has up to five years from the date of Admission or appointment (25 June 2023 for Paul Feeney and 13 March 2024 for Mark Satchel) to achieve the minimum.

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Name	**Value[1] £'000**	**Multiple of base salary**
Paul Feeney	1,964.3	291%
Mark Satchel	1,438.1	320%

1 Includes the estimated net value of unvested share awards which are not subject to performance conditions. The calculation is based on the average share price of the final three month period ended 31 December 2020 of £1.3943, the actual value will be based on the share price when the awards vest on 26 March 2021.

Directors' personal holding and beneficial share interests

As at 31 December 2019 and 31 December 2020, the Executive and Non-executive Directors held the following legal and beneficial interests in Ordinary Shares:

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Name	31 December 2020	31 December 2019
Paul Feeney	650,340	580,544
Mark Satchel	655,392	377,576
Glyn Jones	800,000	800,000
Rosie Harris	17,241	17,241
Moira Kilcoyne	34,482	34,482
George Reid	20,689	20,689
Ruth Markland	20,689	20,689
Paul Matthews	30,000	30,000
Tim Breedon	–	n/a
Cathy Turner[1]	68,985	68,965
Suresh Kana[1]	–	–
Jon Little[1]	20,689	20,689

1 Shareholding is as at the date of standing down as Independent Non-executive Directors, on 14 May 2020 for Cathy Turner and Suresh Kana, and 30 September 2020 for Jon Little.

During the period 31 December 2020 to 10 March 2021, there were no other changes to the interests in shares held by the Directors as set out in the table above.

Legacy arrangements

In 2017, prior to the managed separation of Quilter from Old Mutual plc, a retention award was granted to Mark Satchel to recognise the criticality of his role during and beyond the demerger and Listing of Quilter in 2018. The award was not subject to any performance conditions and vested on 31 August 2020 on the third anniversary of the grant date. As the award was granted prior to the Listing of the Company, and it was not a long-term incentive, it does not form part of his remuneration for qualifying services as a Director of the Company and is not included within his aggregate emoluments for 2020. In accordance with our principles of open and transparent disclosure, details of the award are set out below:

Audited

Executive Director	Date of vesting	Share price at date of vesting[1]	Number of shares vesting[2]	Value of shares vesting (£000)	Cash-settled dividend equivalents (£000)	Total value of shares (£000)
Mark Satchel	31 August 2020	£1.4305	347,437	497.0	88.2	585.2

1 Share price as at 28 August 2020 due to the date of vesting being a public holiday.
2 The award was originally granted over notional Old Mutual plc shares and converted to Quilter plc shares at Listing.

Payments within the year to past Directors

During 2020, Tim Tookey, the former Chief Financial Officer who stood down from the Board on 13 March 2019, received the vesting of the one-off LTI award linked to the business preparation and execution of Listing in June 2018. The vesting outcome was 100% of maximum on a pro-rata basis for the time Tim Tookey served as an Executive Director. The amount received upon vesting on 1 May 2020 was £1,695,429 from 1,415,216 shares with a share price of £1.1980.

Payment for loss of office

During 2020, there were no payments made to any Directors for loss of office.

External directorships

The table below sets out external directorships held by the Executive Directors.

Executive Directors	External directorships held	Fees received and retained
Paul Feeney	None	–
Mark Satchel	None	–

External advisers

On 1 August 2020, Alvarez & Marsal ("A&M") acquired Aon's Executive Compensation team, resulting in A&M becoming the Committee's new independent remuneration adviser. The individual providing independent advice to the Committee has remained unchanged. During 2020, both firms provided advice covering annual remuneration report and policy disclosures, market practice and incentive design. Apart from the above, A&M or Aon have no other connection with the Company.

The Committee is satisfied that the advice received from A&M is objective and independent, and the firm is a member of the Remuneration Consultants Group, whose voluntary code of conduct is designed to ensure objective and independent advice is given to Committees. The total fees paid in respect of remuneration advice during 2020 are as follows:

Name	Key areas of advice received	Total fees 2020
Alvarez & Marsal	Annual remuneration report and policy disclosure, market practice, incentive design	£30,215
Aon	Annual remuneration report and policy disclosure, market practice, incentive design	£33,698

Statement of shareholder voting

During the Company's AGM in May 2020, a resolution to approve the Directors' Remuneration Report was moved and the votes from shareholders cast For was 96%, and 4% Against. Total votes Withheld were 2,631,525, which is 0.14% of issued share capital.

A resolution to approve the Directors' Remuneration Policy was moved during the Company's first AGM in May 2019; the votes from shareholders cast For was 97%, and 3% Against. Total votes Withheld were 7,803,013, which is 0.41% of issued share capital. The next resolution to approve the Directors' Remuneration Policy will be in 2022 following the upcoming Policy review.

The Company did not receive a significant percentage of votes against either resolution at the 2020 or the 2019 AGM.

Our approach to governance

UK Corporate Governance Code 2018 (the "Code")
Quilter is subject to the Code and complied with all of its provisions during the year. Details of our Corporate Governance Framework are available on our website at quilter.com/corporategovernance. The Code is publicly available at www.frc.org.uk.

Disclosure Guidance and Transparency Rules ("DTRs")
By virtue of the information included in this Governance section of the Annual Report including our Directors' Report (pages 80 to 155) we comply with the corporate governance requirements of the FCA's DTRs.

Johannesburg Stock Exchange (the "JSE")
Quilter has a secondary listing on the Johannesburg Stock Exchange and is permitted by the JSE Listings Requirements to follow the corporate governance practices of its primary listing market. Quilter is, however, mindful of the provisions of the King IV Governance principles and the expectations of our South African shareholders.

1. Board leadership and Company purpose

The Chairman's introduction on corporate governance on page 81 and the Board Governance section on pages 90 to 101 set out how the Board has met its leadership and oversight responsibilities under the Code during the year, including its role in promoting the success of the Company, monitoring culture across the business and understanding the views of our shareholders and other stakeholders. Details of our approach to workforce engagement and the key themes arising from the employee feedback received during the year are set out on pages 100 and 101.

Responsibility for monitoring the Group's whistleblowing arrangements, which provide a means for our workforce to raise concerns in confidence or anonymously, has been delegated to the Board Audit Committee. Details of how this responsibility has been discharged during the year can be found in the Board Audit Committee Chair's report on page 112. Further information on the Group's whistleblowing arrangements can be found in the Responsible Business report on page 59.

In accordance with the Companies Act 2006 and the Company's Articles of Association, the Board may authorise Conflicts of Interest. Directors are required to declare any potential or actual Conflicts of Interest that could interfere with their ability to act in the best interests of Quilter. The Company Secretary maintains a Conflicts of Interest register which is reviewed by the Board and the Board Corporate Governance and Nominations Committee. Noting the recommendations of the Code, the Board Corporate Governance and Nominations Committee is required to pre-approve, on behalf of the Board, any new external appointments that a Director wishes to adopt. During the year, the Board Corporate Governance and Nominations Committee carefully reviewed requests to approve new external appointments for a number of our Non-executive Directors, and concluded that these additional responsibilities would not impact their time commitment or cause any potential conflicts of interest for Quilter. In addition, the Committee further reviewed the impact for Quilter of Paul Feeney assuming the role of Chair of the FCA Practitioner Panel and concluded that this was an appropriate appointment for Paul to assume.

2. Division of responsibilities

The Board is made up of a majority of independent Non-executive Directors and comprises the Chairman, who was independent on appointment, two Executive Directors and seven independent Non-executive Directors, including the Senior Independent Director. The independence of each Non-executive Director is assessed on an annual basis against the criteria set out in the Code.

It is a principle of UK company law that Executive and Non-executive Directors all have the same duties and are subject to the same constraints. However, in line with the requirements of the Code, there is a clear division of responsibilities at the head of Quilter between the running of the Board and the executive responsibility for managing Quilter's business. Our Chairman is responsible for the leadership of the Board and managing the business of the Board through setting its agenda and taking full account of the issues and concerns of Board members. Our Chief Executive Officer is responsible for the day-to-day management of our business and the leadership of the Quilter Executive Committee. Further information on the Quilter Executive Committee can be found on pages 88 and 89.

The accountabilities, competencies and expectations required of each role on the Board, including those required by the Code, have been documented in our Board Charter. This includes the responsibilities of the Directors as a whole, including their responsibilities under section 172(1) of the Companies Act 2006, and the role profiles of the Chairman, Senior Independent Director, Committee Chairs, Non-executive Directors and Executive Directors. Performance against these expectations was assessed in the 2019/20 Board Effectiveness Review, detailed in the report from our Senior Independent Director on page 105, and it was confirmed that all Directors were discharging their roles effectively. The time commitment expected of the Non-executive Directors is set out in the Board Charter and their letters of appointment. The Board Corporate Governance and Nominations Committee reviews the Board Charter annually to ensure it remains relevant and up to date. The Board Charter is published on our website at quilter.com/corporategovernance to ensure complete transparency of the standards we set for ourselves.

As set out in the Board Charter, the Chairman is responsible for ensuring that the Board receives accurate, timely and high-quality supporting information. This covers the Company's performance to enable the Board to take sound decisions, monitor effectively and provide advice to promote the success of the Company. Working in collaboration with the Chairman, the Company Secretary is responsible for ensuring good corporate governance and consults with Directors to ensure that good information flows exist and that the Board receives the information it requires to be effective.

The Board is the decision-making body for all matters of such importance as to be of significance to Quilter as a whole because of their strategic, financial or reputational implications or consequences. A summary of the matters that are reserved for the Board's decision, which includes Board appointments, Quilter's strategy, financial statements, capital expenditure and any major acquisitions, mergers or disposals, and the appointment and removal of the Company Secretary, can be found at quilter.com/corporategovernance.

3. Composition, succession and evaluation

The Board Corporate Governance and Nominations Committee is responsible for overseeing the composition of the Board and its Committees and ensuring that it is an appropriate size and that there is an appropriate balance of diversity in skills, experience, independence and knowledge. It is also responsible for reviewing and making recommendations to the Board on succession planning for the Board and key leadership positions within Quilter. Details of the composition of the Board Corporate Governance and Nominations Committee, how it has discharged its duties during the year and the 2019/20 Board Effectiveness Review, including the resulting action plan, can be found on pages 102 to 107.

The Chairman and all the Non-executive Directors have served on the Board for less than five years. All the Directors are subject to annual re-election by shareholders and the specific reasons why each Director's contribution is, and continues to be, important to the Company's long-term sustainable success are set out in their biographies on pages 84 to 87.

4. Audit, risk and internal control

Risk management and internal control

The Directors are responsible for ensuring that management maintains an effective system of risk management and internal control and for assessing its effectiveness. Such a system is designed to identify, evaluate and manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Quilter is committed to operating within a strong system of internal control that enables business to be transacted and risk taken without exposing itself to unacceptable potential losses or reputational damage. The Quilter Group Governance Manual sets out the Group's approach to internal governance and establishes the mechanisms and processes by which management implements the strategy set by the Board to direct the organisation, through setting the tone and expectations from the top, delegating its authority and assessing compliance.

Quilter's principles of internal control (covering financial, operational and compliance areas) are to maintain:
- clearly defined delegated authorities;
- clearly defined lines of responsibility;
- robust recording and reporting of transactions to support the financial statements;
- financial reporting controls procedures and systems which are regularly reviewed;
- protection of assets; and
- financial crime prevention and detection.

The Enterprise Risk Management Framework is overseen by the Board Risk Committee and aims to align strategy, capital, processes, people, technology and knowledge in order to evaluate and manage business opportunities and threats in a structured, disciplined manner. The Group's principal risks and uncertainties are set out on pages 73 to 76.

The Board Audit Committee and the Board Risk Committee have a joint responsibility for the oversight of the effectiveness of the internal control framework across Quilter. In addition, the Board Technology and Operations Committee has oversight of operational matters more broadly, with the Board Risk Committee having responsibility for oversight of Operational Risk. The Board Audit Committee regularly reviews the system of internal control on behalf of the Board and receives regular reports from management, Internal Audit and the Finance function covering, in particular, financial controls. The chairs of the Board Audit Committee, the Board Risk Committee and the Board Technology and Operations Committee regularly brief the Board on the key matters discussed by these Committees. Throughout the year ended 31 December 2020 and to date, the Group has operated a system of internal control that provides reasonable assurance of effective operations covering all controls, including financial and operational controls and compliance with laws and regulations. Processes are in place for identifying, evaluating and managing the principal risks facing the Group in accordance with the 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' published by the Financial Reporting Council.

Internal control over financial reporting

Management are also responsible for establishing and maintaining adequate internal control over financial reporting. This is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with International Financial Reporting Standards ("IFRS") adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and as issued by the International Accounting Standards Board ("IASB"). Internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail:

- accurately and fairly reflect transactions and dispositions of assets;
- provide reasonable assurances that transactions are recorded as necessary to permit the preparation of financial statements in accordance with IFRS and that receipts and expenditures are being made only in accordance with authorisations of management and the respective Directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of assets that could have a material effect on the financial statements.

Assurance that these controls are adequate and operating effectively is obtained through monthly control self assessments and regular independent assurance activity undertaken by first line management and Internal Audit, respectively. Conclusions are reported to the Board Audit Committee which examines these and provides further challenge. Finally, the Board scrutinises and approves results announcements and the Annual Report and ensures that appropriate disclosures have been made. This governance process ensures that both management and the Board are given sufficient opportunity to debate and challenge the Group's financial statements and other significant disclosures before they are made public.

Management have assessed the internal controls over financial reporting as of 31 December 2020 and concluded that, based on their assessment, they were effective. The Board Audit Committee has reviewed this assessment as part of its review of the internal controls over financial reporting. The Chair of the Board Audit Committee reports on the review of controls over financial reporting and how the Board Audit Committee has monitored the independence and effectiveness of the internal and external auditors on pages 108 to 115.

The composition of the Board Audit Committee, the Board Risk Committee and the Board Technology and Operations Committee is set out on pages 108, 116 and 119, respectively.

5. Remuneration

The Board has delegated responsibility to the Board Remuneration Committee for the consideration and approval of the remuneration arrangements for the Chairman, Executive Directors and other senior executives. Fees paid to the Non-executive Directors are considered regularly by the Board as a whole, with Non-executive Directors not participating. The Board Remuneration Committee is also responsible for setting and recommending to the Board for approval, the overarching objectives, principles and parameters of remuneration policy across the Group, ensuring that Quilter is adopting a coherent approach to remuneration in respect of all employees. Information on the composition of the Board Remuneration Committee and its activities in 2020 can be found in the Board Remuneration Committee Report on pages 122 to 147.

Directors' report

The Directors present their report for the financial year ended 31 December 2020

Cautionary statement
This Annual Report has been prepared for, and only for, the members of the Company, as a body, and no other persons. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. By their nature, the statements concerning the risks and uncertainties facing the Group in this Annual Report involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report should be construed as a profit forecast.

Corporate governance statement
The information that fulfils the requirements of the corporate governance statement for the purposes of the FCA's Disclosure Guidance and Transparency Rules ("DTRs") can be found in the Governance Section of the Annual Report on pages 80 to 151 (all of which forms part of this Directors' Report) and in this Directors' Report.

Information included in the Strategic Report
The Company's Strategic Report is on pages 1 to 79 and includes the following information that would otherwise be required to be disclosed in this Directors' Report:

Subject matter	Page reference
Likely future developments in the business	26
Engagement with employees	52 and 53
Engagement with suppliers, customers and others	50 to 59
Greenhouse gas emissions, energy consumption and energy efficiency action	56 and 57
Financial risks	73

Information to be disclosed under Listing Rule 9.8.4R

Subject matter	Page reference
Details of long-term incentive schemes	122 to 147
Director waivers of emoluments	138
Shareholder waivers of dividends	152
Shareholder waivers of future dividends	152

Financial instruments and risk management
Information relating to financial instruments and financial risk management objectives and policies can be found on pages 182 to 185, 215 and 216, and 241 to 248.

Branches
During 2020, the Group has operated branches in Hong Kong, Ireland, Jersey, Singapore, the United Arab Emirates and the United Kingdom.

Profit and dividends
Statutory profit after tax for 2020 was £88 million (2019: £146 million).

The Directors have recommended a final dividend for the financial year ended 31 December 2020 of 3.6 pence per Ordinary Share which will be paid out of distributable reserves, subject to approval by shareholders at the 2021 Annual General Meeting. Further information regarding the dividend, including key dates, can be found at quilter.com/dividends. On 11 August 2020 the Board declared an interim dividend of 1.0 pence per Ordinary Share. The interim dividend was paid on 21 September 2020 to shareholders on the UK and South African share registers on 4 September 2020.

Shares are held in the Quilter employee benefit trust ("EBT") and the Equiniti Share Plans Trust ("ESPT") in connection with the operation of the Company's share plans. Dividend waivers are in place for those shares that have not been allocated to employees.

Directors
The names of the current Directors of the Company, along with their biographical details, are set out on pages 84 to 87 and are incorporated into this report by reference. Changes to Directors during the year are set out below:

Name	Role	Effective date of appointment/resignation
Suresh Kana	Non-executive Director	Resigned 14 May 2020
Cathy Turner	Non-executive Director	Resigned 14 May 2020
Tim Breedon	Non-executive Director	Appointed 1 June 2020
Jon Little	Non-executive Director	Resigned 30 September 2020
Tazim Essani	Non-executive Director	Appointed 9 March 2021

Details of the Directors' interests in the share capital of the Company are set out in the Annual Report on Remuneration on page 146.

The powers given to the Directors are contained in the Company's Articles of Association and are subject to relevant legislation and, in certain circumstances, including in relation to the issuing or buying back by the Company of its shares, subject to authority being given to the Directors by shareholders in general meeting. The Articles of Association also govern the appointment and replacement of Directors. The Board has the power to appoint additional Directors or to fill a casual vacancy amongst Directors. Any such Director only holds office until the next Annual General Meeting ("AGM") and may offer themselves for re-election. The 2018 UK Corporate Governance Code recommends that all directors should be subject to annual re-election and all Directors will stand for re-election at the 2021 AGM.

Articles of Association

The Articles of Association may be amended in accordance with the provisions of the Companies Act 2006 by way of a special resolution of the Company's shareholders. Information below sets out the provisions in the Articles of Association in force as at the date of this report.

Share capital and control

The Company has Ordinary Shares in issue, representing 100% of the total issued share capital as at 31 December 2020 and as at 2 March 2021 (the latest practicable date for inclusion in this report). Details regarding changes in the Company's share capital can be found in note 25 of the financial statements on page 226. The rights attaching to the shares are set out in the Articles of Association and are summarised below.

Voting rights of members

On a show of hands, every member or authorised corporate representative present has one vote and every proxy present has one vote except if the proxy has been duly appointed by more than one member and has been instructed by (or exercises his discretion given by) one or more of those members to vote for the resolution and has been instructed by (or exercises his discretion given by) one or more other of those members to vote against it, in which case a proxy has one vote for and one vote against the resolution. On a poll, every member present in person or by proxy has one vote for every share of which he is a holder. In the case of joint holders, the vote of the person whose name stands first in the register of members and who tenders a vote is accepted to the exclusion of any votes tendered by any other joint holders.

Unless the Board decides otherwise, a member shall not be entitled to vote, either in person or by proxy, at any general meeting of the Company in respect of any share held by him unless all calls and other sums presently payable by him in respect of that share have been paid.

Transfers

Save as described below, the Ordinary Shares are freely transferable.

A member may transfer all or any of his shares in any manner which is permitted by any applicable statutory provision and is from time to time approved by the Board. The Company shall maintain a record of uncertificated shares in accordance with the relevant statutory provisions.

A member may transfer all or any of his certificated shares by an instrument of transfer in any usual form, or in such other form as the Board may approve. The instrument of transfer shall be signed by or on behalf of the transferor and, except in the case of a fully paid share, by or on behalf of the transferee. The Board may, in its absolute discretion, refuse to register any instrument of transfer of any certificated share which is not fully paid up (but not so as to prevent dealings in listed shares from taking place on an open and proper basis) or on which the Company has a lien. The Board may also refuse to register any instrument of transfer of a certificated share unless it is left at the registered office, or such other place as the Board may decide, for registration, accompanied by the certificate for the shares to be transferred and such other evidence (if any) as the Board may reasonably require to prove title of the intending transferor or his right to transfer shares; and it is in respect of only one class of shares. If the Board refuses to register a transfer of a certificated share it shall, as soon as practicable and in any event within two months after the date on which the instrument was lodged, give to the transferee notice of the refusal together with its reasons for refusal. The Board must provide the transferee with such further information about the reasons for the refusal as the transferee may reasonably request. Unless otherwise agreed by the Board in any particular case, the maximum number of persons who may be entered on the register as joint holders of a share is four.

Variation of rights

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution of the holders of the shares of that class.

Exercisability of rights under an employee share scheme

An EBT operates in connection with certain of the Group's employee share plans ("Plans"). The Trustees of the EBT may exercise all rights attaching to the shares in accordance with their fiduciary duties other than as specifically restricted in the relevant Plan governing documents. The Trustee of the EBT has informed the Company that their normal policy is to abstain from voting in respect of the Quilter shares held in trust. The Trustee of the Quilter Share Incentive Plan ("SIP") will vote as directed by SIP participants in respect of the allocated shares but the Trustee will not otherwise vote in respect of the unallocated shares held in the SIP Trust.

Purchase of own shares

At the AGM held on 14 May 2020, shareholders passed resolutions to authorise the Company to purchase a maximum of 189,981,045 Ordinary Shares of 7 pence each, representing 10% of the Company's issued Ordinary Share capital at that time. The share buyback programme (the "Buyback"), first announced on 11 March 2020 and currently using the authority granted by shareholders at last year's AGM, continues. The purpose of the Buyback is to distribute the net surplus proceeds arising from the sale of Quilter Life Assurance to shareholders. As at 31 December 2020, the Company had acquired 118,282,047 of its Ordinary Shares of 7 pence each, representing 6.63% of the Company's issued share capital on the London Stock Exchange ("LSE") and the Johannesburg Stock Exchange ("JSE"), at an average price of 129.32 pence per share. The aggregate amount of consideration paid for the Shares acquired under the Buyback was £152,963,992. Shares bought back on the JSE were purchased pursuant to contingent purchase contracts with each of (a) J.P. Morgan Equities South Africa Proprietary

Limited and (b) Goldman Sachs International, which were approved by shareholders at the 2020 AGM. The contracts enable the Company to buy back its shares on the JSE in similar fashion and subject to the same overall limits as on-market purchases on the LSE. The shares acquired under the Buyback were cancelled upon acquisition. Continuation of the Buyback is dependent on phased regulatory approvals and continuing authority from our shareholders. The Directors are therefore, in accordance with institutional guidelines, seeking renewal of the share purchase authorities at the 2021 AGM. Further information on the Buyback can be found on pages 41, 65 and 99.

The Odd-lot Offer, which was approved by shareholders at the 2019 AGM, was launched on 11 March 2020 and closed on 15 May 2020. On 29 May 2020, the Odd-lot Offer was implemented and the Company purchased a total of 16,263,364 of its own Ordinary Shares of 7 pence each, representing 0.87% of the Company's issued share capital as at that date. The Odd-lot Offer was conducted across the Company's UK and South African share registers. The Company purchased 169,264 Shares on the UK register at a price of 120.24 pence per Share and 16,094,100 Shares on the South African register at 2,812.63 South African cents per share. The aggregate amount of the consideration paid was £203,523 and 452,667,484.83 South African Rand, respectively. The shares purchased as part of the Odd-lot Offer were initially held as treasury shares and were then transferred to the EBT on 1 June 2020. For more information on the Odd-lot Offer please refer to pages 15 and 267.

Employment of disabled persons

Providing an environment where employees are safe and there is equality of opportunity is a key element in enabling our people to succeed and deliver the business strategy. Using our diversity and our relationships to learn from one another enables us to create one business that provides better opportunities for our people and better outcomes for our customers. We are committed to creating an inclusive culture which embraces diversity. We therefore promote equal opportunities and ensure that no applicant or colleague is subject to less favourable treatment on the grounds of gender, marital status, nationality, ethnicity, age, sexual orientation, responsibilities for dependents, or physical or mental disability. We are committed to continuing the employment of, and for arranging training for, employees who have become disabled while employed by Quilter. We select candidates for interview, career development and promotion based on their skills, qualifications, experience and potential.

Significant agreements (change of control)

All the Company's Share Plans contain provisions relating to a change of control. In the event of a change of control, outstanding awards and options may be lapsed and replaced with equivalent awards over shares in the new company, subject to the Board Remuneration Committee's discretion. Alternatively, outstanding awards and options may vest and become exercisable on a change of control subject, where appropriate, to the assessment of performance at that time and time pro-rating of awards. The Board Remuneration Committee has discretion to waive time pro-rating to an extent. Short-term incentive ("STI") awards may continue to be paid in respect of the full financial year pre and post change of control, or a pro-rated STI award may be paid in respect of the portion of the year that has elapsed at the point of change of control. Exceptionally, the Board Remuneration Committee may exercise its discretion to waive pro-rating.

On a change of control, including following a takeover bid, the Company is required to enter into negotiations in good faith with the lenders under the Group's Revolving Credit Facility in respect of any changes to its terms. If after such negotiations no agreement has been reached, the Revolving Credit Facility would be cancelled and existing drawdowns would become repayable.

The Group is also party to a number of supplier agreements that may be terminated upon a change of control of the Company, including following a takeover bid. In many cases, whether this may apply depends on the identity or characteristics of the new controller. This may result in the provision of certain services and software licences being terminated early.

Directors' indemnities

Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the course of the financial year ended 31 December 2020 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers and office. In addition, the Company maintains Directors' and Officers' Liability Insurance which gives appropriate cover for legal action brought against its Directors.

Major shareholders

As at 31 December 2020, the Company had been notified, in accordance with Rule 5 of the FCA's DTRs, of the following holdings of voting rights in its Ordinary Share capital:

Name of shareholder	Number of voting rights attaching to Quilter shares	% interest in voting rights attaching to Quilter shares[1]	Nature of holding notified
Allan Gray Unit Trust Management (RF) Proprietary Limited	68,880,114	3.62	Direct
Coronation Asset Management (Pty) Ltd	304,072,006	17.03	Direct
Equiniti Trust (Jersey) Limited[2]	85,403,250	4.58	Direct
Norges Bank	92,581,561	4.98	Direct
Prudential Portfolio Managers (South Africa) (PTY) Ltd	91,942,798	4.83	Indirect
Public Investment Corporation of the Republic of South Africa	179,476,894	10.04	Direct

[1] The percentage of voting rights detailed above was calculated at the time of the relevant disclosures made in accordance with Rule 5 of the FCA's DTRs.
[2] These shares are held by Equiniti Trust (Jersey) Limited in its capacity as Trustee of the Quilter Employee Benefit Trust.

As at 2 March 2021, the latest practicable date for inclusion in this report, the following voting rights had been notified, in accordance with Rule 5 of the FCA's DTRs:

Name of shareholder	Number of voting rights attaching to Quilter shares	% interest in voting rights attaching to Quilter shares[1]	Nature of holding notified
Allan Gray Unit Trust Management (RF) Proprietary Limited	68,880,114	3.62	Direct
Coronation Asset Management (Pty) Ltd	304,072,006	17.03	Direct
Equiniti Trust (Jersey) Limited[2]	85,403,250	4.58	Direct
Norges Bank	70,952,752	3.99	Direct
Prudential Portfolio Managers (South Africa) (PTY) Ltd	91,942,798	4.83	Indirect
Public Investment Corporation of the Republic of South Africa	179,476,894	10.04	Direct

[1]The percentage of voting rights detailed above was calculated at the time of the relevant disclosures made in accordance with Rule 5 of the FCA's DTRs.
[2]These shares are held by Equiniti Trust (Jersey) Limited in its capacity as Trustee of the Quilter Employee Benefit Trust.

Information provided to the Company by major shareholders pursuant to the FCA's DTRs is published via a Regulatory Information Service and is available at quilter.com/investor-relations.

Donations

Quilter does not make monetary donations or gifts in kind to political parties, elected officials or election candidates. Accordingly, no such donations were made in 2020. However, the Directors are seeking to renew the Company's and its subsidiaries' authority to make donations not exceeding £50,000 in aggregate at the 2021 AGM. This is for the purposes of ensuring that neither the Company nor its subsidiaries inadvertently breach Part 14 of the Companies Act 2006 by virtue of the relevant definitions being widely drafted. Further information is available in the 2021 Notice of AGM.

Directors' responsibility statements

The Directors are responsible for preparing the Annual Report and the Parent Company and consolidated financial statements in accordance with applicable law and regulations.

The Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's position, performance, business model and strategy.

Each of the Directors in office as at the date of this report, whose names are listed on pages 84 to 87, confirms that, to the best of his or her knowledge:

- the consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that they face.

For further information on the comprehensive process followed by the Board in order to reach these conclusions please refer to the Board Audit Committee report on pages 108 to 115.

Disclosure of information to Auditors

Each person who is a Director of the Company as at the date of approval of this report confirms that:

a) so far as the Director is aware, there is no relevant audit information of which the Company's Auditors are unaware; and
b) the Director has taken all the steps that he or she ought to have taken as a Director in order to make him/herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Auditors

The Directors are recommending the reappointment of PricewaterhouseCoopers LLP as the Company's statutory auditors at the 2021 AGM.

AGM

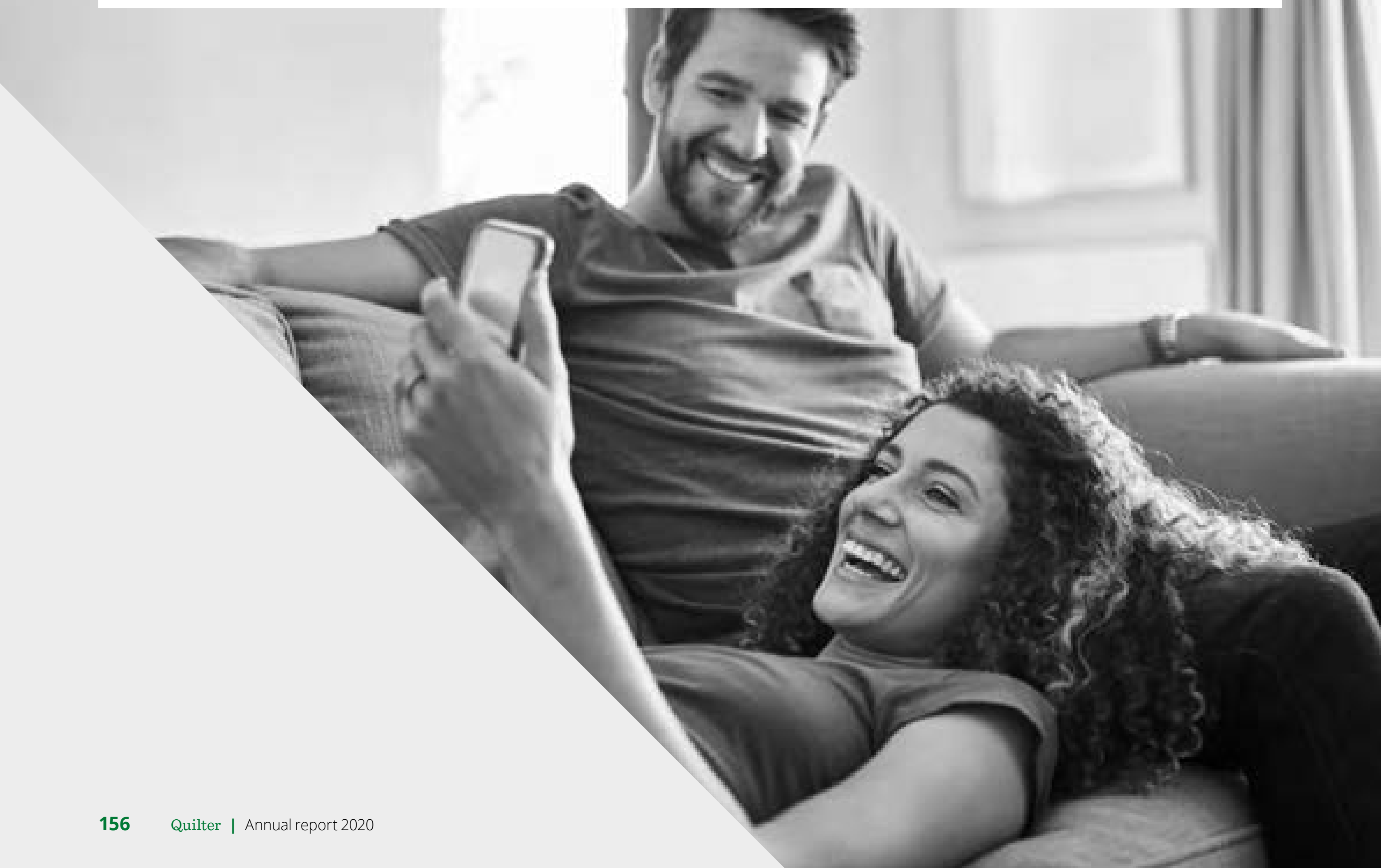
The 2021 AGM of Quilter plc will be held at Senator House, 85 Queen Victoria Street, London EC4V 4AB on Thursday 13 May 2021 at 11:00am (UK time). Details of the business to be transacted at the 2021 AGM are included in the Quilter plc 2021 Notice of AGM which can be found on our AGM Hub at quilter.com/agm. Under current UK Government guidance, it is possible that shareholders may be unable to attend the AGM in person. However, we will continue to review the arrangements for holding the meeting in the light of the UK Government Advice, and will provide up to date information for shareholders, including the impact of any legal restrictions the UK Government may impose, on our AGM Hub.

By order of the Board

Patrick Gonsalves
Company Secretary
10 March 2021

Index to the consolidated financial statements

For the year ended 31 December 2020



Statement of Directors' responsibilities

in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law the Directors have prepared the Group and parent Company financial statements in accordance with international financial reporting standards in conformity with the requirements of the Companies Act 2006. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the directors to prepare the Group financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- state whether, for the Group and Company, international accounting standards in conformity with the requirements of the Companies Act 2006 and, for the group, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and parent Company and hence for taking reasonable steps for the prevention and detection of fraud and irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent Company and enable them to ensure that its financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the Annual Report and Accounts

We confirm that to the best of our knowledge:
- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Signed on behalf of the Board

Paul Feeney
Chief Executive Officer
10 March 2021

Mark Satchel
Chief Financial Officer

Independent auditors' report to the members of Quilter plc

Opinion

In our opinion, Quilter plc's Group financial statements and parent Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2020 and of the Group's profit and the Group's and parent Company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated statement of financial position and Company statement of financial position as at 31 December 2020; the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, Consolidated statement of cash flows, Company statement of cash flows and Company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Board Audit Committee.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 1 to the Group financial statements, the Group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group.

Other than those disclosed in note 10 to the financial statements, we have provided no non-audit services to the Group in the period under audit.

Our audit approach

Context

We were appointed as auditors by the Directors on 19 May 2020. In planning for our first year audit of Quilter plc ("the Group"), we met with the Board Audit Committee and members of management across the business, to discuss and understand significant changes during the year, and to understand their perspectives on associated business risks. We used this insight, in addition to our assessment of the previous auditor's approach, when forming our own views regarding the business, as part of developing our audit plan and when scoping and performing our audit procedures. Due to the volatility of global equity markets during the period under audit, we consider that the valuation of level 3 financial assets has become inherently more subjective and therefore this has been included as a key audit matter for the current year. Over the year further progress has been made in relation to the skilled person review for the Lighthouse pension transfer advice provision resulting in a revision to the provision recognised. As the review remains ongoing there is a high degree of estimation involved in calculating this provision and as such we consider this to also be an additional key audit matter this year. The audit for the year ended 31 December 2020 has been carried out fully remotely as a result of the COVID-19 pandemic; we have utilised virtual technologies and collaborative workflow tools to obtain sufficient, appropriate audit documentation whilst working in this environment.

Overview

Audit scope

- The Group, during the year to 31 December 2020, was structured along two operating segments in addition to the head office activities, each of which contain several reporting components. We conducted audit testing over eleven components in total, which we selected based on their financial significance to the consolidated results.
- Six components were subject to an audit of their complete financial information.
- Specific audit procedures were also performed on certain balances and transactions in respect of a further five components.
- Taken together, the procedures we performed over the six components provided us with coverage of over 46% of adjusted profit before tax on an absolute basis, 82% of total revenue and 81% of the total assets.

Key audit matters

- Goodwill impairment assessment (Group)
- Valuation of level 3 assets (Group)
- Lighthouse pension transfer advice provision (Group)
- Impairment assessment of investments in subsidiaries (parent)
- Impact of COVID-19 (Group and parent)

Materiality

- Overall Group materiality: £7,918,000 based on 5% of Adjusted profit before tax from continuing operations.
- Overall parent Company materiality: £31,000,000 based on 1% of total assets.
- Performance materiality: £5,938,500 (Group) and £23,250,000 (parent Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK and European regulatory principles, such as those governed by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), and unsuitable or prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to either inflate revenue or reduce expenditure of the Group and the Company, and management bias in accounting estimates and judgemental areas of the financial statements, such as provisions. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with the Board, management, internal audit, management involved in the risk and compliance functions and the Group and Company's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- Reviewing correspondence between the Group and the PRA and FCA in relation to compliance with laws and regulations.
- Assessment of matters reported on the Group's whistleblowing register including the quality and results of management's investigation of such matters.
- Reviewing Board minutes as well as relevant meeting minutes, including those of the Board Audit Committee, Board Remuneration Committee, the Board Technology and Operations Committee and the Board Risk Committee.
- Reviewing data regarding policyholder complaints, the Group's and Company's register of litigation and claims, internal audit reports, compliance reports in so far as they related to non-compliance with laws and regulations and fraud.
- Challenging assumptions made by management in accounting estimates and judgements, in particular in relation to the impairment assessments of goodwill and investments in subsidiaries, valuation of the Lighthouse pension transfer advice provision, and the valuation of level 3 assets as described in the related key audit matters below.
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, such as a credit to revenue and a debit to the statement of financial position (other than to expected accounts), which may be indicative of the overstatement or manipulation of revenue.
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.
- Detailed testing over the classification of costs allocated to business transformation costs, which are considered as one-off and added back to calculate the adjusted profit measure, in order to identify any inappropriate classification which could be indicative of a material manipulation of the adjusted profit measure.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment (Group) Refer to page 110 of the Board Audit Committee Report and note 14 to the financial statements. The goodwill balance of £356m (2019: £350m) is subject to an annual impairment review. No impairment charge has been recorded by management against the goodwill balance in the current year. Management analyse discounted cash flows at the operating segment level to calculate the value in use for each operating segment. Judgement is used to determine the appropriate level at which to perform the impairment assessment. Cash flow forecasts are an area of particular focus given the judgements relating to future adjusted profit growth and discount rate assumptions. This has not been determined to be a significant audit risk due to the large amount of headroom available in the model. However, this has been an area of audit focus due to the inherent subjectivity in the assumptions used within the model, particularly forecasting the impact of COVID-19 in the future cash flows.	We checked that the cash flow forecasts used by management in the assessment of goodwill impairment were consistent with the approved three year business plan. We evaluated the historical accuracy of the cash flow forecasts, including a comparison of the current year actual results with the FY20 figures included in the prior year forecast. For certain key assumptions which underpinned the forecast performance, such as growth of assets under management and the expected impact of COVID-19 in the business plan period, we corroborated these against external market data where available. We challenged management on the inclusion of certain cash flows where these looked to include future enhancements (such as revenues from new products) or future restructuring activity. We found that the forecasts have been completed on a basis consistent with prior years and were an appropriate basis upon which management could base their conclusions. We considered the appropriateness of performing the impairment assessment at the operating segment level. This included consideration of whether any impairment indicators existed at a more disaggregated level, of which none were identified. We engaged our internal valuation specialists to independently calculate a reasonable range for both the discount rate and long term growth rate assumptions. We found both of these assumptions to be more conservative than our expected range, which is consistent with management's conclusion that no impairment is required. We obtained and understood management's sensitivity calculations over the impairment assessment, as well as performing further sensitivity scenarios ourselves. We determined that the impairment assessment was not highly sensitive to any of the key assumptions, being the discount rate and the forecast growth (including the long term growth rate) of cash flows. For each operating segment we calculated the degree to which these assumptions would need to move before an impairment was triggered. We discussed the likelihood of such a movement with management and agreed with their conclusion that there was no reasonable possible change that would give rise to an impairment.
Valuation of level 3 assets (Group) Refer to notes 19 and 20 of the financial statements. Level 3 assets have a higher degree of subjectivity to the valuation process due to the lack of an active market to base prices on. The level 3 asset balance as at 31 December 2020 is £1,822m (2019: £1,717m) of which £1,820m (2019: £1,717m) is held within linked policyholder funds where all of the investment risk is borne by policyholders and the value of the assets is exactly matched by a corresponding liability to policyholders. The majority of the assets held are stale priced assets, suspended funds and private equity investments. The value in the financial statements reflects the year end price received from the relevant external party. In the absence of an active market there is an inherently higher estimation uncertainty involved in considering the appropriateness of the valuation, particularly where these funds invest in higher risk assets such as property. Due to the increased level of market volatility seen in the current financial year as a result of COVID-19, combined with the materiality of these assets, we have determined this to be a significant audit risk.	The majority of level 3 assets are held within linked policyholder funds, as such they have been tested using a specific overall materiality level of £534m which we have determined based on the guidance set out in Practice Note 20 issued by the Financial Reporting Council ("FRC") for audits of insurers. Our work to address the valuation of the level 3 assets included the following procedures. For those level 3 investments where publically available prices can be obtained we have utilised our internal specialist pricing team to reprice these investments as at 31 December 2020 and investigated any differences identified. We have confirmed the valuation of a sample of level 3 assets, based on targeting the largest fund values, directly with the relevant external party (such as the fund administrator or private Company). Where confirmations were not returned we performed alternative procedures, these procedures included obtaining the custodian statements which were sent from the private companies to the Group and confirming the value per these custodian statements to the value held by the Group. For a sample of level 3 assets, obtained the most recent audited financial statements for the fund ensuring that there have been no adverse opinions and agreeing the price held as at the audited financial statement date to the price available in the fund audited financial statements. Movements between the prices as at the audited financial statements date and the year end date of 31 December 2020 were reviewed against market movements to ensure that these were in line with expectation. Obtained the ISAE 3402 controls reports for each fund administrator (where possible) and reviewed any exceptions which may impact our audit of the level 3 assets. Based on the audit procedures performed and evidence obtained, we concluded that the valuation of level 3 assets was appropriate.

Key audit matter	How our audit addressed the key audit matter
Lighthouse pension transfer advice provision (Group) Refer to page 110 of the Board Audit Committee Report and note 28 to the financial statements. The Group holds a number of provisions, including relating to customer redress. The most significant redress provision relates to unsuitable advice provided to British Steel Pension Scheme members who transferred from that scheme to a Defined Contribution scheme. As at 31 December 2020, the total provision in respect of the British Steel members was c.£28m. This represented c.£25m for redress and c.£3m for professional fees. The estimation of provision in relation to unsuitable advice for Defined Benefit to Defined Contribution pension scheme transfer cases requires detailed information on individual members as well as significant judgement and subjectivity to be applied in relation to key assumptions, especially where data is not fully available and actual patterns of behaviour are unknown. Material assumptions include: Actuarial valuations of defined benefit obligations under prospective and actual loss scenarios; estimation of the current value of assets held by members; estimating the likelihood of complaints to arise as well as the proportion of complaints that are likely to be upheld; and estimating the proportion of customers within the population who are eligible for drawing down on their pension who may have drawn down on or prior to 31 December 2020.	We have assessed and challenged the Group's methodology and the assumptions applied in arriving at the provisions. In demonstrating professional scepticism we independently estimated the Lighthouse British Steel redress provision and compared our calculation to management's. We estimated potential defined benefit valuations as at 31 December 2020 with the support of our internal actuarial experts. They used data from British Steel Pension Scheme Transfer Packs to provide indicative valuations of members interests. These outputs were compared with management's expert's calculations to understand any material differences. Furthermore we obtained evidence from management's expert in relation to actual asset performance and used this to rebase transfer values of scheme members assets. We also obtained data in relation to the split between prospective and actual loss cases observed from management's experts and used this as an indication of how members may have behaved in the wider population. Our redress calculation output was therefore weighted on a similar basis to experience to date. We applied reasonable sensitivities (estimated return on assets and proportion of customers that may have drawn down) to key assumptions within the provision calculation to understand their impact. We read management's disclosure in relation to this provision in the context of the requirements of IAS 37 and considered the suitability of the sensitivities disclosed. Although not material to the calculation, further adjustments were made in arriving at individual redress estimates for advisor charges, personal tax and interest. In relation to the completeness of such defined benefit to defined contribution redress provisions, we: Considered management's accounting policy and recognition criteria in the context of the requirements of IAS 37; reviewed the listing of complaints as at year end for any evidence of material omissions of similar cases; read the output of internal reviews over suitability performed by management; read any relevant correspondence with regulators in relation to unsuitable advice for DB to DC transfers; checked the population of cases identified by management's expert where a redress calculation had been performed against our own listing; and where cases of potentially unsuitable advice for DB to DC schemes had been internally identified, discussed with management and considered whether a provision should be recognised in the context of IAS 37 and our materiality. The calculation of redress is a complex and market sensitive calculation. As noted by management the appointed Skilled Person (and management's expert for the purposes of our audit) will be calculating the actual redress payable to individual members. Therefore the final redress payable may be materially different to the amount recognised as at 31 December 2020 as a result of market movements and changes in actual behaviour of drawdown as more data emerges. We are satisfied that the methodology applied by management in the context of IAS 37 in estimating redress provisions did not result in a material difference to our independent estimate.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of investments in subsidiaries (parent) Refer to note 4 of the parent Company financial statements. The Company holds investments in subsidiaries of £2,254m (2019: £2,235m). Whilst these eliminate on consolidation in the Group financial statements, they are recorded in the Company financial statements. We have determined the impairment assessment over the investments in subsidiaries to be a significant risk in light of the Group market capitalisation being lower than the Company equity value at the balance sheet date. Management have concluded that no impairment was required.	The impairment assessment leveraged management's calculations for the Group goodwill impairment assessment referred to above. The key judgement used by management in their impairment assessment is the underlying assumption that the Company's investments in Old Mutual Wealth Holdings and Quilter Investors represents the lowest level at which largely independent cash inflows are generated. This assumption allows headroom to be transferred between subsidiary entities. We challenged management over this assumption on the basis that the business plan is prepared at a more disaggregated level and requested management to provide us with further analyses to demonstrate the significant degree of integration between the businesses included in their defined cash generating unit. We have corroborated the explanations we received through discussion with the relevant component audit teams and review of relevant correspondence with the regulator identifying some of the interdependencies. Overall we are satisfied that there is enough evidence to support the basis of management's impairment assessment and therefore agree with the conclusion that no impairment is required.
Impact of COVID-19 (Group and parent) Refer to the disclosures in the Strategic report and notes 4 and 37 of the financial statements. The emergence of COVID-19 in 2020 resulted in a significant change to the business environment and impacted the value of assets under management/administration during the year with adverse impact being seen on equity market levels whereby there has been significant volatility in the financial markets. Management has considered the impact of COVID-19 on the financial statements, including specifically looking at the impact on going concern for the Group. The Directors have concluded that the Group and its active subsidiaries are, and will continue to be for the foreseeable future, a going concern. In reaching this conclusion the Directors have performed impairment assessments of goodwill and the Company's investment in subsidiaries, and conducted stress testing against emerging risks, concluding that the Group can withstand a severe but plausible downside scenario for at least the next 12 months.	In assessing management's consideration of the impact of COVID-19 on the Quilter plc Group and its subsidiaries we have performed the following procedures. Obtained management's updated going concern assessment and challenged the rationale for assumptions on growth of assets under management/administration as well as asset returns. We used our knowledge of Quilter's business performance, and corroborated to external market evidence where available. Our assessment included reviewing management's stress testing as described in the Viability Statement on pages 78 and 79 and ensuring that appropriate consideration had been given to the potential impacts of COVID-19. Inquired and understood the actions taken by management to mitigate the impacts of COVID-19, including review of Board Risk Committee and Board Audit Committee minutes. Obtained management's estimated Solvency capital position and evaluated these for consistency of available information and against managements own target capital ratios. We found that the Group maintained internal targets for its Group Solvency Capital Requirement (SCR) ratio and remained compliant with all external regulatory capital requirements as at the date of reporting. Assessed the impact of remote working on the design and operating effectiveness of key controls impacting the preparation of financial information, including obtaining and reading relevant internal audit reports. Assessed the disclosures performed by management in the financial statements and checked the consistency of the disclosures with our knowledge of the Group and markets based on our audit and other procedures. Based on the audit procedures performed and evidence obtained, nothing has come to our attention that suggests the use of the going concern basis of preparation is inappropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the parent Company, the accounting processes and controls, and the industry in which they operate.

Quilter plc has two operating segments. Within these segments there are around 70 reporting units, of which six are considered financially significant due to their contribution to Group adjusted profit before tax, and were subject to an audit of their complete financial information. In addition, a further five reporting entities were in scope for specific audit procedures, as these components contributed a significant proportion of certain financial statement line items. Our scoping ensured that all six of the Group's business units had reporting components that were subject to audit procedures over their financial information. Together with the procedures performed at the Group level, including auditing the consolidation and financial statement disclosures, taxation, and goodwill impairment assessment, gave us the evidence we needed for our opinion on the financial statements as a whole.

A significant proportion of the Group's trading is based in the UK resulting in the majority of the audit procedures being performed locally by the UK audit team. Of the eleven components we have performed audit procedures over, one of these components was based outside the UK, in the Isle of Man, and therefore we receive inter-firm reporting over the complete financial information of this component from PwC Isle of Man.

We applied materiality of £534 million to the classification of unit-linked assets and liabilities in the consolidated statement of financial position, the related line items in the consolidated income statement and related notes, determined with reference to a benchmark of total assets, of which it represents 1%. This materiality was applied solely for our work on matters for which a misstatement is likely only to lead to a reclassification between line items, in accordance with FRC Practice Note 20 The audit of Insurers in the United Kingdom.

The Group contains several regulated trading entities and is a regulated insurance Group itself. Some activities are outsourced to third party providers across the Group, such as investment administration. In respect of the outsourced service providers we were able to gain appropriate audit evidence through a combination of evaluating the providers' published assurance reports on internal control and performing substantive procedures.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Key audit matter	Financial statements – Group	Financial statements – parent Company
Overall materiality	£7,918,000.	£31,000,000.
How we determined it	5% of Adjusted profit before tax from continuing operations	1% of total assets
Rationale for benchmark applied	Based on the benchmarks used in the annual report, adjusted profit before tax is the primary measure used by shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark where the exclusions in arriving at the measure are non-recurring in nature. We have reviewed the items excluded in calculating adjusted profit before tax and have confirmed that all significant reconciling items are either one-off in nature or introduce volatility to the income statement (namely policyholder tax adjustments). However, a small number appear to be recurring in nature (namely finance costs) and therefore we have not excluded these when arriving at our adjusted profit benchmark for the purposes of calculating materiality.	A benchmark of total assets has been used as the Company's primary purpose is to act as a holding Company with investments in the Group's subsidiaries, not to generate operating profits and therefore a profit based measure was not considered appropriate.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £1,842,000 to £7,000,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £5,938,500 for the Group financial statements and £23,250,000 for the parent Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Board Audit Committee that we would report to them misstatements identified during our audit above £500,000 (Group audit) and £1,550,000 (parent Company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the parent Company's ability to continue to adopt the going concern basis of accounting included:

– Obtained the Directors' updated going concern assessment and challenged the rationale for assumptions on growth of assets under management/administration and asset returns using our knowledge of Quilter's business performance, and corroborating to external market evidence where available. Our assessment included reviewing management's stress testing and scenario analyses.
– Consideration of the impact of COVID-19 on the Directors' assessment to continue to adopt the going concern basis of accounting as set out in the key audit matters of this report.
– Obtained management's estimated Solvency capital position and evaluated these for consistency of available information and against management's own target capital ratios. We found that the Group maintained internal targets for its Group Solvency Capital Requirement (SCR) ratio, and is forecast to remain compliant with all external regulatory capital requirements for the period covered by the going concern assessment; and
– Confirmed compliance with the debt covenants of the Groups' borrowings, and the forecast continued compliance for the duration of the period covered by the going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the parent Company's ability to continue as a going concern.

In relation to the parent Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Annual Report on Remuneration to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Governance Report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Group's and parent Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the parent Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and parent Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and parent Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Board Audit Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the parent Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the Annual Report and the financial statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
This report, including the opinions, has been prepared for and only for the parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the parent Company financial statements and the part of the Annual Report on Remuneration to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment
Following the recommendation of the Board Audit Committee, we were appointed by the Directors on 14 May 2020 to audit the financial statements for the year ended 31 December 2020 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.

Mark Pugh

Mark Pugh
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
10 March 2021

Consolidated income statement

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 £m	Year ended 31 December 2019 restated[1] £m
Income			
Fee income and other income from service activities	9(a)	795	837
Investment return	9(b)	3,896	6,566
Other income		20	16
Total income		**4,711**	**7,419**
Expenses			
Insurance contract claims and changes in liabilities		(1)	(1)
Change in investment contract liabilities	27	(3,328)	(5,810)
Fee and commission expenses, and other acquisition costs	10(a)	(147)	(167)
Change in third-party interest in consolidated funds		(440)	(634)
Other operating and administrative expenses	10(b)	(692)	(745)
Finance costs	10(e)	(17)	(17)
Total expenses		**(4,625)**	**(7,374)**
Profit before tax from continuing operations		**86**	**45**
Tax expense attributable to policyholder returns	11(a)	(36)	(98)
Profit/(loss) before tax attributable to equity holders from continuing operations		**50**	**(53)**
Income tax credit/(expense)	11(a)	3	(66)
Less: tax expense attributable to policyholder returns		36	98
Tax credit attributable to equity holders		39	32
Profit/(loss) after tax from continuing operations		**89**	**(21)**
(Loss)/profit after tax from discontinued operations	6(c)	(1)	167
Profit after tax		**88**	**146**
Attributable to:			
Equity holders of Quilter plc		**88**	**146**

Earnings per Ordinary Share on profit attributable to Ordinary Shareholders of Quilter plc

	Notes	2020	2019 restated[1]
Basic			
From continuing operations (pence)	12(b)	5.1	(1.1)
From discontinued operations (pence)	6(c)	(0.1)	9.1
Basic earnings per Ordinary Share (pence)	12(b)	**5.0**	**8.0**
Diluted			
From continuing operations (pence)	12(b)	5.0	(1.1)
From discontinued operations (pence)	6(c)	(0.1)	8.9
Diluted earnings per Ordinary Share (pence)	12(b)	**4.9**	**7.8**

[1]See note 4(b) for details of changes to comparative amounts.

The notes on pages 172 to 255 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Profit after tax		88	146
Exchange losses on translation of foreign operations		–	(1)
Items that may be reclassified subsequently to income statement		–	(1)
Measurement movements on defined benefit plans	33	–	(7)
Tax on amounts related to defined benefit pension plans		–	1
Items that will not be reclassified subsequently to income statement		–	(6)
Total other comprehensive expense, net of tax		–	(7)
Total comprehensive income		**88**	**139**
Attributable to:			
Continuing operations		89	(28)
Discontinued operations	6(d)	(1)	167
Equity holders of Quilter plc		**88**	**139**

The notes on pages 172 to 255 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2020

31 December 2020	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Share-based payments reserve £m	Other reserves £m	Retained earnings £m	Total share-holders' equity £m
Balance at 1 January 2020		**133**	**58**	**–**	**149**	**45**	**1**	**1,685**	**2,071**
Profit for the year		–	–	–	–	–	–	88	88
Total comprehensive income		–	–	–	–	–	–	**88**	**88**
Dividends	13	–	–	–	–	–	–	(81)	(81)
Shares repurchased in the buyback programme[1]	25	(8)	–	8	–	–	–	(179)	(179)
Movement in own shares[2]		–	–	–	–	–	–	(44)	(44)
Equity share-based payment transactions	26(e)	–	–	–	–	(3)	–	28	25
Dividend equivalents paid on vested shares		–	–	–	–	–	–	(2)	(2)
Total transactions with the owners of the Company		**(8)**	**–**	**8**	**–**	**(3)**	**–**	**(278)**	**(281)**
Balance at 31 December 2020		**125**	**58**	**8**	**149**	**42**	**1**	**1,495**	**1,878**

31 December 2019	Notes	Share capital £m	Share premium £m	Merger reserve £m	Share-based payments reserve £m	Other reserves £m	Retained earnings £m	Total share-holders' equity £m
Shareholders' equity at beginning of the year		**133**	**58**	**588**	**34**	**1**	**1,191**	**2,005**
Adjustment on initial application of IFRS 16 (net of tax)		–	–	–	–	–	(5)	(5)
Balance at 1 January 2019		**133**	**58**	**588**	**34**	**1**	**1,186**	**2,000**
Profit for the year		–	–	–	–	–	146	146
Other comprehensive expense		–	–	–	–	–	(7)	(7)
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**139**	**139**
Dividends	13	–	–	–	–	–	(92)	(92)
Release of merger reserve		–	–	(439)	–	–	439	–
Movement in own shares		–	–	–	–	–	(2)	(2)
Equity share-based payment transactions	26(e)	–	–	–	11	–	15	26
Total transactions with the owners of the Company		**–**	**–**	**(439)**	**11**	**–**	**360**	**(68)**
Balance at 31 December 2019		**133**	**58**	**149**	**45**	**1**	**1,685**	**2,071**

[1]On 11 March 2020 the Company announced a share buyback programme to purchase shares up to a maximum value of £375 million, in order to reduce the share capital of the Company. The programme commenced on 11 March 2020 and will continue into 2021. During the year ended 31 December 2020, the Company acquired 118.3 million shares for a total consideration of £153 million and incurred additional costs of £4 million. The shares, which have a nominal value of £8 million, have subsequently been cancelled, giving rise to a capital redemption reserve of the same value as required by the Companies Act 2006. In December 2020, the committed remaining share buyback for which irrevocable instruction had been provided by the Board, of £22 million, was accrued as a liability against retained earnings.
[2]Movement in own shares includes 16.3 million shares repurchased for total consideration of £21 million in respect of the previously announced Odd-lot Offer.

The notes on pages 172 to 255 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

At 31 December 2020

	Notes	At 31 December 2020 £m	At 31 December 2019 restated[1] £m	At 1 January 2019 restated[1] £m
Assets				
Goodwill and intangible assets	14	556	592	550
Property, plant and equipment	15	142	143	17
Investments in associated undertakings		1	1	2
Deferred acquisition costs[2]		–	–	11
Contract costs	23	413	455	551
Loans and advances	16	219	217	222
Financial investments	17	63,274	57,207	58,054
Reinsurers' share of insurance policyholder liabilities[2]		–	–	2,162
Deferred tax assets	29(a)	78	43	38
Current tax receivable	29(c)	24	13	47
Trade, other receivables and other assets	22	701	605	718
Derivative assets	18	43	22	34
Cash and cash equivalents	24	1,921	2,253	2,305
Total assets		**67,372**	**61,551**	**64,711**
Equity and liabilities				
Equity				
Ordinary Share capital	25(a)	125	133	133
Ordinary Share premium reserve	25(a)	58	58	58
Capital redemption reserve	25(a)	8	–	–
Merger reserve	25(b)	149	149	588
Share-based payments reserve	26(e)	42	45	34
Other reserves		1	1	1
Retained earnings		1,495	1,685	1,191
Total equity		**1,878**	**2,071**	**2,005**
Liabilities				
Insurance contract liabilities[2]		–	–	602
Investment contract liabilities	27	57,407	52,455	56,450
Third-party interests in consolidated funds		6,513	5,318	3,833
Provisions	28	77	64	94
Deferred tax liabilities	29(b)	106	88	59
Current tax payable	29(c)	1	6	5
Borrowings and lease liabilities	30	319	335	197
Trade, other payables and other liabilities	31	672	801	979
Contract liabilities	32	379	403	456
Derivative liabilities	18	20	10	31
Total liabilities		**65,494**	**59,480**	**62,706**
Total equity and liabilities		**67,372**	**61,551**	**64,711**

[1] See note 4(b) for details of changes to comparative amounts.
[2] The consolidated statement of financial position at 1 January 2019 includes balances for Deferred acquisition costs, Reinsurers' share of insurance policyholder liabilities and Insurance contract liabilities relating to the Quilter Life Assurance ("QLA") business that was sold on 31 December 2019.

The consolidated financial statements on pages 167 to 255 were approved by the Board of Directors and authorised for issue on 10 March 2021 and signed on its behalf:

Paul Feeney
Chief Executive Officer

Mark Satchel
Chief Financial Officer

The notes on pages 172 to 255 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2020

The cash flows presented in this statement cover all the Group's activities (including cash flows within the Group's discontinued operations) and includes flows from both policyholder and shareholder activities. All cash and cash equivalents are available for use by the Group except for cash and cash equivalents in consolidated funds (as shown in note 24(a)).

	Notes	Year ended 31 December 2020 £m	Year ended 31 December 2019 restated[1] £m
Cash flows from operating activities			
Cash flows from/(used in) operating activities		1,473	(2,035)
Taxation paid		(28)	(37)
Total net cash from/(used in) operating activities	24(b)	**1,445**	**(2,072)**
Cash flows from investing activities			
Net (acquisitions)/disposals of financial investments		(1,419)	2,159
Acquisition of property, plant and equipment	15	(28)	(8)
Acquisition of intangible assets	14(a)	(4)	(5)
Acquisition of interests in subsidiaries[2]	6(a)	(20)	(87)
Net (payments)/proceeds from the disposal of interests in subsidiaries		(3)	78
Total net cash (used in)/from investing activities		**(1,474)**	**2,137**
Cash flows from financing activities			
Dividends paid to ordinary equity holders of the Company	13	(81)	(92)
Finance costs on external borrowings	10(e)	(10)	(10)
Payment of interest on lease liabilities		(2)	(3)
Payment of principal lease liabilities	30(b)	(14)	(13)
Repurchase of shares[3]		(41)	–
Repurchase and cancellation of shares[4]		(157)	–
Total net cash used in financing activities	24(c)	**(305)**	**(118)**
Net decrease in cash and cash equivalents		(334)	(53)
Cash and cash equivalents at the beginning of the year		2,253	2,305
Effects of exchange rate changes on cash and cash equivalents		2	1
Cash and cash equivalents at end of the year	24(a)	**1,921**	**2,253**

[1] See note 4(b) for details of changes to comparative amounts.
[2] The acquisition of interests in subsidiaries balance includes £20 million of contingent consideration payments relating to historical acquisitions (31 December 2019: £21 million).
[3] Repurchase of shares includes shares acquired under the Odd-lot Offer as explained in the consolidated statement of changes in equity, together with other shares acquired for use within the Group's employee share schemes.
[4] Repurchase and cancellation of shares are in respect of cash movements associated with the share buyback programme. Further details are included within the consolidated statement of changes in equity.

The notes on pages 172 to 255 form an integral part of these consolidated financial statements.

Basis of preparation and significant accounting policies

For the year ended 31 December 2020

General information

Quilter plc (the "Company"), a public limited company incorporated and domiciled in the United Kingdom ("UK"), together with its subsidiaries (collectively, the "Group") offers investment and wealth management services, long-term savings and financial advice through its subsidiaries and associates primarily in the UK with a presence in a number of cross-border markets.

The address of the registered office is Senator House, 85 Queen Victoria Street, London, EC4V 4AB.

1: Basis of preparation

The consolidated financial statements of Quilter plc for the year ended 31 December 2020 have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("IFRS") and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the consolidated financial statements also comply with International Financial Reporting Standards adopted pursuant to *Regulation (EC) No 1606/2002* as it applies in the European Union.

These consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments, and are presented in pounds sterling, which is the currency of the primary economic environment in which the Group operates.

The separate financial statements of the Company are on pages 256 to 265. The Company financial statements are prepared in accordance with the Group's accounting policies, other than for investments in subsidiaries, which are stated at cost less impairments in accordance with IAS 27 *Separate Financial Statements*.

Going concern

The Directors have considered the resilience of the Group, taking into account its current financial position, the principal risks facing the business and the effectiveness of the mitigating strategies which are or could be applied. This included an assessment of capital, liquidity and solvency over a three-year planning period, which considered the impact of COVID-19, and concluded that the Group can withstand a severe but plausible downside scenario for at least the next 12 months after the date of signing the 2020 financial statements. This assessment incorporated a number of stress tests covering a broad range of scenarios, including economic and market shocks, new business growth scenarios, severe business interruption, and a progression of the COVID-19 pandemic, equivalent to 1-200 year events. As a result, the Directors believe that the Group is well placed to manage its business risks in the context of the current economic outlook and have sufficient financial resources to continue in business for a period of at least 12 months from the date of approval of these consolidated financial statements, and continue to adopt the going concern basis in preparing the consolidated financial statements.

Basis of consolidation

The Group's consolidated financial statements incorporate the assets, liabilities and the results of the Company and its subsidiaries. Subsidiaries are those entities, including investment funds, controlled by the Group. More information on how the Group assesses whether it has control over an entity is provided in accounting policy 5(a). Subsidiaries are consolidated from the date the Group obtains control and are excluded from consolidation from the date the Group loses control.

Where necessary, adjustments are made to financial statements of subsidiaries to bring the accounting policies used in line with Group policies. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between Group companies are eliminated on consolidation.

Liquidity analysis of the statement of financial position

The Group's statement of financial position is in order of liquidity as is permitted by IAS 1 *Presentation of Financial Statements*. For each asset and liability line item, those amounts expected to be recovered or settled after more than twelve months after the reporting date are disclosed separately in the notes to the consolidated financial statements.

Critical accounting estimates and judgements

The preparation of financial statements requires management to exercise judgement in applying the Group's significant accounting policies and make estimates and assumptions that affect the reported amounts of net assets and liabilities at the date of the financial statements. The Board Audit Committee reviews these areas of judgement and estimates and the appropriateness of significant accounting policies adopted in the preparation of these financial statements.

The Group's critical accounting judgements are detailed below and are those that management makes when applying its significant accounting policies and that have the most effect on the net profit and net assets recognised in the Group's financial statements.

1: Basis of preparation continued

Critical accounting estimates and judgements continued

Area	Critical accounting judgements	Related notes
Recognition of insurance recovery asset in respect of Lighthouse defined benefit pension advice	For Lighthouse DB pension transfer advice provided, management have applied judgement in order to determine whether an asset can be reasonably estimated, and the measurement of such asset, in relation to an insurance recovery under Lighthouse's professional indemnity policies ("PI Policies"). Under the PI Policies, Lighthouse is entitled to be indemnified for a "Claim" (and defence costs) in respect of legal liabilities arising in connection with Lighthouse's DB pension transfer advice activities; however, at the current time the insurers have not confirmed coverage for legal liabilities.	28

The Group's critical accounting estimates are shown below and involve the most complex or subjective assessments and assumptions, which have a significant risk of resulting in material adjustment to the net carrying amounts of assets and liabilities within the next financial year. Management uses its knowledge of current facts and circumstances and applies estimation and assumption setting techniques that are aligned with relevant actuarial and accounting guidance to make predictions about future actions and events. Actual results may differ from those estimates.

Area	Critical accounting estimates	Related notes
Provision for cost of Lighthouse defined benefit pension advice	An estimation of the provision required for the British Steel DB pension transfer redress was determined based upon calculations performed as part of the skilled person review, which was considered representative of the broader population to form a reasonable estimate. The estimation per case is based upon FCA guidelines and modelling performed, and factors including pension transfer value, date of retirement, discount rate and retail price indexation. The calculations were then extrapolated to the entire population of British Steel DB cases that were advised on by Lighthouse advisers. The proportion of cases to be upheld, and therefore which requires redress payments to be made, was estimated based upon the current position of the review performed by the skilled person of the Lighthouse DB pension transfers.	28
Insurance recovery asset in respect of Lighthouse defined benefit pension advice	For Lighthouse DB pension transfer advice provided, management have determined its best estimate of the insurance recovery asset under Lighthouse's professional indemnity policies. Under the PI Policies, Lighthouse is entitled to be indemnified for a "Claim" (and defence costs) in respect of legal liabilities arising in connection with Lighthouse's DB pension transfer advice activities; however, at the current time the insurers have not confirmed coverage for legal liabilities.	28
Measurement of deferred tax	The estimation of future taxable profits is performed as part of the annual business planning process, and is based on estimated levels of AuMA, which are subject to a large number of factors including global stock market movements, related movements in foreign exchange rates and net client cash flow, together with estimates of expenses and other charges. The business plan, adjusted for known and estimated tax sensitivities, is used to determine the extent to which deferred tax assets are recognised. In general the Group assesses recoverability based on estimated taxable profits over a three-year planning horizon. Where credible longer-term profit forecasts are available, the specific entity may assess recoverability over a longer period, subject to a higher level of sensitivity testing. Following the impact that COVID-19 has had on global markets and, in particular, on the Group's expected future levels of AuMA, management have reassessed the sensitivity on the recoverability of deferred tax assets based on the latest forecast cash flows.	29

Other principal estimates

The Group's assessment of goodwill and intangible assets for impairment uses the latest cash flow forecasts from the Group's three-year business plan. These forecasts include estimates relating to equity market levels and growth in AuMA in future periods, together with levels of new business growth, net client cash flow, revenue margins, and future expenses and discount rates (see note 14). Management do not believe that the use of these estimates have a significant risk of causing a material adjustment to the carrying amount of the assets within the next financial year.

2: New standards, amendments to standards, and interpretations adopted by the Group

There were no new standards or interpretations which became effective from 1 January 2020.

Amendments to standards:

The following amendments to the accounting standards, issued by the International Accounting Standards Board ("IASB") and in conformity with the requirements of the Companies Act 2006 and, for the Group, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, have been adopted by the Group from 1 January 2020 with no material impact on the Group's consolidated results, financial position or disclosures:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 *Business Combinations – Definition of a Business*
- Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*
- Amendments to IFRS 16 *Leases – COVID-19-Related Rent Concessions*

3: Future standards, amendments to standards, and interpretations not early-adopted in these financial statements
Certain new standards, interpretations and amendments to existing standards have been published by the IASB that are mandatory for the Group's annual accounting periods beginning on or after 1 January 2021. The Group has not early adopted these standards, interpretations and amendments, nor does the Group expect these to have a material impact on the Group's consolidated financial statements.

– **IFRS 17 Insurance contracts**

The IASB issued IFRS 17 *Insurance Contracts* in May 2017, and *Amendments to IFRS 17* in June 2020. When IFRS 17 is endorsed in conformity with the requirements of the Companies Act 2006 and, for the Group, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, it will replace its interim predecessor, IFRS 4 *Insurance Contracts*. IFRS 17 is a comprehensive standard which provides a single accounting model for all insurance contracts. IFRS 17 will replace a wide range of different accounting practices previously permitted, improving transparency and enabling investors and regulators to understand and compare the financial position and performance of an insurer, irrespective of where they are based geographically.

The Group completed the sale of QLA to ReAssure on 31 December 2019. Following the sale, the impact of IFRS 17 is significantly reduced for the Group with only a small number of insurance contracts remaining in the Quilter International business. Therefore, the impact of IFRS 17 is not expected to be material.

The measurement model
The use of current estimates at each reporting date and an explicit risk adjustment to measure obligations created by insurance contracts, provides up to date information about cash flows and associated risk and timing. "Day one" profits are deferred and recognised in the income statement through the release of the contractual service margin ("CSM"), which has the effect of recognising revenue as services are provided. This principle is consistent with the treatment in IFRS 15.

Presentation and disclosure
Insurers' financial statements will be presented differently under IFRS 17. Insurers will be required to provide information about sources of profit or losses from insurance and investment related services, comprising insurance revenue and insurance service expenses (underwriting activity), as well as finance income or expense (investing activity). New performance metrics and KPIs will be required to explain business results to the investment community. Disclosure requirements focus on amounts recognised in the financial statements, significant judgements and changes in those judgements, as well as information about the nature and extent of risks that arise from insurance contracts.

Effective date
The IASB issued Amendments to IFRS 17 in June 2020, which defers the effective date of IFRS 17, such that it applies to entities with annual reporting periods beginning on or after 1 January 2023. The standard is yet to be endorsed by the EU (draft endorsement issued in September 2020).

4: Significant changes in the year
4(a): Impacts of COVID-19
The Group's focus in managing the response to COVID-19 has been to ensure colleagues' health and safety, maintain operational resilience with high levels of client service and provide good outcomes for shareholders. When the scale of the COVID-19 pandemic became apparent, the Group responded quickly to the challenges faced, with 98% of the Group's colleagues working remotely from late March 2020 and the accelerated delivery of IT and remote telephony solutions allowing Quilter to maintain high client service levels and to support customers and advisers.

The Group reviewed its financial budgets and operating plans in response to the challenges arising from COVID-19 and the unpredictable operating outlook. The Group is operationally resilient and remains focused on completing its principal strategic projects. The continued volatility in financial markets and the impact of more limited face-to-face contact within the advice segment is creating a challenging revenue environment and the Group has updated its future cash flows accordingly. Against this backdrop, the Group has undertaken a number of management actions to reduce expenses but has acknowledged that future operating margin outcomes will likely be below previous target guidance provided by management. The Group did not use the support measures made available to companies by the UK Government.

An impairment assessment of the Group's goodwill was performed at 30 June 2020, as the impact of COVID-19 was deemed to be an indicator of impairment, and again at 31 December 2020 as part of the annual impairment assessment. The assessments were carried out using the most recent Board approved forecasts which incorporated market levels and future assumptions considered relevant in the current market conditions. The assessment concluded that no impairment was required. A sensitivity analysis demonstrated that further significant changes to key assumptions would be necessary before an impairment is required. Full details are included in note 14.

The Group has assessed the recoverable amount of deferred tax assets based on the taxable profits contained in the most recent Board approved three-year forecasts which, as noted above, incorporate market levels and assumptions that reflect the impact of COVID-19 and concluded that the Group has sufficient future taxable profits and reversal of taxable temporary differences to support the £78 million deferred tax asset recognised at 31 December 2020. Further details are included in note 29.

There have been no major changes to the Group's capital and financial risk management as a result of COVID-19. Full capital and financial risk management disclosures are included within note 37.

Detailed discussion of the Group's performance and financial position to 31 December 2020 are included in the Financial Review.

4: Significant changes in the year continued

4(b): Changes to comparative amounts

Changes to comparative amounts have been made in respect of consolidated investment funds and fee income receivable. The changes are explained in detail in notes 4(b)(i) and 4(b)(ii) respectively, with no impact to the Group's profit, equity or alternative performance measures. The changes to the statement of financial position for the prior periods presented are shown below:

Consolidated statement of financial position (extract)

	31 December 2019				1 January 2019			
	As reported £m	Consolidated funds Note 4(b)(i) £m	Fee income receivable Note 4(b)(ii) £m	Restated £m	As reported £m	Consolidated funds Note 4(b)(i) £m	Fee income receivable Note 4(b)(ii) £m	Restated £m
Financial investments	59,345	(2,138)	–	57,207	59,219	(1,165)	–	58,054
Trade, other receivables and other assets	424	(31)	212	605	530	(42)	230	718
Derivative assets	32	(10)	–	22	46	(12)	–	34
Cash and cash equivalents	2,473	(220)	–	2,253	2,395	(90)	–	2,305
Other[1]	1,464	–	–	1,464	3,600	–	–	3,600
Total assets	**63,738**	**(2,399)**	**212**	**61,551**	**65,790**	**(1,309)**	**230**	**64,711**
Third-party interests in consolidated funds	7,675	(2,357)	–	5,318	5,116	(1,283)	–	3,833
Trade, other payables and other liabilities	836	(35)	–	801	999	(20)	–	979
Contract liabilities	191	–	212	403	226	–	230	456
Derivative liabilities	17	(7)	–	10	37	(6)	–	31
Other[1]	52,948	–	–	52,948	57,407	–	–	57,407
Total liabilities	**61,667**	**(2,399)**	**212**	**59,480**	**63,785**	**(1,309)**	**230**	**62,706**
Total equity	**2,071**	**–**	**–**	**2,071**	**2,005**	**–**	**–**	**2,005**

[1] 'Other' represents remaining assets and liabilities not impacted by the changes to comparative amounts.

Changes in respect of consolidated investment funds have also impacted the Group's consolidated income statement in the prior year. There are no prior year income statement impacts arising from the fee income receivable reclassification.

Consolidated income statement (extract)

	Year ended 31 December 2019		
	As Reported £m	Consolidated funds Note 4(b)(i) £m	Restated £m
Fee income and other income from service activities	936	(99)	837
Investment return	6,866	(300)	6,566
Other income	22	(6)	16
Total income	**7,824**	**(405)**	**7,419**
Fee and commission expenses and other acquisition costs	(294)	127	(167)
Change in third-party interest in consolidated funds	(917)	283	(634)
Other operating and administrative expenses	(740)	(5)	(745)
Other[1]	(5,828)	–	(5,828)
Total expenses	**(7,779)**	**405**	**(7,374)**
Profit before tax from continuing operations	**45**	**–**	**45**

[1] 'Other' represents remaining expenses not impacted by the changes to comparative amounts.

4: Significant changes in the year continued
4(b): Changes to comparative amounts continued

The impact to the Group's consolidated statement of cash flows in respect of changes in consolidated investment funds in the prior year is shown below. There are no prior year cash flow statement impacts arising from the fee income receivable reclassification.

Consolidated statement of cash flows (extract)

	Year ended 31 December 2019		
	As Reported £m	Consolidated funds Note 4(b)(i) £m	Restated £m
Cash flows from/(used in) operating activities	(2,006)	(29)	(2,035)
Total net cash from/(used in) operating activities	**(2,043)**	**(29)**	**(2,072)**
Net (acquisitions)/disposals of financial investments	2,260	(101)	2,159
Total net cash (used in)/from investing activities	**2,238**	**(101)**	**2,137**
Net increase/(decrease) in cash and cash equivalents	77	(130)	(53)
Cash and cash equivalents at the beginning of the year	2,395	(90)	2,305
Cash and cash equivalents at end of the year	**2,473**	**(220)**	**2,253**

4(b)(i): Consolidated funds
Following a review of the Group's consolidated investment funds methodology, corrections to previously reported values have been made on the consolidated statement of financial position and consolidated income statement (with corresponding impacts on the consolidated statement of cash flows). There has been no impact on profit or equity for any of the periods presented. The nature of the changes is as follows:

Statement of financial position impacts:
- Changes to the calculation of minority ownership of certain fund investments have been made, reflecting a re-evaluation of the status of nominee holdings, held by the Group on behalf of its clients, that had historically been included in the control assessment. This has resulted in a restatement of fund assets and liabilities attributable to the Group, and an adjustment to de-consolidate a number of investment funds where the Group was incorrectly deemed to have been the controlling entity in previous periods.

Income statement impacts:
- The changes to the calculation of minority ownership described above have resulted in changes to a number of line items in the Group's consolidated income statement for the year ending 31 December 2019, as shown in the table above.
- In addition, fund management fee income received from consolidated funds and previously included within 'Fee income and other income from service activities' has been eliminated on consolidation, resulting in it being re-presented primarily as investment return.
- A correction has been made in respect of realised and unrealised gains and losses on investments within a limited number of funds being previously presented within the Group's fee and commission expenses rather than investment return.

4(b)(ii): Fee income receivable
Fee Income Receivable ("FIR") relates to premium based establishment fee income, where income is taken over an initial period of the contract. When a policy is written, future income is capitalised, and the resulting asset is subsequently amortised as the cash proceeds are received.

Deferred Fee Income ("DFI") is the initial fee income, including FIR, which is deferred over the expected life of the contract as the services are provided. DFI is recognised as a contract liability.

In the prior year, the Group's FIR (all written within investment contracts in the Group's International business which is part of the Group's Wealth Platforms segment) and DFI were reported net within the statement of financial position within contract liabilities. This interpretation was made as both balances arise within individual contracts and FIR was assumed to represent a contract asset (which are permitted to be presented net with contract liabilities) rather than an unconditional receivable.

Following a review performed during the year, these FIR balances have been reclassified from a contract asset (previously netted within contract liabilities) to a receivable, as consideration is only conditional upon the passage of time. The prior year balance has been restated accordingly. This has no impact on reported profits or equity at the beginning or end of the prior year.

The impact of the changes to the consolidated statement of financial position is summarised in the table above.

5: Significant accounting policies

The Group's significant accounting policies are described below. There have been no changes to the Group's significant accounting policies as a result of changes in accounting standards during the year.

5(a): Group accounting

Subsidiaries

Subsidiary undertakings are those entities (investees) controlled by the Group. The Group controls an investee if, and only if, the Group has all of the following three elements of control:

- power over the investee;
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to affect those returns through its power over the investee.

For operating entities this usually arises with a shareholding in the entity of 50% or more. The Group also consolidates certain of its interests in open-ended investment companies ("OEICs"), unit trusts, mutual funds and similar investment vehicles (collectively "investment funds"). Where, as is often the case with investment funds, voting or similar rights are not the dominant factor in deciding who controls the investee, other factors are considered in the control assessment. These are described in more detail below.

The Group continually assesses any changes to facts and circumstances to determine, in the context of the three elements of control listed above, whether it still controls investees and is required to consolidate them.

Associates

Associates are entities in which the Group holds an interest and over which it has significant influence but not control, and are accounted for using the equity method. Significant influence is the power to participate in the financial and operating policy decisions of the investee.

The Group has classified one entity, 360 Dot Net Limited, as an associate company in the prior and current year.

Investment funds

The Group invests in a wide range of investment funds such as OEICs and unit trusts generally in respect of its unit-linked investment contracts where investments are made to match clients' investment choices. For some of these funds it also acts as fund manager. These funds invest predominantly in equities, bonds, cash and cash equivalents. The Group holds interests in these investment funds mainly through the receipt of fund management fees, in the case where the Group acts as fund manager, which provide a variable return based on the value of the funds under management and other criteria, and in the case of third-party funds where fund performance has an impact on fund based fees within unit-linked investment contracts and other similar client investment products. Where the Group acts as fund manager it may also hold investments in the underlying funds, through acquiring units or shares. Where these investments are held in unit-linked funds, the Group has a secondary exposure to variable returns through the management fees that it deducts from unit-linked policyholders' account balances. The Group's percentage ownership can fluctuate from day to day according to the Group's participation in them as clients' underlying investment choices change.

When assessing control of investment funds, the Group considers the purpose and design of the fund, scope of its decision making authority, including its ability to direct relevant activities and to govern the operations of a fund so as to obtain variable returns from that fund and its ability to use its power to affect these returns, both from the perspective of an investor and an asset manager. In addition, the Group assesses rights held by other parties including substantive removal ("kick-out") rights that may affect the Group's ability to direct relevant activities.

On consolidation, the interests of parties other than the Group are classified as a liability in the Group's statement of financial position and are described as "Third-party interests in consolidated funds". Such interests are not recorded as non-controlling interests ("NCIs") as they meet the liability classification requirement set out in IAS 32 *Financial Instruments: Presentation*. These liabilities are regarded as current, as they are repayable on demand, although it is not expected that they will be settled in a short time period.

5: Significant accounting policies continued

5(a): Group accounting continued

Business combinations

The Group is required to use the acquisition method of accounting for business combinations. Business combinations are accounted for at the date that control is achieved (the acquisition date). The cost of a business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognised at their fair value at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts. Where provisional amounts are reported these are adjusted during the measurement period which extends up to a maximum of 12 months from the acquisition date. Additional assets or liabilities may also be recognised during this period, to reflect any new information obtained about the facts and circumstances that existed at the date of acquisition that, if known, would have affected the amounts recognised as on that date.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired entity at the date of acquisition. Acquisition related costs are expensed as incurred.

Upon disposal, the Group derecognises a subsidiary or disposal group on the date on which control passes. The consolidated income statement includes the results of a subsidiary or disposal group up to the date of disposal. The difference between the proceeds from the disposal of a subsidiary undertaking and its carrying amount as at the date of disposal, including the cumulative amount of any related exchange differences that are recognised in the foreign currency translation reserve, is recognised in the consolidated income statement as the gain or loss on disposal of the subsidiary undertaking.

Common control combinations

Merger accounting is used by the Group for common control combinations, which are transactions between entities that are ultimately controlled by the same party or parties. This method treats the merged entities as if they had been combined throughout the current and comparative accounting periods. Merger accounting principles for these combinations result in the recognition of a merger reserve in the consolidated statement of financial position, being the difference between the nominal value of any new shares issued by the parent Company for the acquisition of the shares of the subsidiary and the subsidiary's Net Asset Value ("NAV"). Such transactions attract merger relief under section 612 of the Companies Act 2006.

5(b): Fair value measurement

The Group uses fair value to measure the majority of its assets and liabilities. Fair value is a market-based measure and is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For a financial instrument, the best evidence of fair value at initial recognition is normally the transaction price, which represents the fair value of the consideration given or received.

Where observable market prices in an active market, such as bid or offer (ask) prices are unavailable, fair value is measured using valuation techniques based on the assumptions that market participants would use when pricing the asset or liability. If an asset or a liability measured at fair value has a bid or an offer price, the price within the bid-offer spread that is most representative of fair value is used as the basis of the fair value measurement.

The quality of the fair value measurement for financial instruments is disclosed by way of the fair value hierarchy, whereby Level 1 represents a quoted market price for identical financial assets and liabilities, Level 2 financial assets and liabilities are valued using inputs other than quoted prices in active markets included in Level 1, either directly or indirectly, and Level 3 whereby financial assets and liabilities are valued using valuation techniques where one or more significant inputs are unobservable.

Classifying financial instruments into the three levels outlined above provides an indication about the reliability of inputs used in determining fair value. More information is provided in note 20.

5(c): Product classification

The Group's life assurance contracts included in the Wealth Platforms segment are categorised as either insurance contracts or investment contracts, in accordance with the classification criteria set out in the paragraphs below.

Insurance contracts

The Group's insurance contracts include traditional life and health insurance contracts including for the latter stand-alone critical illness and long-term care policies (all within the disposed QLA business until its disposal at 31 December 2019), as well as the unbundled insurance component of unit-linked contracts (described in more detail below in the "Hybrid insurance and investment contracts – unbundling" section). Life assurance contracts are categorised as insurance contracts at the inception of the contract only if the contract transfers significant insurance risk. Insurance risk is significant if, and only if, an insured event could cause the Group to make significant additional payments in any scenario, excluding scenarios that lack commercial substance. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire. It is possible to reclassify contracts as insurance contracts after inception if insurance risk becomes significant.

IFRS accounting for insurance contracts in UK companies was "grandfathered" at the date of transition to IFRS and determined in accordance with the Statement of Recommended Practice on Accounting for Insurance Business (issued by the Association of British Insurers and subsequently withdrawn from 1 January 2015), which adjusted Solvency I balances to remove certain regulatory reserves and margins in assumptions.

Investment contracts

Investment contracts do not meet the definition of an insurance contract as they do not transfer significant insurance risk from the policyholder to the insurer. Unit-linked investment contracts are separated into two components, being an investment management services component and a financial liability. The financial liability component is designated at fair value through profit or loss ("FVTPL") as it is managed on a fair value basis, and its value is directly linked to the market value of the underlying portfolio of assets. The Group does not directly benefit economically from returns from the assets held to match policyholder liabilities, apart from secondary exposure to future annual management fees that the Group expects to receive over the life of the policy.

"Hybrid" insurance and investment contracts – unbundling

Generally, life and pensions contracts allow for a single classification at product class level. For those contracts containing both an insurance component and an investment component, the Group has elected to unbundle these contracts and account for each component separately. This approach has been applied to a number of the Group's unit-linked assurance business contract types where a significant component of insurance risk exists.

5(d): Fee income and other income from service activities

Fee income and other income from service activities represent the fair value of services provided, net of value added tax. Within Quilter, all businesses act as a principal with the only exception to this being in Quilter Investors, where the management of certain funds is outsourced to external fund managers.

Premium based fees

This relates to non-refundable fees taken on receipt of clients' investments and recognised on receipt over the life of the contract, in line with the performance obligation associated with the contract in respect of the administration of the underlying client records and client benefits. Where fees are received, either at inception or over an initial period for services not yet provided, the income is deferred and recognised as contract liabilities on the statement of financial position and released to the income statement as services are provided over the lifetime of the contract (see note 32 for further information).

In addition this also includes fees in respect of advice provided to clients, when the advice has been provided to the client and the financial adviser's performance obligation has been fully delivered. Accordingly, fee income is recognised at the inception of the financial product sold.

Fund based fees

This is periodic fee income based on the market valuation of the Group's investment contracts. It is calculated and recognised on a daily basis in line with the provision of investment management services.

Fixed fees

This is periodic fee income which is fixed in value according to underlying contract terms and relates to the provision of services and transactional dealing fees. It is recognised on provision of the transaction or service.

Surrender fees

Surrender fee income relates to client charges received on the surrender of an investment contract or insurance contract, which is based on the value of the policy and recognised on surrender of the policy.

5: Significant accounting policies continued
5(d): Fee income and other income from service activities continued

Other fee and commission income

This includes charges taken from unit-linked funds to meet future policyholder tax liabilities. Depending on the nature of the tax liability, the charges are either recognised at the point a transaction occurs on the unit-linked fund, or annually. This also includes fee and commission income within consolidated funds' income statements.

5(e): Investment return

Investment return comprises two elements: (a) investment income and (b) realised and unrealised gains and losses on investments held at FVTPL.

Investment income

Investment income includes dividends on equity securities which are recorded as revenue on the ex-dividend date and interest income which is recognised using the effective interest rate method which allocates interest and other finance costs at a constant rate over the expected life of the financial instrument.

Realised and unrealised gains and losses

A gain or loss on a financial investment is only realised on disposal or transfer and represents the difference between the proceeds received, net of transaction costs, and its original cost (or amortised cost). Unrealised gains or losses, arising on investments which have not been disposed or transferred, represent the difference between carrying value at the year end and the carrying value at the previous year end or purchase value (if this occurs during the year), less the reversal of previously recognised unrealised gains or losses in respect of disposals made during the year.

Gains and losses resulting from changes in both market value and foreign exchange on investments classified at FVTPL are recognised in the consolidated income statement in the period in which they occur.

5(f): Premiums

Premiums receivable under insurance contracts are shown in the income statement gross of commission and exclude sales-based taxes and levies. For regular (and recurring) premium contracts, receivables are recognised when payments are due. Premiums in respect of other insurance contracts are recognised in the income statement when receivable, apart from premiums received in respect of unit-linked insurance contracts (see below). Where policies lapse due to non-receipt of premiums, then all the related premium income accrued but not received from the date they are deemed to have lapsed is offset against premiums.

Premiums received in respect of unit-linked insurance contracts are recognised when the corresponding liability to the policyholder is established. For single premium business, this is the date from which the policy is effective.

5(g): Deferred acquisition costs and contract costs

Investment contracts

Incremental costs, including fee and commission expenses, that are directly attributable to securing either unit-linked investment contracts or other asset management services are deferred and recognised as contract costs. Contract costs are linked to the contractual right to benefit from providing investment management services; they are therefore amortised through the income statement consistent with the transfer to the customer of the services to which the contract relates.

Insurance contracts

Incremental costs directly attributable to securing an insurance contract, such as initial commission and the costs of obtaining and processing such business are deferred and a deferred acquisition cost ("DAC") asset recognised, to the extent that they are expected to be recovered out of future margins.

Insurance DAC is amortised as an expense on a straight line basis, adjusted for expected persistency, over the expected life of the contract, as the services are provided (equal service provision assumed) but subject to a restriction whereby it is no longer than the period in which such costs are expected to be recoverable out of future margins.

At the end of each reporting period, contract costs and DAC are reviewed for recoverability, by category of business, against future margins from the related contracts. They are impaired in the income statement when they are no longer considered to be recoverable.

5(h): Investment contract liabilities

The majority of the Group's investment contracts are unit-linked contracts. At inception, investment contract liabilities for unit-linked business are classified as financial liabilities and measured at FVTPL. For these contracts, the fair value liability is equal to the total value of units allocated to the policyholders, based on the bid price of the underlying assets in the fund. The FVTPL classification reflects the fact that the matching investment portfolio, that backs the unit-linked liabilities, is managed, and its performance evaluated, on a fair value basis.

Contributions received on investment contracts are treated as policyholder deposits and credited directly to investment contract liabilities on the statement of financial position, as opposed to being reported as revenue in the consolidated income statement. This practice is known as deposit accounting. Withdrawals paid out to policyholders on investment contracts are treated as a reduction to policyholder deposits, reducing the investment contract liabilities on the statement of financial position, as opposed to being recognised as expenses in the consolidated income statement.

5(i): Insurance contract liabilities

Following the disposal of the Group's QLA business (see note 6(b) for further details), insurance contract liabilities within the Group are £nil at year ended 31 December 2019 and year ended 31 December 2020, with only the Group's income statement for year end 31 December 2019 impacted.

Claims

Insurance business claims reflect the cost of all claims arising during the year and include payments for maturities, annuities, surrender, death and disability claims, as well as claims handling costs, incurred in connection with the negotiation and settlement of claims. They are recognised as expenses in the income statement. Maturity and annuity claims are recorded as they fall due for payment. Death and disability claims and surrenders are accounted for when notified. Reinsurance recoveries, in respect of these claims, are accounted for in the same period as the related claim.

Insurance contract liabilities

The Group calculates its long-term insurance contract liabilities, based on local regulatory requirements and actuarial principles consistent with those applied in the local market. Liabilities are calculated using the gross premium valuation method, which is based on the amount of contractual premiums receivable and includes explicit assumptions for interest and discount rates, as well as for mortality, morbidity, persistency and future expenses. These assumptions are based on market data, internal experience data and also external data where either no internal experience data exists or where internal data is too sparse to give credible estimates of the true expectation of experience. Anticipated future trends have been allowed for in deriving mortality and morbidity assumptions. The liability for contractual benefits that are expected to be paid in the future is determined as the discounted value of the excess of future expected outgoings over future expected income. Future expected outgoings include claim costs, direct expenses and commissions. Future expected income includes premiums payable by policyholders. For anticipated future claims that have been incurred but not yet paid, the Group establishes a provision for outstanding claims.

The method used to determine these liabilities makes allowance for the level of risk and uncertainty inherent in the business by the use of margins for caution within the assumptions used to project future income and outgoings. The portion of premiums received that relates to unexpired risks as at the reporting period end is reported within the long-term insurance liabilities. The change in insurance contract liabilities, comprising the full movement in the corresponding liabilities during the period, is recognised in the income statement.

Liability adequacy test

At each reporting date, the Group assesses whether the recognised insurance contract liabilities are adequate in light of current estimates of future cash flows. This liability adequacy test is performed by comparing the carrying value of the insurance contract liabilities and the discounted projections of future cash flows. If the carrying value is less than the future expected cash flows, the deficiency is initially recognised by writing down the DAC asset. The recoverability of the DAC asset is tested against present value of in-force ("PVIF") business, determined on a best estimate basis, with any deficit written off the DAC asset immediately. Any required write down in excess of the value of the DAC asset is recognised in the income statement with a corresponding additional provision in the statement of financial position.

5: Significant accounting policies continued

5(j): Reinsurance
Following the disposal of the QLA business on 31 December 2019 (see note 6(b) for further details), the Group's reinsurance arrangements are immaterial. As a result, the accounting policy below refers to the impacts of such reinsurance arrangements within the Group's 2019 comparative results.

Insurance contracts
The Group cedes reinsurance in the normal course of business for the purpose of limiting its claims costs. Ceded reinsurance contracts include arrangements where regular risk premiums are paid by the Group to the reinsurer and an agreed share of claims are paid by the reinsurer to the Group. These arrangements are in respect of underlying policies that are classified as insurance contracts. Accordingly, contracts with reinsurers are assessed to establish whether they contain significant insurance risk to justify such a classification. Only rights under contracts that give rise to a transfer of significant insurance risk are accounted for as reinsurers' share of policyholder liabilities.

Reinsurance premiums for ceded reinsurance are recognised as an expense on a basis that is consistent with the recognition basis for the premiums on the related insurance contracts. Reinsurance recoveries are recognised in the income statement in the same period as the related claim.

Reinsurance recoveries due from reinsurers and reinsurance premiums due to reinsurers under reinsurance contracts that are contractually due at the reporting date are separately recognised in other receivables and other payables respectively unless a right of offset exists, in which case the net amount is reported on the consolidated statement of financial position. Assets, liabilities, income and expenses arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expenses from the underlying insurance contracts because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

The value of the benefits that the Group is entitled to under the ceded reinsurance arrangements are reported as "reinsurers' share of policyholder liabilities" in the statement of financial position. This is calculated as the difference between the insurance contract liability assuming no reinsurance arrangement exists (the gross basis) and the liability with explicit allowance for all cash flows relating to the reinsurance arrangement (the net basis). Insurance contract liabilities are calculated quarterly on the gross and net bases taking into account all relevant experience effects. The reinsurers' share of insurance provisions is updated consistently with these calculations. Any resulting movement in the reinsurers' share of insurance provisions is recognised in the income statement.

Reinsurance assets are assessed for impairment at each reporting date. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due to it under the terms of the contract and that the event has an impact that can be measured reliably in respect of amounts expected to be received from the reinsurer. The reinsurers' share of policyholder liabilities is updated for any impairment. Any resulting movement in the reinsurers' share of policyholder liabilities is recognised in the income statement.

Investment contracts
Investments held on behalf of policyholders recognised by the Group that are fully managed by a third-party reinsurer are shown on the statement of financial position within reinsurers' share of investment contract liabilities, with the corresponding liability to the policyholder included within liabilities for linked investment contracts.

5(k): Financial instruments (other than derivatives)
Financial instruments cover a wide range of financial assets, including financial investments, trade receivables and cash and cash equivalents and certain financial liabilities, including investment contract liabilities, trade payables, and borrowings. Derivatives, which are also financial instruments, are covered by accounting policy 5(m). Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes party to the contractual provisions of the instrument. The Group derecognises a financial asset when the contractual rights to receive cash flows have expired or been forfeited by the Group. A financial liability is derecognised when the liability is extinguished.

The Group assesses the objective of a business model in which an asset is held at a portfolio level because this best represents the way the business is managed and information is reported to management. The assessment considers the stated portfolio policies and objectives. The Group determines its strategy in holding the financial asset, particularly considering whether the Group earns contractual interest revenue, for example to match the duration of financial assets to the duration of liabilities that are funding those assets or to realise cash flows through the sale of the assets. The frequency, volume and timing of sales in prior periods may be reviewed, along with the reasons for such sales and expectations about future sales activity. These factors enable management to determine which financial assets should be measured at FVTPL.

Initial measurement
A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

5(k): Financial instruments (other than derivatives) continued

Subsequent measurement

The classification of financial assets depends on (i) the purpose for which they were acquired, (ii) the business model in which a financial asset is managed, and (iii) its contractual cash flow characteristics. Two categories are applicable to the Group's financial assets: FVTPL and amortised cost. This classification determines the subsequent measurement basis. The following accounting policies apply to the subsequent measurement of financial assets.

Measurement basis	Accounting policies
Financial assets at FVTPL	These financial assets are subsequently measured at fair value. Net gains and losses, including interest and dividend income, are recognised in profit or loss.
Amortised cost	These financial assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and unless recognised as FVTPL on initial recognition applying the Fair Value Option (see below):

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration of the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

All other financial assets that are not measured at amortised cost are classified and measured at FVTPL.

Financial investments

Derivative financial assets (the majority of which are as a result of the consolidated funds, as described in note 5(a)) are classified and measured at FVTPL. In addition, on initial recognition, the Group may irrevocably designate a financial asset at FVTPL that otherwise meets the requirements to be measured at amortised cost, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise (the Fair Value Option).

The Group's interests in pooled investment funds, equity securities and debt securities are mandatorily at FVTPL, as they are part of groups of financial assets which are managed and whose performance is evaluated on a fair value basis. These investments are recognised at fair value initially and subsequently, with changes in fair value recognised in investment return in the consolidated income statement.

Fixed term deposits with a maturity profile exceeding three months are categorised as financial investments and are measured at amortised cost.

The Group recognises purchases and sales of financial investments on trade date, which is the date that the Group commits to purchase or sell the assets. The costs associated with investment transactions are included within expenses in the consolidated income statement.

Loans and advances

Loans with fixed maturities, including policyholder loans, are recognised when cash is advanced to borrowers or policyholders. Policyholder loans are interest free and are mandatorily at FVTPL since they are taken from the policyholder's unit-linked account and thereby matched to underlying unit-linked liabilities held at FVTPL, which are unaffected by the transaction. Other loans and advances are carried at amortised cost using the effective interest rate method. These assets are subject to the impairment requirements outlined below.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits, money market collective investment funds and other short-term deposits with an original maturity of three months or less.

Cash and cash equivalents held within money market collective investment funds are classified as FVTPL. All other cash and cash equivalents are classified as amortised cost which means they are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method and are subject to the impairment requirements outlined below. The carrying amount of cash and cash equivalents, other than money market collective investment funds which are measured at fair value, approximates to their fair value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. At inception, investment contract liabilities for unit-linked business are recognised as financial liabilities and measured at FVTPL. Other financial liabilities, including the Group's borrowings and trade payables, are measured at amortised cost using the effective interest method.

5: Significant accounting policies continued

5(k): Financial instruments (other than derivatives) continued

Trade payables and receivables

Trade payables and receivables are classified at amortised cost. Due to their short-term nature, their carrying amount is considered to be the same as their fair value.

Investments in subsidiaries

Parent Company investments in subsidiary undertakings are initially stated at cost. Subsequently, investments in subsidiary undertakings are stated at cost less any provision for impairment. An investment in a subsidiary is deemed to be impaired when its carrying amount is greater than its estimated recoverable amount, and there is evidence to suggest that the impairment occurred subsequent to the initial recognition of the asset in the financial statements. All impairments are recognised in the parent Company income statement as they occur.

Impairment of financial assets

The expected loss accounting model for credit losses applies to financial assets measured at amortised cost, but not to financial assets at FVTPL. Financial assets at amortised cost include trade receivables, cash and cash equivalents (excluding money market collective investment funds which are measured at fair value), fixed term deposits and loans and advances.

Credit loss allowances are measured on each reporting date according to a three stage expected credit loss ("ECL") impairment model:

Performing financial assets:

Stage 1

From initial recognition of a financial asset to the date on which an asset has experienced a significant increase in credit risk relative to its initial recognition, a stage 1 loss allowance is recognised equal to the credit losses expected to result from its default occurring over the earlier of the next 12 months or its maturity date ("12-month ECL").

Stage 2

Following a significant increase in credit risk relative to the initial recognition of the financial asset, a stage 2 loss allowance is recognised equal to the credit losses expected from all possible default events over the remaining lifetime of the asset ("Lifetime ECL").

The assessment of whether there has been a significant increase in credit risk requires considerable judgement, based on the lifetime probability of default ("PD"). Stage 1 and 2 allowances are held against performing loans; the main difference between stage 1 and stage 2 allowances is the time horizon. Stage 1 allowances are estimated using the PD with a maximum period of 12 months, while stage 2 allowances are estimated using the PD over the remaining lifetime of the asset.

Impaired financial assets:

Stage 3

When a financial asset is considered to be credit-impaired, the allowance for credit losses ("ACL") continues to represent lifetime expected credit losses. However, interest income is calculated based on the amortised cost of the asset, net of the loss allowance, rather than its gross carrying amount.

Application of the impairment model

The Group applies the ECL model to all financial assets that are measured at amortised cost:

- Trade receivables, to which the simplified approach prescribed by IFRS 9 is applied. This approach requires the recognition of a Lifetime ECL allowance on day one and thereafter.
- Loans, cash and cash equivalents, and fixed term deposits at amortised cost, to which the general three stage model (described above) is applied, whereby a 12 month ECL is recognised initially and the balance is monitored for significant increases in credit risk which triggers the recognition of a Lifetime ECL allowance.

ECLs are a probability-weighted estimate of credit losses. ECLs for financial assets that are not credit-impaired at the reporting date are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due in accordance with the contract and the cash flows that the Group expects to receive). ECLs for financial assets that are credit-impaired at the reporting date are measured as the difference between the gross carrying amount and the present value of estimated future cash flows. ECLs are discounted at the effective interest rate of the financial asset. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

The measurement of ECLs considers information about past events and current conditions, as well as supportable information about future events and economic conditions. The Group has implemented its impairment methodology for estimating the ACL, taking into account forward-looking information in determining the appropriate level of allowance. In addition, it has identified indicators and set up procedures for monitoring for significant increases in credit risk.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes events such as significant financial difficulty of the borrower or issuer, a breach of contract such as a default or past due event or the restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider. The assumption that the credit risk for balances over 30 days significantly increases has been rebutted on the basis that some balances will exceed 30 days in the normal course of the settlement cycle and, therefore, there is no increase in the credit risk.

Presentation of impairment
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-offs
Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of the amount being recovered. This is generally the case when the Group concludes that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

5(l): Contract assets
Contract assets are classified as non-financial. Due to their short-term nature, their carrying amount is considered to be the same as their fair value.

The expected loss accounting model for credit losses applies to contract assets, The Group applies the ECL model to contract assets, which are measured at amortised cost. The simplified approach prescribed by IFRS 9 is applied to contract assets. This approach requires the recognition of a Lifetime ECL allowance on day one and thereafter.

5(m): Derivatives
The Group uses derivative financial instruments to manage well-defined foreign exchange risks arising out of the normal course of business and has used forward foreign exchange contracts to reduce the currency risk on certain US Dollar, Euro and Swedish Krona denominated future revenues and accounts receivables. Management determines the classification of derivatives at initial recognition and classifies derivatives as mandatorily at FVTPL. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The only other derivatives recognised in the Group's statement of financial position are as a result of the consolidation of funds (described in note 5(a)).

5(n): Employee benefits
Pension obligations
The Group operates two types of pension plans which have been established for eligible employees of the Group:

Defined contribution schemes where the Group makes contributions to members' pension plans but has no further payment obligations once the contributions have been paid.

Defined benefit plans which provide pension payments upon retirement to members as defined by the plan rules. The Group has funded these liabilities by ring-fencing assets in trustee-administered funds.

Defined contribution pension obligation
Under a defined contribution plan, the Group's legal or constructive obligation is limited to the amount it agrees to contribute to a pension fund and there is no obligation to pay further contributions if the fund does not hold sufficient assets to pay benefits. Contributions in respect of defined contribution schemes for current service are expensed in the income statement as staff costs and other employee-related costs when incurred.

Defined benefit pension obligation
A defined benefit pension plan typically defines the amount of pension benefit that an employee will receive on retirement. For these plans, the Group's defined benefit obligation is calculated by independent actuaries using the projected unit credit method, which measures the pension obligation as the present value of estimated future cash outflows. The discount rate used is determined based on the yields for investment grade corporate bonds that have maturity dates approximating to the terms of the Group's obligations. Plan assets are measured at their fair value at the reporting date. The net surplus or deficit of the defined benefit plan is recognised as an asset or liability in the statement of financial position and represents the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets.

An asset is recognised only where there is an unconditional right to future benefits. The current and past service cost curtailments and settlements are charged to other expenses in the income statement.

5: Significant accounting policies continued

5(n): Employee benefits continued

Remeasurements which comprise gains and losses as a result of experience adjustments and changes in actuarial assumptions, the actual return on plan assets (excluding interest) and the effect of the asset ceiling are recognised immediately in other comprehensive income in the period in which they occur. Remeasurements are not reclassified to the income statement in subsequent periods. Administration costs (other than the costs of managing plan assets) are recognised in the income statement when the service is provided.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in the income statement when the plan amendment or curtailment occurs.

Employee share-based payments

The Group operates a number of share incentive plans for its employees. These involve an award of shares or options in the Group (equity-settled share-based payments).

The Group's incentive plans have conditions attached before the employee becomes entitled to the award. These can be performance and/or service conditions (vesting conditions) or conditions that are often wholly within the control of the employee, for example where the employee has to provide funding during the vesting period, which is then used to exercise share options (non-vesting condition).

Performance conditions may be market-based or non-market based. Market performance conditions are those related to an entity's equity, such as achieving a specified share price or target based on a comparison of the entity's share price with an index of share prices. Non-market performance conditions are those related to an entity's profit or revenue targets, an example of which would be Earnings per Share ("EPS"). Market-based performance conditions and non-vesting conditions are taken into account when estimating the fair value of the share or option awards at the measurement date. The fair value of the share awards or options is not adjusted to take into account non-market performance features. These are taken into consideration by adjusting the number of equity instruments in the share-based payment measurement and this adjustment is made each period until the equity instruments vest.

The fair value of share-based payment awards granted is recognised as an expense in the income statement over the vesting period which accords with the period for which related services are provided by the employee. A corresponding increase in equity is recognised for equity-settled plans and a corresponding financial liability for cash-settled plans.

For equity-settled plans, the fair value is determined at grant date and not subsequently re-measured. For cash-settled plans, the fair value is re-measured at each reporting date and the date of settlement, with any changes in fair value recognised in the profit or loss for the period and the liability adjusted accordingly.

At each period end the Group reassesses the number of equity instruments expected to vest and recognises any difference between the revised and original estimate in the income statement with a corresponding adjustment to the share-based payments reserve in equity.

At the time the equity instruments vest, the amount recognised in the share-based payments reserve in respect of those equity instruments is transferred to retained earnings.

5(o): Tax

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to income tax payable in respect of previous years. Current tax is charged or credited to the income statement, except when it relates to items recognised directly in equity or in other comprehensive income.

Deferred tax

Deferred taxes are calculated according to the statement of financial position method, based on temporary differences between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax is charged or credited to the income statement, except when it relates to items recognised directly in equity or in other comprehensive income. In certain circumstances, as permitted by accounting guidance, deferred tax balances are not recognised. In particular, where the liability relates to the initial recognition of goodwill, or transactions that are not a business combination and at the time of their occurrence affect neither accounting nor taxable profit. Note 29(b) includes further detail of circumstances in which the Group does not recognise temporary differences.

Policyholder tax
Certain products are subject to tax on the policyholder investment returns. This 'policyholder tax' is an element of the Group's total tax expense. To make the tax expense more meaningful, tax attributable to policyholder returns and tax attributable to equity holders' profits is shown separately.

The tax attributable to policyholder returns is the amount payable in the year plus the movement of amounts expected to be payable in future years. The remainder of the tax expense is attributed to shareholders as tax attributable to equity holders' profits.

5(p): Goodwill and intangible assets
The recognition of goodwill arises on the acquisition of a business and represents the premium paid over the fair value of the Group's share of the identifiable assets and liabilities acquired at the date of acquisition. Intangible assets include intangible assets initially recognised as part of a business combination, purchased assets and internally generated assets, such as software development costs related to amounts recognised for in-house systems development.

Goodwill and goodwill impairment
Goodwill arising on the Group's investments in subsidiaries is shown as a separate asset, while that on associates, where it arises, is included within the carrying value of those investments. Goodwill is recognised as an asset at cost at the date when control is achieved (the acquisition date) and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to annual impairment reviews.

Goodwill is allocated to one or more cash-generating units ("CGUs") expected to benefit from the synergies of the combination, where the CGU represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Goodwill is reviewed for impairment at least once annually, as a matter of course even if there is no indication of impairment, and whenever an event or change in circumstances occurs which indicates a potential impairment. For impairment testing, the carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment loss is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of an operation within a group of CGUs to which goodwill has been allocated, the goodwill associated with that operation is included in the carrying amount of the operation when determining the gain or loss on disposal. It is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Intangible assets acquired as part of a business combination
Intangible assets acquired as part of a business combination are recognised where they are separately identifiable and can be measured reliably. Acquired intangible assets consist primarily of contractual relationships such as customer relationships and distribution channels. Such items are capitalised at their fair value, represented by the estimated net present value of the future cash flows from the relevant relationships acquired at the date of acquisition. Brands and similar items acquired as part of a business combination are capitalised at their fair value based on a 'relief from royalty' valuation methodology.

Subsequent to initial recognition, acquired intangible assets are measured at cost less amortisation and any recognised impairment losses. Amortisation is recognised at rates calculated to write off the cost or valuation less estimated residual value, using a straight-line method over their estimated useful lives as set out below:

– Distribution channels	8 years
– Customer relationships	7-10 years
– Brands	5 years

The economic lives are determined by considering relevant factors such as usage of the asset, product life cycles, potential obsolescence, competitive position and stability of the industry. The amortisation period is re-evaluated at the end of each financial year end.

Internally developed software
There are a number of factors taken into account when considering whether internally developed software meets the recognition criteria in IAS 38 *Intangible Assets*. Where, for example, a third-party provider retains ownership of the software, this will not meet the control criterion in the standard (i.e. the power to obtain benefits from the asset) and the costs will be expensed as incurred.

Where it is capitalised, internally developed software is held at cost less accumulated amortisation and impairment losses. Such software is recognised in the statement of financial position if, and only if, it is probable that the relevant future economic benefits attributable to the software will flow to the Group and its cost can be measured reliably.

Costs incurred in the research phase are expensed, whereas costs incurred in the development phase are capitalised, subject to meeting specific criteria, as set out in the relevant accounting guidance, the main one being that future economic benefits can be identified as a result of the development expenditure. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the relevant software, which range between three and five years, depending on the nature and use of the software.

5: Significant accounting policies continued
5(p): Goodwill and intangible assets continued
Subsequent expenditure
Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Impairment testing for intangible assets
For intangible assets with finite lives, impairment charges are recognised where evidence of impairment is observed. Indicators of impairment can be based on external factors, such as significant adverse changes to the asset as part of the overall business environment and internal factors, such as worse than expected performance reflected in the Group's three-year Business Plan. If an indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is calculated as the higher of fair value less costs to sell and value in use. If the recoverable amount of an intangible asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense in the income statement immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an intangible asset is not yet available for use, it is subject to an annual impairment test by comparing the carrying value with the recoverable amount. The recoverable amount is estimated by considering the ability of the asset to generate sufficient future economic benefits to recover the carrying value.

5(q): Assets and liabilities held for sale and discontinued operations
Assets (and disposal groups) are classified as held for sale if their carrying amount is expected to be recovered through a sales transaction rather than through continuing use. This condition is regarded as having been met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year of the date of classification. Assets and liabilities held for sale are presented separately in the consolidated statement of financial position.

Assets and liabilities (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and their fair value less costs to sell. No depreciation or amortisation is charged on a non-current asset while classified as held for sale or while part of a disposal group once it has been classified as held for sale.

The Group classifies areas of the business as discontinued operations where they have been disposed of, or are classified as held for sale at the year end, which either represent a separate major line of business or geographical area, or are part of a plan to dispose of one, or are subsidiaries acquired exclusively with a view to resale.

When an asset (or disposal group) ceases to be classified as held for sale, the individual assets and liabilities cease to be shown separately in the statement of financial position at the end of the year in which the classification changes. Comparatives are not restated. If the line of business was previously presented as a discontinued operation and subsequently ceases to be classified as held for sale, profit and loss and cash flows of the comparative period are restated to show that line of business as a continuing operation. Further information can be found in note 6.

5(r): Provisions and contingent liabilities
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more probable than not that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date. Where the effect of the time value of money is material, provisions are discounted and represent the present value of the expected expenditure. Provisions are not recognised for future operating costs or losses.

The Group recognises specific provisions where they arise for the situations outlined below:
- Client compensation and related costs, when the Group compensates clients in the context of providing fair customer outcomes.
- Onerous contracts, when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting the obligations under the contract.
- Corporate restructuring, only if the Group has approved a detailed formal plan and raised a valid expectation among those parties directly affected, that the plan will be carried out either by having commenced implementation or by publicly announcing the plan's main features. Such provisions include the direct expenditure arising from the restructuring, such as employee termination payments but not those costs associated with the ongoing activities of the Group.
- Legal uncertainties and the settlement of other claims.

Contingent liabilities are possible obligations of the Group of which the timing and amount are subject to significant uncertainty. Contingent liabilities are not recognised in the consolidated statement of financial position, unless they are assumed by the Group as part of a business combination. They are however disclosed, unless they are considered to be remote. If a contingent liability becomes probable and the amount can be reliably measured it is no longer treated as contingent and recognised as a liability.

Contingent assets, which are possible benefits to the Group, are only disclosed if it is probable that the Group will receive the benefit. If such a benefit becomes virtually certain, it is no longer considered contingent and is recognised on the consolidated statement of financial position as an asset.

6: Acquisitions, disposals and discontinued operations

6(a): Business acquisitions

Business acquisitions completed during the year ended 31 December 2020
There have been no material acquisitions during the year ended 31 December 2020.

Business acquisitions completed during the year ended 31 December 2019
Charles Derby Group Limited ("CDG") acquisition on 14 February 2019

The purchase price of £31 million was allocated based on the fair value of net assets acquired at the date of acquisition, determined in accordance with IFRS 3 *Business Combinations*. These allocations are now final and the Group recognised goodwill of £23 million in relation to this acquisition.

Lighthouse Group plc ("Lighthouse") acquisition on 12 June 2019
The estimated fair value of net assets acquired in Lighthouse of £13 million, included a provision of £12 million in respect of pension transfer advice provided to certain Lighthouse clients between 2016 and 2018, prior to the Group's acquisition of Lighthouse in June 2019.

As a result of an investigation by the FCA into defined benefit ("DB") pension transfer advice, including advice provided to British Steel employees by Lighthouse, and an additional number of complaints received during 2020, the Group increased its scope for the provision to include all British Steel customers, rather than only those who have raised a complaint, and performed a detailed case review (further details of which are included in note 28). This resulted in an increase to the provision at acquisition of a further £12 million, which brought the provision balance to £24 million. An insurance recovery asset of £3 million related to the provision was recognised at 30 June 2020, representing management's assessment of the fair value on a best estimate basis. Discussions with Lighthouse's insurers remain ongoing. A further review of the tax treatment resulted in the recognition of a deferred tax asset of £2 million. The impact upon the fair value of net assets acquired as a result of the British Steel DB pension transfer advice provision, insurance recovery asset and deferred tax asset at acquisition is a net liability of £19 million, which is an increase in the net liability of £7 million from the £12 million estimated balance reported recognised at 31 December 2019.

The final determination of the fair value of net assets acquired in Lighthouse is assessed as £6 million, and the Group has recognised goodwill of £40 million in relation to this acquisition, which is an increase in goodwill of £7 million from the estimated balance recognised at 31 December 2019. No further adjustments can be made to the fair value of net assets acquired as the Group is now beyond the 12-month post-acquisition period permitted for such entries under IFRS 3 *Business Combinations*.

Contingent consideration arising from business combinations
The table below details the movements in the contingent consideration balance (see note 31) during the current and prior year arising from the business acquisitions in earlier years detailed above.

	31 December 2020 £m	31 December 2019 £m
Opening balance	39	37
Acquisitions during the year	–	22
Payments	(20)	(21)
Financing interest charge	2	3
Other movements	(5)	(2)
Closing balance	**16**	**39**

Contingent consideration represents management's best estimate of the amount payable in relation to each acquisition discounted to net present value. The basis of each acquisition varies but includes payments based upon a percentage of the level of assets under administration, funds under management and levels of ongoing fee income at future dates. Management estimate that a 20% increase/(decrease) in these key underlying assumptions would have resulted in a £3 million/£(4) million movement in the year-end contingent consideration balance.

6: Acquisitions, disposals and discontinued operations continued

6(b): Business disposals

Year ended 31 December 2020

There have been no disposals during the year ended 31 December 2020.

Year ended 31 December 2019

On 31 December 2019, the Group completed the sale of the Quilter Life Assurance ("QLA") business (consisting of two of the Group's subsidiary undertakings: Old Mutual Wealth Life Assurance Limited and Old Mutual Wealth Pensions Trustee Limited) to ReAssure Group for total consideration of £446 million. The Group recognised a profit on the disposal of QLA of £103 million. Provisions established in respect of this disposal are shown in note 28.

(Loss)/profit on sale of operations

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
	Quilter Life Assurance and Single Strategy business £m	Quilter Life Assurance £m
Consideration received	–	446
Less: transaction and separation costs[1]	(1)	(19)
Net (costs)/proceeds from sale	(1)	427
Carrying value of net assets disposed	–	(294)
Goodwill allocated and disposed	–	(30)
(Loss)/profit on sale of operations after tax	**(1)**	**103**

[1]An additional £1 million of transaction and separation costs relating to the historical sales of the QLA and Single Strategy businesses have been recognised in the year ended 31 December 2020.

6(c): Discontinued operations – income statement

The Group's discontinued operations principally relate to the QLA business that was disposed of on 31 December 2019 and the associated profit on sale.

	Notes	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Income			
Gross earned premiums		–	145
Premiums ceded to reinsurers		–	(86)
Net earned premiums		–	59
Fee income and other income from service activities	9(a)	–	164
Investment return	9(b)	–	1,386
Total income		**–**	**1,609**
Expenses			
Claims and benefits paid		–	(98)
Reinsurance recoveries		–	72
Net insurance claims and benefits incurred		–	(26)
Change in reinsurance assets and liabilities		–	121
Change in insurance contract liabilities		–	(134)
Change in investment contract liabilities	27	–	(1,364)
Fee and commission expenses, and other acquisition costs	10(a)	–	(45)
Other operating and administrative expenses	10(b)	–	(8)
Total expenses		**–**	**(1,456)**
(Loss)/profit on sale of operations before tax	6(b)	(1)	103
(Loss)/profit before tax from discontinued operations		**(1)**	**256**
Tax expense attributable to policyholder returns	11(a)	–	(76)
(Loss)/profit before tax attributable to equity holders from discontinued operations		**(1)**	**180**
Income tax expense	11(a)	–	(89)
Less: tax expense attributable to policyholder returns		–	76
Tax expense attributable to equity holders		–	(13)
(Loss)/profit after tax from discontinued operations		**(1)**	**167**
Attributable to:			
Equity holders of Quilter plc		**(1)**	167

Earnings per Ordinary Share on profit attributable to Ordinary Shareholders of Quilter plc

	Notes	2020	2019
Basic – from discontinued operations (pence)	12(b)	**(0.1)**	**9.1**
Diluted – from discontinued operations (pence)	12(b)	**(0.1)**	**8.9**

6: Acquisitions, disposals and discontinued operations continued

6(d): Discontinued operations – Statement of comprehensive income

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
(Loss)/profit after tax	(1)	167
Total comprehensive (expense)/income for the year from discontinued operations	**(1)**	**167**

6(e): Discontinued operations – Net cash flows

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Total net cash flows used in operating activities	–	(3,789)
Total net cash (used in)/from investing activities	(10)	3,765
Total net cash used in financing activities	–	(130)
Net decrease in cash and cash equivalents	**(10)**	**(154)**

7: Alternative performance measures ("APMs")

7(a): Adjusted profit and reconciliation to profit after tax

Basis of preparation of adjusted profit

Adjusted profit is one of the Group's Alternative Performance Measures and reflects the Directors' view of the underlying performance of the Group. It is used for management decision making and internal performance management and is the profit measure presented in the Group's segmental reporting. Adjusted profit is a non-GAAP measure which adjusts the Group's IFRS profit for specified items as detailed in note 7(b). The definition of adjusted profit is unchanged from the last annual financial statements.

		Year ended 31 December 2020			Year ended 31 December 2019		
	Notes	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations[1] £m	Total £m
Advice and Wealth Management		90	–	90	103	–	103
Wealth Platforms		114	–	114	112	53	165
Head Office		(36)	–	(36)	(33)	–	(33)
Adjusted profit before tax		**168**	**–**	**168**	**182**	**53**	**235**
Reallocation of QLA costs		–	–	–	(26)	26	–
Adjusted profit before tax after reallocation	8(b)	**168**	**–**	**168**	**156**	**79**	**235**
Adjusting items:							
Impact of acquisition and disposal related accounting	7(b)(i)	(42)	–	(42)	(54)	–	(54)
(Loss)/profit on business disposals	6(b)	–	(1)	(1)	–	103	103
Business transformation costs	7(b)(ii)	(70)	–	(70)	(77)	–	(77)
Managed Separation costs	7(b)(iii)	–	–	–	(6)	–	(6)
Finance costs	7(b)(iv)	(10)	–	(10)	(10)	–	(10)
Policyholder tax adjustments	7(b)(v)	9	–	9	(62)	(12)	(74)
Customer remediation	7(b)(vi)	(5)	–	(5)	–	10	10
Total adjusting items before tax		**(118)**	**(1)**	**(119)**	**(209)**	**101**	**(108)**
Profit/(loss) before tax attributable to equity holders		**50**	**(1)**	**49**	**(53)**	**180**	**127**
Tax attributable to policyholder returns	11(a)	36	–	36	98	76	174
Income tax credit/(expense)	11(a),(b)	3	–	3	(66)	(89)	(155)
Profit/(loss) after tax[2]		**89**	**(1)**	**88**	**(21)**	**167**	**146**

[1]Discontinued operations includes the results of the Quilter Life Assurance ("QLA") business in 2019.
[2]IFRS profit/(loss) after tax.

7: Alternative performance measures ("APMs") continued

7(b): Adjusting items

In determining adjusted profit before tax, certain adjustments are made to IFRS profit before tax to reflect the underlying performance of the Group. These are detailed below.

7(b)(i): Impact of acquisition and disposal related accounting

The recognition of goodwill and other acquired intangibles is created on the acquisition of a business and represents the premium paid over the fair value of the Group's share of the identifiable assets and liabilities acquired at the date of acquisition (as recognised under IFRS 3 *Business Combinations*). The Group excludes any impairment of goodwill from adjusted profit as well as the amortisation and impairment of acquired other intangible assets, any acquisition costs, finance costs related to the discounting of contingent consideration and incidental items relating to past disposals.

The effect of these adjustments to determine adjusted profit are summarised below. All adjustments are in respect of continuing operations.

	Note	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Amortisation of other acquired intangible assets	14(a)	45	45
Fair value gains on revaluation of contingent consideration		(4)	–
Acquisition and disposal related (income)/costs[1]		(1)	6
Unwinding of discount on contingent consideration		2	3
Total impact of acquisition and disposal related accounting		**42**	**54**

[1] Acquisition and disposal related (income)/costs in the year ended 31 December 2020 includes a £(1) million acceleration of discounting unwind following the settlement of a loan receivable from TA Associates that related to deferred consideration arising from the sale of the Single Strategy Asset Management business. Other acquisition and disposal related (income)/costs include items such as transaction costs or deferred incentives arising on the acquisition of businesses.

7(b)(ii): Business transformation costs

Business transformation costs include four items: costs associated with the UK Platform Transformation Programme, build out costs incurred within Quilter Investors as a result of the sale of the Single Strategy business, Optimisation Programme costs, and restructuring costs incurred as a result of the sale of Quilter Life Assurance. All items are within the Group's continuing operations. For the year ended 31 December 2020, these costs totalled £70 million (31 December 2019: £77 million) in aggregate, the principal components of which are described below:

UK Platform Transformation Programme – 31 December 2020: £38 million, 31 December 2019: £57 million

The second major migration of client assets completed in November 2020 and the final migration completed successfully in February 2021 with all Quilter Investment Platform assets now live on the new platform. The total costs of the programme are expected to be approximately £200 million, in line with previous guidance.

Optimisation Programme costs – 31 December 2020: £33 million, 31 December 2019: £18 million

The Optimisation programme has delivered notable efficiencies and improvements in operational performance for the Group through greater technology utilisation and integration activity. Technology enabled transformation over 2020 included successful deployment of new finance and procurement modules as part of our general ledger consolidation and modernisation activity effective from January 2021, with £33 million of total costs for the Optimisation programme incurred for the year ended 31 December 2020. The Group also continued to leverage support function centres of excellence to achieve cost savings and reduce spend across the business by introducing tighter supplier management practices, insourcing capabilities and rationalising and consolidating technology and other suppliers across the Group.

Quilter Investors' build out costs – 31 December 2020: £(1) million, 31 December 2019: £(1) million

As part of the Group's strategy to separate from Old Mutual plc in 2018, the Group incurred build out costs to develop Quilter Investors as a separate business distinct from the Single Strategy business, which was subsequently sold on 29 June 2018. The build was substantially completed in 2019, resulting in the release of £1 million of the provision established to complete the build in 2019, with a further £1 million release in 2020.

Restructuring costs following disposal of Quilter Life Assurance – 31 December 2020: £nil, 31 December 2019: £3 million

As a result of the disposal of QLA on 31 December 2019, the Group recognised £3 million as an adjusting item principally in respect of redundancy costs. The Group expects to incur further restructuring costs during the following 12 months, including the cost of decommissioning IT systems, as the Transitional Service Agreement with ReAssure (the acquirer) runs off during 2021 and the remaining Quilter business is restructured following the disposal.

7: Alternative performance measures ("APMs") continued
7(b): Adjusting items continued

7(b)(iii): Managed Separation costs
One-off costs related to the Managed Separation from Old Mutual plc have been excluded from adjusted profit on the basis that they relate to a fundamental restructuring of the Group and are therefore not representative of the operating activity of the Group. For the year ended 31 December 2020 these costs were £0.1 million (31 December 2019: £6 million). The costs incurred in 2020 were in respect of rebranding and further rebranding costs are expected to be incurred in 2021.

7(b)(iv): Finance costs
The nature of much of the Group's operations means that, for management's decision making and internal performance management, the effects of interest costs on external borrowings are removed when calculating adjusted profit. For the period ended 31 December 2020 finance costs were £10 million (31 December 2019: £10 million). See note 10(e) for further details of the Group's finance costs.

7(b)(v): Policyholder tax adjustments
For the year ended 31 December 2020 the total policyholder tax adjustments to adjusted profit is £9 million (31 December 2019: £(74) million) relating to both continuing and discontinued operations, as shown in note 11(c). Adjustments to policyholder tax are made to remove distortions arising from market volatility that can, in turn, lead to volatility in the policyholder tax charge between periods. The recognition of the income received from policyholders (which is included within the Group's income) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding tax expense, creating volatility to the Group's IFRS profit/(loss) before tax attributable to equity holders. For a further explanation of the impact of markets on the policyholder tax charge see note 11(a). Adjustments are also made to remove policyholder tax distortions from other non-operating adjusting items.

7(b)(vi): Customer remediation
Lighthouse pension transfer advice provision – 31 December 2020 £5 million, 31 December 2019 £nil

With regard to the provision for redress payable and related costs established within the fair value of the Lighthouse assets and liabilities acquired in June 2019 in relation to advice provided to British Steel Pension Scheme members, a further £5 million (31 December 2019: £nil) increase in the provision has been recognised in the income statement in the year ended 31 December 2020, reflecting the impact of post-acquisition market and discount rate movements. This has been excluded from adjusted profit on the basis that the costs are not representative of the operating activity of the Group. Further details of the provision are provided in note 28.

QLA voluntary client remediation provision – 31 December 2020 £nil, 31 December 2019 £10 million

Within QLA (disposed of on 31 December 2019), a voluntary customer remediation provision was established in 2017 following product reviews and consistent with recommendations from the Financial Conduct Authority's ("FCA") thematic review and the FCA's guidance FG16/8 *Fair treatment of long-standing customers in the life assurance sector.* During 2019, £10 million of the provision was released (as detailed in note 28).

7(c): IFRS profit before tax (excluding amortisation, policyholder tax adjustments and other one-off items)
For remuneration purposes, the Group uses IFRS profit before tax adjusted to exclude agreed non-operating, one-off items as shown below. For further details please refer to the Remuneration Report (page 122) and KPIs (page 41).

	Notes	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Profit/(loss) before tax attributable to equity holders – continuing operations		**50**	**(53)**
(Loss)/profit before tax attributable to equity holders – discontinued operations	6(c)	**(1)**	**180**
Adjusted for the following:			
Loss/(profit) on business disposals	6(b)	1	(103)
Impact of acquisition and disposal related accounting	7(b)(i)	42	54
Policyholder tax adjustments	7(b)(v)	(9)	74
Customer remediation	7(b)(vi)	5	(10)
Quilter Investors' build out costs	7(b)(ii)	(1)	(1)
IFRS profit before tax (excluding amortisation, policyholder tax adjustments and other one-off items)		**87**	**141**

7(d): Reconciliation of IFRS income and expenses to "Total net fee revenue" and "Operating expenses" within adjusted profit

This reconciliation shows how each line of the Group's consolidated IFRS income statement is allocated to the Group's APMs: Net management fees, Total net fee revenue and Operating expenses, which are all defined on page 271 and form the Group's adjusted profit for continuing operations. The IFRS income statement column in the table below, down to "Profit/(loss) before tax attributable to equity holders from continuing operations", reconciles to each line of the Group's consolidated income statement. Allocations are determined by management and aim to show the Group's sources of profit (net of relevant directly attributable expenses). These allocations remain consistent from period to period to ensure comparability, unless otherwise stated.

Year ended 31 December 2020	Net mgmt fees[1] £m	Other revenue[1] £m	Total net fee revenue[1] £m	Operating expenses[1] £m	Adjusted profit before tax £m	Consol. of funds[2] £m	IFRS income statement £m
Income							
Fee income and other income from service activities	680	195	875	–	875	(80)	795
Investment return	–	3,340	3,340	–	3,340	556	3,896
Other income	–	1	1	15	16	4	20
Total income	**680**	**3,536**	**4,216**	**15**	**4,231**	**480**	**4,711**
Expenses							
Insurance contract claims and changes in liabilities	–	(1)	(1)	–	(1)	–	(1)
Change in investment contract liabilities	–	(3,328)	(3,328)	–	(3,328)	–	(3,328)
Fee and commission expenses, and other acquisition costs	(70)	(74)	(144)	–	(144)	(3)	(147)
Change in third-party interest in consolidated funds	–	–	–	–	–	(440)	(440)
Other operating and administrative expenses	(13)	(2)	(15)	(640)	(655)	(37)	(692)
Finance costs[4]	–	(1)	(1)	(16)	(17)	–	(17)
Total expenses	**(83)**	**(3,406)**	**(3,489)**	**(656)**	**(4,145)**	**(480)**	**(4,625)**
Tax expense attributable to policyholder returns	(36)	–	(36)	–	(36)	–	(36)
Profit/(loss) before tax attributable to equity holders from continuing operations	**561**	**130**	**691**	**(641)**	**50**	**–**	**50**
Adjusting items:							
Impact of acquisition and disposal related accounting	–	–	–	42	42		
Business transformation costs	–	–	–	70	70		
Finance costs	–	–	–	10	10		
Customer remediation	–	–	–	5	5		
Policyholder tax adjustments	(9)	–	(9)	–	(9)		
Adjusting items	**(9)**	**–**	**(9)**	**127**	**118**		
Total Group – continuing operations	**552**	**130**	**682**	**(514)**	**168**		

7: Alternative performance measures ("APMs") continued

7(d): Reconciliation of IFRS income and expenses to 'Total net fee revenue' and 'Operating expenses' within adjusted profit continued

In the Group's 2019 Annual Report, the reconciliation for year ended 31 December 2019 included the results of the QLA business within adjusted profit before tax. QLA is now excluded from this reconciliation for comparability with the current period following its disposal on 31 December 2019, which now presents continuing operations only.

Year ended 31 December 2019 (restated)[3]	Net mgmt fees[1] £m	Other revenue[1] £m	Total net fee revenue[1] £m	Operating expenses[1] £m	Adjusted profit before tax £m	Consol. of funds[2,3] £m	IFRS income statement[3] £m
Income							
Fee income and other income from service activities	689	230	919	–	919	(82)	837
Investment return	40	5,795	5,835	–	5,835	731	6,566
Other income	–	1	1	–	1	15	16
Total income	**729**	**6,026**	**6,755**	**–**	**6,755**	**664**	**7,419**
Expenses							
Insurance contract claims and changes in liabilities	–	(1)	(1)	–	(1)	–	(1)
Change in investment contract liabilities	–	(5,810)	(5,810)	–	(5,810)	–	(5,810)
Fee and commission expenses, and other acquisition costs	(100)	(77)	(177)	–	(177)	10	(167)
Change in third-party interest in consolidated funds	–	–	–	–	–	(634)	(634)
Other operating and administrative expenses	(14)	(1)	(15)	(690)	(705)	(40)	(745)
Finance costs[4]	–	(4)	(4)	(13)	(17)	–	(17)
Total expenses	**(114)**	**(5,893)**	**(6,007)**	**(703)**	**(6,710)**	**(664)**	**(7,374)**
Tax expense attributable to policyholder returns	(98)	–	(98)	–	(98)	–	(98)
Profit/(loss) before tax attributable to equity holders from continuing operations	**517**	**133**	**650**	**(703)**	**(53)**	**–**	**(53)**
Adjusting items:							
Impact of acquisition and disposal related accounting	–	–	–	54	54		
Business transformation costs	–	–	–	77	77		
Managed Separation costs	–	–	–	6	6		
Finance costs	–	–	–	10	10		
Policyholder tax adjustments	62	–	62	–	62		
Adjusting items	**62**	**–**	**62**	**147**	**209**		
Adjusted profit before tax after reallocation	579	133	712	(556)	156		
Reallocation of QLA costs	–	–	–	26	26		
Total Group – continuing operations	**579**	**133**	**712**	**(530)**	**182**		

[1]The APMs "Net Management Fees", "Other revenue", "Total net fee revenue" and "Operating expenses" are commented on within the Financial Review and defined on page 271.
[2]Consolidation of funds shows the grossing up impact to the Group's consolidated income statement as a result of the consolidation of funds requirements, as described within note 5(a). This grossing up is excluded from the Group's adjusted profit.
[3]See note 4(b) for details of changes to comparative amounts.
[4]During the year ended 31 December 2020, management reassessed the presentation of lease interest expenses within the adjusted profit analysis in the table above. These expenses have historically been reported within "Other revenue" and are now reported within "Operating expenses" for adjusted profit.

8: Segmental information

8(a): Segmental presentation

The Group's operating segments comprise Advice and Wealth Management and Wealth Platforms, which is consistent with the manner in which the Group is structured and managed. For all reporting periods, these segments have been classified as continuing operations in the income statement. Head Office includes certain revenues and central costs that are not allocated to the segments. There have been no changes to the basis of segmentation for the periods presented within these consolidated financial statements.

Adjusted profit is an Alternative Performance Measure ("APM") reported to the Group's management and Board. Management and the Board use additional APMs to assess the performance of each of the segments, including net client cash flows, assets under management and administration, revenue and operating margin.

Consistent with internal reporting, assets, liabilities, income and expenses that are not directly attributable to a particular segment are allocated between segments where appropriate. The Group accounts for inter-segment income and transfers as if the transactions were with third parties at current market prices. Intra-group recharges in respect of operating and administration expenses within businesses disclosed as discontinued operations are not adjusted for potential future changes to the level of remaining costs following the disposal of those businesses.

The segmental information in this note reflects the adjusted and IFRS profit measures and the assets and liabilities for each operating segment as provided to management and the Board. Income is further segmented into the geographic location of the businesses in note 9(a).

Continuing operations:

Advice and Wealth Management

This segment comprises Quilter Investors, Quilter Cheviot and Quilter Financial Planning.

Quilter Investors is a leading provider of investment solutions in the UK multi-asset market. It develops and manages investment solutions in the form of funds for the Group and third-party clients. It has several fund ranges which vary in breadth of underlying asset class.

Quilter Cheviot provides discretionary investment management predominantly in the United Kingdom with bespoke investment portfolios tailored to the individual needs of affluent and high-net worth customers, charities, companies and institutions through a network of branches in London and the regions. Investment management services are also provided by operations in the Channel Islands and the Republic of Ireland.

Quilter Financial Planning is a restricted and independent financial adviser network including Quilter Private Client Advisors ("QPCA"), Quilter Financial Advisers ("QFA") and Lighthouse, providing mortgage and financial planning advice and financial solutions for both individuals and businesses through a network of intermediaries. It operates across all markets, from wealth management and retirement planning advice through to dealing with property wealth and personal and business protection needs.

Wealth Platforms

This segment comprises Quilter Investment Platform ("QIP") and Quilter International.

Quilter Investment Platform is a leading investment platform provider of advice-based wealth management products and services in the UK, which serves a largely affluent customer base through advised multi-channel distribution.

Quilter International is a cross-border business, focusing on high net worth and affluent local customers and expatriates in the UK, Asia, the Middle East, Europe and Latin America.

Head Office

In addition to the two operating segments, Head Office comprises the investment return on centrally held assets, central support function expenses, central core structural borrowings and certain tax balances in the segmental statement of financial position.

Discontinued operations:

The disposal of Quilter Life Assurance ("QLA") on 31 December 2019, previously part of the Wealth Platforms operating segment, resulted in that business being classified as a discontinued operation. The results of that business, along with the profit on disposal, have been presented as discontinued operations. See note 6 for further information.

8: Segmental information continued

8(b)(i): Adjusted profit statement – segmental information for the year ended 31 December 2020

The table below presents the Group's continuing operations split by operating segment, reconciling the segmented IFRS income statement (to "Profit/(loss) before tax attributable to equity holders from continuing operations") to adjusted profit before tax.

	Notes	Operating segments: Advice and Wealth Management £m	Operating segments: Wealth Platforms £m	Head Office £m	Consolidation adjustments[1] £m	Consolidated income statement £m
Income						
Fee income and other income from service activities	9(a)	456	426	–	(87)	795
Investment return	9(b)	4	3,335	1	556	3,896
Other income		4	117	5	(106)	20
Segmental income		**464**	**3,878**	**6**	**363**	**4,711**
Expenses						
Insurance contract claims and changes in liabilities		–	(1)	–	–	(1)
Change in investment contract liabilities	27	–	(3,328)	–	–	(3,328)
Fee and commission expenses, and other acquisition costs	10(a)	(50)	(101)	–	4	(147)
Change in third-party interest in consolidated funds		–	–	–	(440)	(440)
Other operating and administrative expenses	10(b)	(370)	(324)	(71)	73	(692)
Finance costs	10(e)	(3)	(4)	(10)	–	(17)
Segmental expenses		**(423)**	**(3,758)**	**(81)**	**(363)**	**(4,625)**
Profit/(loss) before tax from continuing operations		**41**	**120**	**(75)**	**–**	**86**
Tax attributable to policyholder returns		–	(36)	–	–	(36)
Profit/(loss) before tax attributable to equity holders from continuing operations		**41**	**84**	**(75)**	**–**	**50**
Adjusted for non-operating items:						
Impact of acquisition and disposal related accounting	7(b)(i)	44	–	(2)	–	42
Business transformation costs	7(b)(ii)	–	39	31	–	70
Finance costs	7(b)(iv)	–	–	10	–	10
Policyholder tax adjustments	7(b)(v)	–	(9)	–	–	(9)
Customer remediation	7(b)(vi)	5	–	–	–	5
Adjusting items before tax		49	30	39	–	118
Adjusted profit/(loss) before tax – continuing operations		**90**	**114**	**(36)**	**–**	**168**

[1]Consolidation adjustments comprise the elimination of inter-segment transactions and the consolidation of investment funds.

8: Segmental information continued

8(b)(ii): Adjusted profit statement – segmental information for the year ended 31 December 2019 restated[3]

	Notes	Operating segments					
		Advice and Wealth Management £m	Wealth Platforms £m	Head Office £m	Reallocation of QLA costs[1] £m	Consolidation adjustments[2,3] £m	Consolidated income statement[3] £m
Income							
Fee income and other income from service activities	9(a)	486	438	–	–	(87)	837
Investment return	9(b)	10	5,823	3	–	730	6,566
Other income		1	160	6	–	(151)	16
Segmental income		**497**	**6,421**	**9**	**–**	**492**	**7,419**
Expenses							
Insurance contract claims and changes in liabilities		–	(1)	–	–	–	(1)
Change in investment contract liabilities	27	–	(5,810)	–	–	–	(5,810)
Fee and commission expenses, and other acquisition costs	10(a)	(73)	(110)	–	–	16	(167)
Change in third-party interest in consolidated funds		–	–	–	–	(634)	(634)
Other operating and administrative expenses	10(b)	(368)	(409)	(68)	(26)	126	(745)
Finance costs	10(e)	(4)	(3)	(10)	–	–	(17)
Segmental expenses		**(445)**	**(6,333)**	**(78)**	**(26)**	**(492)**	**(7,374)**
Profit/(loss) before tax from continuing operations		**52**	**88**	**(69)**	**(26)**	**–**	**45**
Tax attributable to policyholder returns		–	(98)	–	–	–	(98)
Profit/(loss) before tax attributable to equity holders from continuing operations		**52**	**(10)**	**(69)**	**(26)**	**–**	**(53)**
Adjusted for non-operating items:							
Impact of acquisition and disposal related accounting	7(b)(i)	52	1	1	–	–	54
Business transformation costs	7(b)(ii)	(1)	58	20	–	–	77
Managed Separation costs	7(b)(iii)	–	1	5	–	–	6
Finance costs	7(b)(iv)	–	–	10	–	–	10
Policyholder tax adjustments	7(b)(v)	–	62	–	–	–	62
Adjusting items before tax		51	122	36	–	–	209
Adjusted profit/(loss) before tax after reallocation[1]		**103**	**112**	**(33)**	**(26)**	**–**	**156**
Reallocation of QLA costs[1]		–	–	–	26	–	26
Adjusted profit/(loss) before tax – continuing operations		**103**	**112**	**(33)**	**–**	**–**	**182**

[1]As disclosed in the Group's 2019 Annual Report, Reallocation of QLA costs includes £26 million of costs previously reported as part of the QLA business which was reclassified from discontinued to continuing operations as these costs did not transfer to ReAssure on disposal at 31 December 2019.
[2]Consolidation adjustments comprise the elimination of inter-segment transactions and the consolidation of funds.
[3]See note 4(b) for details of changes to comparative amounts.

8: Segmental information continued

8(c)(i): Statement of financial position – segmental information at 31 December 2020

	Notes	Advice & Wealth Management £m	Wealth Platforms £m	Head Office £m	Consolidation Adjustments[1] £m	Total £m
Assets						
Goodwill and intangible assets	14	423	133	–	–	556
Property, plant and equipment	15	13	129	–	–	142
Investments in associated undertakings		–	–	1	–	1
Contract costs	23	–	413	–	–	413
Loans and advances	16	33	186	–	–	219
Financial investments	17	–	57,162	–	6,112	63,274
Deferred tax assets	29(a)	10	25	43	–	78
Current tax receivable	29(c)	–	10	14	–	24
Trade, other receivables and other assets	22	228	430	2	41	701
Derivative assets	18	–	–	–	43	43
Cash and cash equivalents	24	310	690	614	307	1,921
Inter-segment funding – assets		63	34	20	(117)	–
Total assets		**1,080**	**59,212**	**694**	**6,386**	**67,372**
Liabilities						
Investment contract liabilities	27	–	57,407	–	–	57,407
Third-party interests in consolidated funds		–	–	–	6,513	6,513
Provisions	28	53	15	9	–	77
Deferred tax liabilities	29(b)	36	70	–	–	106
Current tax payable/(receivable)[2]	29(c)	21	(12)	(8)	–	1
Borrowings and lease liabilities	30	15	105	199	–	319
Trade, other payables and other liabilities	31	268	396	34	(26)	672
Contract liabilities	32	–	379	–	–	379
Derivative liabilities	18	–	–	–	20	20
Inter-segment funding – liabilities		–	20	97	(117)	–
Total liabilities		**393**	**58,380**	**331**	**6,390**	**65,494**
Total equity						**1,878**
Total equity and liabilities						**67,372**

[1]Consolidation adjustments comprise the elimination of inter-segment transactions and the consolidation of funds.
[2]Current tax payable/(receivable) includes Group relief payable and receivable that net to £nil on a consolidated basis but may appear as a receivable within individual segments.

8: Segmental information continued

8(c)(ii): Statement of financial position – segmental information at 31 December 2019 restated[3]

	Notes	Advice & Wealth Management £m	Wealth Platforms restated[3] £m	Head Office £m	Consolidation Adjustments[1,3] £m	Total restated[3] £m
Assets						
Goodwill and intangible assets	14	458	134	–	–	592
Property, plant and equipment	15	30	111	2	–	143
Investments in associated undertakings		–	–	1	–	1
Contract costs	23	–	455	–	–	455
Loans and advances	16	31	180	6	–	217
Financial investments	17	1	52,249	–	4,957	57,207
Deferred tax assets	29(a)	11	22	10	–	43
Current tax receivable	29(c)	–	–	13	–	13
Trade, other receivables and other assets	22	207	389	3	6	605
Derivative assets	18	–	–	–	22	22
Cash and cash equivalents	24	383	725	838	307	2,253
Inter-segment funding – assets		–	12	–	(12)	–
Total assets		**1,121**	**54,277**	**873**	**5,280**	**61,551**
Liabilities						
Investment contract liabilities	27	–	52,455	–	–	52,455
Third-party interests in consolidated funds		–	–	–	5,318	5,318
Provisions	28	28	26	10	–	64
Deferred tax liabilities	29(b)	38	50	–	–	88
Current tax payable/(receivable)[2]	29(c)	1	(7)	12	–	6
Borrowings	30	26	108	201	–	335
Trade, other payables and other liabilities	31	322	477	37	(35)	801
Contract liabilities	32	1	402	–	–	403
Derivative liabilities	18	–	–	–	10	10
Inter-segment funding – liabilities		–	–	12	(12)	–
Total liabilities		**416**	**53,511**	**272**	**5,281**	**59,480**
Total equity						**2,071**
Total equity and liabilities						**61,551**

[1]Consolidation adjustments comprise the elimination of inter-segment transactions and the consolidation of funds.
[2]Current tax payable/(receivable) includes Group relief payable and receivable that net to £nil on a consolidated basis but may appear as a receivable within individual segments.
[3]See note 4(b) for details of changes to comparative amounts.

9: Details of revenue

This note gives further detail on the items appearing in the revenue section of the consolidated income statement.

9(a): Geographic segmental information

This note analyses the Group's total income, split by geographic location of our businesses (UK and International) and further analyses the Group's fee income and other income from service activities, based on the type of fees earned. The Group also earns an immaterial amount of income through operations based in the Republic of Ireland and the Channel Islands.

			UK	International			UK
Year ended 31 December 2020	Advice and Wealth Management £m	Wealth Platforms £m	Head Office £m	Wealth Platforms £m	Consolidation adjustments £m	Total continuing operations £m	Discontinued operations £m
Premium based fees	113	–	–	70	–	183	–
Fund based fees[1]	343	168	–	88	(93)	506	–
Retrocessions received, intragroup	–	2	–	6	(8)	–	–
Fixed fees	–	2	–	29	–	31	–
Exit fees	–	–	–	13	–	13	–
Other fee and commission income	–	48	–	–	14	62	–
Fee income and other income from service activities	**456**	**220**	**–**	**206**	**(87)**	**795**	**–**
Investment return	4	2,273	2	1,062	555	3,896	–
Other income	4	143	5	–	(132)	20	–
Total income	**464**	**2,636**	**7**	**1,268**	**336**	**4,711**	**–**

			UK	International			UK
Year ended 31 December 2019 (restated)[2]	Advice and Wealth Management £m	Wealth Platforms £m	Head Office £m	Wealth Platforms £m	Consolidation adjustments[2] £m	Total continuing operations[2] £m	Discontinued operations £m
Gross earned premiums	–	–	–	1	–	1	145
Premiums ceded to reinsurers	–	–	–	(1)	–	(1)	(86)
Net earned premiums	**–**	**–**	**–**	**–**	**–**	**–**	**59**
Premium based fees	103	–	–	72	–	175	11
Fund based fees[1]	383	175	–	101	(95)	564	65
Retrocessions received, intragroup	–	2	–	2	(4)	–	10
Fixed fees	–	3	–	28	–	31	2
Exit fees	–	–	–	16	–	16	1
Other fee and commission income	–	39	–	–	12	51	75
Fee income and other income from service activities	**486**	**219**	**–**	**219**	**(87)**	**837**	**164**
Investment return	10	3,825	3	1,998	730	6,566	1,386
Other income	1	161	6	(1)	(151)	16	–
Total income	**497**	**4,205**	**9**	**2,216**	**492**	**7,419**	**1,609**

[1] Income from fiduciary activities is included within fund based fees.
[2] See note 4(b) for details of changes to comparative amounts.

9: Details of revenue continued

9(b): Investment return

This note analyses the investment return from the Group's investing activities.

	Year ended 31 December 2020 £m	Year ended 31 December 2019 restated[2] £m
Interest and similar income		
Loans and advances	1	–
Investments and securities	90	54
Cash and cash equivalents[1]	9	23
Total interest and similar income	**100**	**77**
Dividend income	99	116
Foreign currency gains and losses	–	(1)
Total gains on financial instruments mandatorily recognised at fair value through profit or loss[2]	3,697	6,374
Net investment income – continuing operations	**3,896**	**6,566**
Net investment income – discontinued operations	**–**	**1,386**
Total net investment income	**3,896**	**7,952**

[1]Included within cash and cash equivalents is £1 million of interest arising from assets held at amortised cost (2019: £2 million). The remainder is from assets at FVTPL.
[2]See note 4(b) for details of changes to comparative amounts.

10: Details of expenses

This note provides further details in respect of the items appearing in the expenses section of the consolidated income statement.

10(a): Fee and commission expenses, and other acquisition costs

This note analyses the fee and commission expenses and other acquisition costs.

	Note	Year ended 31 December 2020 £m	Year ended 31 December 2019 restated[1] £m
Fee and commission expense[1]		3	1
Acquisition commission costs – investment contracts		30	36
Renewal commission – investment contracts		45	71
Retrocessions paid		25	19
Changes in contract costs	23	44	40
Fee and commission expenses, and other acquisition costs – continuing operations		**147**	**167**
Fee and commission expenses, and other acquisition costs – discontinued operations		**–**	**45**
Total fee and commission expenses, and other acquisition costs		**147**	**212**

[1]See note 4(b) for details of changes to comparative amounts.

10: Details of expenses continued

10(b): Other operating and administrative expenses

This note provides further details in respect of the items included within other operating and administrative expenses section of the consolidated income statement.

	Notes	Year ended 31 December 2020 £m	Year ended 31 December 2019 restated[1] £m
Staff costs	10(c)(i)	361	399
Depreciation charge on right-of-use assets	15	15	13
Depreciation on other plant and equipment	15	5	6
Impairment of right-of-use assets	15	3	–
Amortisation of purchased software	14(a)	2	2
Amortisation of other acquired intangibles	14(a)	45	45
Administration and other expenses		261	280
Other operating and administrative expenses – continuing operations		**692**	**745**
Other operating and administrative expenses – discontinued operations		**–**	**8**
Total other operating and administrative expenses		**692**	**753**

[2]See note 4(b) for details of changes to comparative amounts.

Administration and other expenses include business transformation costs for the year ended 31 December 2020 of £38 million (2019: £57 million) in relation to the UK Platform Transformation Programme and £33 million (2019: £18 million) in relation to Optimisation project costs as well as general operating expenses such as IT related costs, premises and marketing. Discontinued operations includes £10 million provision release for the year ended 31 December 2019 in relation to the voluntary customer remediation provision.

10(c): Staff costs and other employee-related costs
10(c)(i): Staff costs

	Note	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Salaries		250	250
Bonus and incentive remuneration		33	57
Social security costs		26	29
Retirement obligations – Defined contribution plans		15	14
Share-based payments – Equity-settled	26(e)	25	25
Other		12	24
Staff costs – continuing operations		361	399
Staff costs – discontinued operations		–	13
Total staff costs		**361**	**412**

10(c)(ii): Employee numbers

	Year ended 31 December 2020 Number	Year ended 31 December 2019 Number
The average number of persons employed by the Group was:		
Advice and Wealth Management[1]	1,799	1,648
Wealth Platforms	2,441	2,476
Head Office	85	79
Continuing operations	**4,325**	**4,203**
Discontinued operations	**–**	**299**
Total average number of employees during the year	**4,325**	**4,502**

[1]The 2019 monthly average for Advice and Wealth Management has been restated (previously reported as 1,516) following the inclusion of all staff attributable to acquisitions during that year.

The monthly average number of persons employed by the Group is based on permanent employees and fixed term contractors.

10: Details of expenses continued

10(d): Auditors' remuneration

Included in other operating and administrative expenses are fees paid to the Group's auditors. These can be categorised as follows:

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Fees payable for audit services		
Group and parent Company	1.8	1.0
Subsidiaries	2.8	2.7
Additional fees payable to KPMG LLP related to the prior year audit of the Group	0.7	–
Total fees for audit services	5.3	3.7
Fees for audit-related assurance services	1.6	1.1
Total Group auditors' remuneration – continuing operations	**6.9**	**4.8**
Total Group auditors' remuneration – discontinued operations	**–**	**0.2**
Total Group auditors' remuneration	**6.9**	**5.0**

10(e): Finance costs

This note analyses the interest costs on our borrowings and similar charges, all of which are valued at amortised cost. Finance costs comprise:

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Term loans and other external debt	1	1
Subordinated debt securities (Tier 2 bond)	9	9
Interest payable on borrowed funds	**10**	**10**
Interest expense on lease liabilities	4	3
Other	3	4
Total finance costs	**17**	**17**

Finance costs represent the cost of interest and finance charges on the Group's borrowings from a number of relationship banks. More details regarding borrowed funds, including the interest rates payable, are shown in note 30. These costs are excluded from adjusted profit within the "Finance costs" adjusting item.

Within other finance costs above is £2 million (2019: £3 million) relating to the impact of unwinding the discount rate on contingent consideration payable as a result of various acquisitions. These costs are excluded from adjusted profit within the "Impact of acquisition and disposal related accounting" adjusting item as shown in note 7(b)(i).

11: Tax

11(a): Tax charged to the income statement

	Note	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Current tax			
United Kingdom		18	33
International		2	5
Adjustments to current tax in respect of prior years		(7)	(11)
Total current tax charge		**13**	**27**
Deferred tax			
Origination and reversal of temporary differences		(20)	40
Effect on deferred tax of changes in tax rates		–	2
Adjustments to deferred tax in respect of prior years		4	(3)
Total deferred tax (credit)/charge		**(16)**	**39**
Total tax (credited)/charged to income statement – continuing operations		**(3)**	**66**
Total tax charged to income statement – discontinued operations	6(c)	**–**	**89**
Total tax (credited)/charged to income statement		**(3)**	**155**
Attributable to policyholder returns – continuing operations		36	98
Attributable to equity holders – continuing operations		(39)	(32)
Total tax (credited)/charged to income statement – continuing operations		**(3)**	**66**
Attributable to policyholder returns – discontinued operations	6(c)	–	76
Attributable to equity holders – discontinued operations		–	13
Total tax charged to income statement – discontinued operations		**–**	**89**
Total tax (credited)/charged to income statement		**(3)**	**155**

Policyholder tax

Certain products are subject to tax on policyholders' investment returns. This "policyholder tax" is an element of total tax expense. To make the tax expense more meaningful, tax attributable to policyholder returns and tax attributable to equity holders' profits are shown separately in the income statement.

The tax attributable to policyholder returns is the amount payable in the year plus the movement of amounts expected to be payable in future years. The remainder of the tax expense is attributed to shareholders as tax attributable to equity holders.

The Group's income tax credit on continuing operations was £(3) million for the year ended 31 December 2020, compared to an expense of £66 million for the prior year. This income tax (credit)/expense can vary significantly period on period as a result of market volatility and the impact this has on policyholder tax. The recognition of the income received from policyholders (which is included within the Group's income) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding policyholder tax expense, creating volatility to the Group's IFRS profit before tax attributable to equity holders. An adjustment is made to adjusted profit to remove these distortions, as explained further in note 7(b)(v).

Market movements during the year ended 31 December 2020 resulted in investment gains of £170 million on products subject to policyholder tax. The gain is a component of the total "investment return" gain of £3,896 million shown in the income statement. The impact of the £3,896 million investment return gain is the primary reason for the £36 million tax expense attributable to policyholder returns in respect of the continuing operations for the year ended 31 December 2020 (31 December 2019: £98 million expense in respect of continuing operations and £76 million expense in respect of discontinued operations).

First time recognition of deferred tax asset on accrued interest expense

Within the £(16) million total deferred tax credit and the £(39) million tax credit attributable to equity holders (continuing operations) above, the Group has recognised a £(39) million deferred tax credit for the first time in respect of accrued interest expense. At 31 December 2019, acknowledging the fact that the tax authorities may challenge the Group's tax treatment, management exercised judgement concluding that the tax treatment of the accrued interest expense was an uncertain tax position. Following full disclosure to the tax authorities and after assessing recoverability against forecast future profits the Group reassessed the accounting tax position at 31 December 2020 and recognised a deferred tax asset.

11(b): Reconciliation of total income tax expense

The income tax charged/credited to profit or loss differs from the amount that would apply if all of the Group's profits from the different tax jurisdictions had been taxed at the UK standard corporation tax rate. The difference in the effective rate is explained below:

	Note	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Profit before tax from continuing operations		**86**	**45**
Tax at UK standard rate of 19% (2019: 19%)		16	9
Different tax rate or basis on overseas operations		(8)	(6)
Untaxed and low taxed income		(1)	1
Expenses not deductible for tax		2	3
Adjustments to current tax in respect of prior years		(7)	(11)
Net movements on unrecognised deferred tax assets[1]		(39)	(11)
Effect on deferred tax of changes in tax rates		–	2
Adjustments to deferred tax in respect of prior years		4	(3)
Income tax attributable to policyholder returns (net of tax relief)		30	82
Total tax (credited)/charged to income statement – continuing operations		**(3)**	**66**
Total tax charged to income statement – discontinued operations	6(c)	**–**	**89**
Total tax (credited)/charged to income statement		**(3)**	**155**

[1]Includes first time recognition of accrued interest expense as explained in note 11(a).

11: Tax continued

11(c): Reconciliation of income tax expense in the income statement to income tax on adjusted profit

	Notes	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Income tax (credit)/expense on continuing operations[1]		**(3)**	**66**
Reversal of income tax credit on the reallocation of QLA costs		–	5
Income tax (credit)/expense on continuing operations before the reallocation of QLA costs		**(3)**	**71**
Tax on adjusting items			
Impact of acquisition and disposal related accounting		3	8
Business transformation costs		13	14
Managed Separation costs		–	1
Finance costs		2	2
Customer remediation		1	–
Tax adjusting items			
Policyholder tax adjustments	7(b)(v)	9	(62)
Other shareholder tax adjustments[2]		36	24
Tax on adjusting items – continuing operations		**64**	**(13)**
Less: tax attributable to policyholder returns within adjusted profit – continuing operations[3]		(45)	(36)
Tax charged on adjusted profit – continuing operations		**16**	**22**
Income tax credit on the reallocation of QLA costs		–	(5)
Tax charged on adjusted profit – continuing operations after the reallocation of QLA costs		**16**	**17**
Income tax expense on discontinued operations[1]	6(c)	**–**	**89**
Reversal of income tax expense on the reallocation of QLA costs		–	(5)
Income tax expense on discontinued operations before the reallocation of QLA costs		**–**	**84**
Tax on adjusting items			
Customer remediation		–	(2)
Tax adjusting items			
Policyholder tax adjustments	7(b)(v)	–	(12)
Other shareholder tax adjustments[2]		–	(3)
Tax on adjusting items – discontinued operations		**–**	**(17)**
Less: Tax attributable to policyholder returns within adjusted profit – discontinued operations[3]		–	(64)
Tax charged on adjusted profit – discontinued operations		**–**	**3**
Income tax expense on the reallocation of QLA costs		–	5
Tax charged on adjusted profit – discontinued operations after the reallocation of QLA costs		**–**	**8**
Tax charged on total adjusted profit		**16**	**25**

[1]Includes both tax attributable to policyholders and shareholders, in compliance with IFRS reporting.
[2]Other shareholder tax adjustments comprise the reallocation of adjustments from policyholder tax as explained in note 7(b)(v) and shareholder tax adjustments for one-off items in line with the Group's adjusted profit policy.
[3]Adjusted profit treats policyholder tax as a pre-tax charge (this includes policyholder tax under IFRS and the policyholder tax adjustments) and is therefore removed from tax charge on adjusted profit.

12: Earnings per share

The Group calculates earnings per share ("EPS") on a number of different bases. IFRS requires the calculation of basic and diluted EPS. Adjusted EPS reflects earnings that are consistent with the Group's adjusted profit measure before and after the reallocation of QLA costs, and Headline earnings per share ("HEPS") is a requirement of the Johannesburg Stock Exchange. The Group's EPS (in aggregate, including both continuing and discontinued operations) on these different bases are summarised below.

Basic EPS is calculated by dividing profit after tax attributable to ordinary equity shareholders of the parent by the weighted average number of Ordinary Shares in issue during the year. The weighted average number of shares excludes Quilter plc shares held within Employee Benefit Trusts ("EBTs") to satisfy the Group's obligations under employee share awards, and Quilter plc shares held in consolidated funds ("Own shares"). Own shares are deducted for the purpose of calculating both basic and diluted EPS.

Diluted EPS recognises the dilutive impact of shares awarded and options granted to employees under share-based payment arrangements, to the extent they have value, in the calculation of the weighted average number of shares, as if the relevant shares were in issue for the full year.

The Group is also required to calculate HEPS in accordance with the Johannesburg Stock Exchange ("JSE") Listing Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 1/2019 *Headline Earnings*. Disclosure of HEPS is not a requirement of IFRS, but it is a commonly used measure of earnings in South Africa.

	Source of guidance	Notes	Year ended 31 December 2020 Pence	Year ended 31 December 2019 Pence
Basic earnings per share	IFRS	12(b)	5.0	8.0
Diluted basic earnings per share	IFRS	12(b)	4.9	7.8
Adjusted basic earnings per share	Group policy	12(b)	8.6	11.4
Adjusted diluted earnings per share	Group policy	12(b)	8.5	11.3
Headline basic earnings per share (net of tax)	JSE Listing Requirements	12(c)	5.2	2.3
Headline diluted earnings per share (net of tax)	JSE Listing Requirements	12(c)	5.1	2.3

12(a): Weighted average number of Ordinary Shares

The table below summarises the calculation of the weighted average number of Ordinary Shares for the purposes of calculating basic and diluted earnings per share for each profit measure (IFRS, adjusted and headline profit):

	Year ended 31 December 2020 Millions	Year ended 31 December 2019 Millions
Weighted average number of Ordinary Shares	1,842	1,902
Treasury shares including those held in EBTs	(82)	(67)
Basic weighted average number of Ordinary Shares	**1,760**	**1,835**
Adjustment for dilutive share awards and options	37	28
Diluted weighted average number of Ordinary Shares	**1,797**	**1,863**

12(b): Basic and diluted EPS (IFRS and adjusted profit)

		Year ended 31 December 2020			Year ended 31 December 2019		
	Notes	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Profit after tax		89	(1)	88	(21)	167	146
Total adjusting items before tax	7(a)	118	1	119	209	(101)	108
Tax on adjusting items	11(c)	(64)	–	(64)	13	17	30
Less: Policyholder tax adjustments	11(c)	9	–	9	(62)	(12)	(74)
Adjusted profit after tax after reallocation		**152**	**–**	**152**	**139**	**71**	**210**
Reversal of:							
Reallocation of QLA costs[1]		–	–	–	26	(26)	–
Income tax on reallocation of QLA costs	11(c)	–	–	–	(5)	5	–
Adjusted profit after tax		**152**	**–**	**152**	**160**	**50**	**210**

[1]Reallocation of QLA costs included £26 million of costs previously reported as part of the QLA business which were reclassified from discontinued to continuing operations in 2019 as these costs did not transfer to ReAssure (the acquirer) on disposal at 31 December 2019.

12: Earnings per share continued

12(b): Basic and diluted EPS (IFRS and adjusted profit) continued

		Year ended 31 December 2020			Year ended 31 December 2019		
	Post-tax profit measure used	Continuing operations Pence	Discontinued operations Pence	Total Pence	Continuing operations Pence	Discontinued operations Pence	Total Pence
Basic EPS	IFRS profit	5.1	(0.1)	5.0	(1.1)	9.1	8.0
Diluted EPS	IFRS profit	5.0	(0.1)	4.9	(1.1)	8.9	7.8
Adjusted basic EPS	Adjusted profit	8.6	–	8.6	8.7	2.7	11.4
Adjusted diluted EPS	Adjusted profit	8.5	–	8.5	8.6	2.7	11.3
Adjusted basic EPS after reallocation[1]	Adjusted profit after reallocation	N/A	N/A	N/A	7.5	3.9	11.4
Adjusted diluted EPS after reallocation[1]	Adjusted profit after reallocation	N/A	N/A	N/A	7.5	3.8	11.3

[1]Reallocation of QLA costs included £26 million of costs previously reported as part of the QLA business which were reclassified from discontinued to continuing operations in 2019 as these costs did not transfer to ReAssure (the acquirer) on disposal at 31 December 2019.

12(c): Headline earnings per share

		Year ended 31 December 2020 £m		Year ended 31 December 2019 £m	
	Notes	Gross	Net of tax	Gross	Net of tax
Profit attributable to ordinary equity holders			**88**		**146**
Adjusted for:					
Loss/(profit) on business disposals	6(b)	1	1	(103)	(103)
Impairment loss on right-of-use assets	15	3	2	–	–
Headline earnings			**91**		**43**
Headline basic EPS (pence)			**5.2**		**2.3**
Headline diluted EPS (pence)			**5.1**		**2.3**

13: Dividends

	Payment date	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
2018 Final dividend paid – 3.3p per Ordinary Share	20 May 2019	–	61
2019 Interim dividend paid – 1.7p per Ordinary Share	20 September 2019	–	31
2019 Final dividend paid – 3.5p per Ordinary Share	18 May 2020	64	–
2020 Interim dividend paid – 1.0p per Ordinary Share	21 September 2020	17	–
Dividends paid to Ordinary Shareholders		**81**	**92**

Subsequent to year ended 31 December 2020, the Directors proposed a final dividend for 2020 of 3.6 pence per Ordinary Share amounting to £61 million in total. Subject to approval by shareholders at the AGM, the dividend will be paid on 17 May 2021. In compliance with the rules issued by the Prudential Regulation Authority ("PRA") in relation to the implementation of the Solvency II regime and other regulatory requirements to which the Group is subject, the dividend is required to remain cancellable at any point prior to it becoming due and payable on 17 May 2021 and to be cancelled if, prior to payment, the Group ceases to hold capital resources equal to or in excess of its Solvency Capital Requirement, or if that would be the case if the dividend was paid. The Directors have no intention of exercising this cancellation right, other than where required to do so by the PRA or for regulatory capital purposes. Final and interim dividends paid to Ordinary Shareholders are calculated using the number of shares in issue at the record date less own shares held in Employee Benefit Trusts.

14: Goodwill and intangible assets

14(a): Analysis of goodwill and intangible assets

The table below shows the movements in cost and amortisation of goodwill and intangible assets.

	Goodwill £m	Software development costs £m	Other intangible assets £m	Total £m
Gross amount				
1 January 2019	314	100	380	794
Acquisitions through business combinations	68	–	49	117
Additions	–	5	–	5
Disposals	(30)	(4)	(4)	(38)
Other movements[1]	(2)	–	3	1
31 December 2019	350	101	428	879
Acquisitions through business combinations[2]	6	–	1	7
Additions	–	4	–	4
31 December 2020	**356**	**105**	**429**	**890**
Accumulated amortisation and impairment losses				
1 January 2019	–	(95)	(149)	(244)
Amortisation charge for the year	–	(2)	(45)	(47)
Disposals	–	4	4	8
Other movements[1]	–	–	(4)	(4)
31 December 2019	–	(93)	(194)	(287)
Amortisation charge for the year	–	(2)	(45)	(47)
31 December 2020	**–**	**(95)**	**(239)**	**(334)**
Carrying amount				
31 December 2019	350	8	234	592
31 December 2020	**356**	**10**	**190**	**556**

[1]During 2019, there was a gross up of fully amortised intangible assets in the Quilter Financial Planning and Quilter Cheviot businesses arising from previous business combinations.

[2]During 2020, there have been fair value adjustments of £7 million made to the net assets acquired in Lighthouse, with corresponding movements in goodwill of £7 million, other intangible assets of £1 million and associated deferred tax liabilities of £(1) million. Refer to note 6(a) for further details. Other fair value adjustments of £(1) million have been made to goodwill in relation to acquisitions within the Quilter Private Client Adviser business.

14(b): Analysis of other intangible assets

	At 31 December 2020 £m	At 31 December 2019 £m	Average estimated useful life	Average period remaining
Net carrying value				
Distribution channels – Quilter Financial Planning	15	22	8 years	3 years
Customer relationships				
Quilter Cheviot	114	141	10 years	4 years
Quilter Financial Planning	54	61	8 years	6 years
Other	7	9	8 years	4 years
Brand – Quilter Cheviot	–	1	n/a	n/a
Total other intangible assets	**190**	**234**		

14: Goodwill and intangible assets continued

14(c): Allocation of goodwill to cash generating units ("CGUs") and impairment testing

The Group considers that there are two groups of CGUs for goodwill impairment testing purposes. Goodwill is allocated to these groups of CGUs as follows:

	At 31 December 2020 £m	At 31 December 2019 £m
Goodwill (net carrying amount)		
Advice and Wealth Management	225	219
Wealth Platforms	131	131
Total goodwill	**356**	**350**

Impairment review

In accordance with the requirements of IAS 36 *Impairment of Assets*, goodwill in both the Advice and Wealth Management and Wealth Platforms CGUs is tested for impairment annually, or earlier if an indicator of impairment exists, by comparing the carrying value of the CGU to which the goodwill relates to the recoverable value of that CGU, being the higher of that CGU's value-in-use or fair value less costs to sell. If applicable, an impairment charge is recognised when the recoverable amount is less than the carrying value. Goodwill impairment indicators include sudden stock market falls, the absence of Net Client Cash Flows ("NCCF"), significant falls in profits and an increase in the discount rate.

The significant volatility in global financial markets resulting from the COVID-19 pandemic and the effect this has on the Group's AuMA and revenue, provided an indicator of impairment at 30 June 2020 and consequently the goodwill balance was assessed, concluding that, whilst there was a reduction in the surplus of the recoverable amount over the carrying value since 31 December 2019, no impairment was required.

At 31 December 2020, the annual impairment assessment was performed, using the latest cash flow forecasts from the Group's three-year business plan, approved by the Board. The Group's business plan takes into consideration the partial recovery in equity markets experienced in H2 2020, which has resulted in an increase in the Group's AuMA and revenue. As a result, the surplus of the recoverable amount of the CGUs over the carrying amount has increased since the previous impairment test was carried out at 30 June 2020.

The following table details the separate percentage change required in each key assumption before the carrying value would exceed the recoverable amount, assuming all other variables remain the same. There has been an increase in the percentage changes required since 30 June 2020, reflecting the impact of the partial recovery in equity markets. The table continues to demonstrate that further adverse movements to the key assumptions used in the CGU value-in-use calculation would be required before impairment is indicated.

	Advice and Wealth Management	Wealth Platforms
Reduction in forecast cash flows	46%	69%
Increase in discount rate required	21% (from 9% to 30%)	27% (from 9% to 36%)

Forecast cash flows are impacted by movements in underlying assumptions, including equity market levels, revenue margins and NCCF. The Group considers that forecast cash flows are most sensitive to movements in equity markets because they have a direct impact on the level of the Group's fee income, as demonstrated by the recent volatility resulting from COVID-19. The most significant impact is seen within the Advice and Wealth Management segment, where AuMA is more correlated to equity market levels and is the key driver for future cash flows.

The principal sensitivity within equity market level assumptions relates to the estimated growth in equity market indices included in the three-year revenue forecasts. Management forecast equity market growth for each business using estimated asset specific growth rates that are supported by internal research, historical performance, Bank of England forecasts and other external estimates.

Value-in-use methodology

The value-in-use calculations for life assurance operations are determined as the sum of net tangible assets, the expected future cash flows arising from the in-force business, together with the expected cash flows from future new business derived from the business plans. Future cash flow elements allow for the cost of capital needed to support the business.

The net tangible assets and future cash flows arising from the in-force business are derived from Solvency II ("SII") calculations. The value of in-force ("VIF") is calculated as the prospective value of future expected cash flows on all in-force policies at the valuation date on a policy-by-policy basis allowing for surrender or transfer payments, death claims, income withdrawals, maintenance expenses, fund-based fees, mortality charge and other policy charges. The underlying assumptions are based on the best estimate view for the future, which is largely based on recent business experience and any emerging trends. The unit fund growth rates (gross of investment charges) and the risk discount rates are set using the prescribed SII term-dependent risk-free interest rates. The SII calculations are adjusted for a risk margin using the prescribed SII rules.

The value-in-use calculations for asset management operations are determined as the sum of net tangible assets and the expected cash flows from existing and expected future new business.

14: Goodwill and intangible assets continued

14(c): Allocation of goodwill to cash generating units ("CGUs") and impairment testing continued

The cash flows that have been used to determine the value-in-use of the CGUs are based on the most recent management approved three-year profit forecasts, which incorporate the impact of COVID-19 and anticipated equity market growth on the Group's future cash flows. These cash flows change at different rates because of the different strategies of the CGUs. In cases where the CGUs have made significant acquisitions in the recent past, the cash flows are forecast to grow faster than the more mature businesses. Post the three-year forecasts, the growth rate used to determine the terminal value of the CGUs in the annual assessment approximates to the UK long-term growth rate of 0.6% (2019: 1.7%). Market share and market growth information are also used to inform the expected volumes of future new business.

IAS 36 does not permit any cost savings linked to future restructuring activity to be included within the value-in-use calculation unless an associated restructuring provision has also been recognised. Consequently, for the purpose of the value-in-use calculation, a number of planned cost savings (and the related implementation costs), primarily in relation to the Optimisation programme, have been removed from the future cash flows.

The Group uses a single cost of capital of 9.0% (2019: 10.0%) to discount future expected business plan cash flows across its two groups of CGUs because they are perceived to present a similar level of risk and are integrated. Capital is provided to the Group predominantly by shareholders with a small amount of debt. The cost of capital is the weighted average of the cost of equity (return required by shareholders) and the cost of debt (return required by bond and property lease holders). When assessing the systematic risk (i.e. beta value) within the calculation of the cost of equity, a triangulation approach is used that combines beta values obtained from historical data, a forward-looking view on the progression of beta values and the external views of investors.

15: Property, plant and equipment

	Right-of-use assets £m	Leasehold improvements £m	Plant and equipment £m	Total £m
Gross amount				
1 January 2019	–	13	79	92
Implementation of IFRS 16	143	(3)	–	140
Acquisitions through business combinations	1	1	1	3
Additions[1]	60	–	8	68
31 December 2019	204	11	88	303
Additions[1]	6	–	28	34
Disposals	(44)	(3)	(4)	(51)
31 December 2020	**166**	**8**	**112**	**286**
Accumulated amortisation and impairment losses				
1 January 2019	–	(8)	(67)	(75)
Implementation of IFRS 16	(67)	2	–	(65)
Acquisitions through business combinations	–	–	(1)	(1)
Depreciation charge for the year	(13)	(1)	(5)	(19)
31 December 2019	(80)	(7)	(73)	(160)
Depreciation charge for the year	(15)	(1)	(4)	(20)
Impairment loss	(3)	–	–	(3)
Disposals	33	3	3	39
31 December 2020	**(65)**	**(5)**	**(74)**	**(144)**
Carrying amount				
31 December 2019	124	4	15	143
31 December 2020	**101**	**3**	**38**	**142**

[1]The majority of additions in both the current and prior year relate to the lease for Senator House, the Group's new London property.

The carrying value of right-of-use assets at 31 December 2020 relate to £101 million of property leases (31 December 2019: £123 million). 2019 also included £1 million of motor vehicle leases (31 December 2020: £nil).

16: Loans and advances

This note analyses the loans and advances the Group has made. The carrying amounts of loans and advances were as follows:

	31 December 2020 £m	31 December 2019 £m
Loans to policyholders	186	180
Loans to brokers, advisers and other loans to clients	33	31
Other loans	–	6
Total net loans and advances	**219**	**217**
To be recovered within 12 months	195	190
To be recovered after 12 months	24	27
Total net loans and advances	**219**	**217**

Policyholder loans are amounts taken from an individual policyholder's unit-linked accounts and loaned to the same policyholder. Policyholder loans are non-interest bearing and are considered to be risk free from a shareholder perspective as the policyholder retains all associated risks. Policyholder loans are considered to be recoverable within 12 months as they have no repayment schedule. Policyholder loans are measured at fair value.

Loans to advisers are made on individual commercial terms. The loan agreement with the adviser details the dates on which the repayments of the loan are to be made. Where an adviser is due commission payments from Quilter, these commission payments are offset against the loan repayments due from the adviser. In certain circumstances, the loan agreement period may be extended where agreed by both Quilter and the adviser. Should the adviser terminate their terms of business agreement with Quilter, the loan balance becomes immediately repayable in full. Loans to advisers are measured at amortised cost. The carrying amount of loans to advisers approximates to their fair value which is measured as the principal amounts receivable under the loan agreements.

Other loans in 2019 represent a loan to TA Associates in respect of the deferred consideration receivable arising from the sale of the Single Strategy Asset Management business. The loan was repaid in June 2020.

17: Financial investments

The table below analyses the investments and securities that the Group invests in, either on its own proprietary behalf (shareholder funds) or on behalf of third parties (policyholder funds).

	31 December 2020 £m	31 December 2019 restated[1] £m
Government and government-guaranteed securities	632	558
Other debt securities, preference shares and debentures	1,952	1,897
Equity securities	14,163	8,560
Pooled investments	46,518	46,177
Short-term funds and securities treated as investments	9	15
Total financial investments	**63,274**	**57,207**
Recoverable within 12 months	63,274	57,206
Recoverable after 12 months	–	1
Total financial investments	**63,274**	**57,207**

[1]See note 4(b) for details of changes to comparative amounts.

The financial investments recoverability profile is based on the intention with which the financial assets are held. These assets are held to cover the liabilities for linked investment contracts, all of which can be withdrawn by policyholders on demand.

18: Derivative financial instruments – assets and liabilities

The Group has limited involvement with derivative instruments and does not use them for speculation purposes. Derivative instruments have been used to manage well-defined foreign exchange risks arising out of the normal course of business. The Group enters into forward foreign exchange contracts to reduce currency risk on accounts receivable and future revenues. The Group does not anticipate any material adverse effect on its financial position resulting from its involvement in these types of contracts, nor does it anticipate non-performance by counterparties. The Group only deals with highly rated counterparties.

The majority of derivatives included within the statement of financial position relate to instruments included as a consequence of the consolidation of investment funds. These are detailed within the segmented statement of financial position (note 8(c)).

19: Categories of financial instruments

The analysis of financial assets and liabilities into their categories as defined in IFRS 9 *Financial Instruments* is set out in the following tables. Assets and liabilities of a non-financial nature, or financial assets and liabilities that are specifically excluded from the scope of IFRS 9, are reflected in the non-financial assets and liabilities category.

For information about the methods and assumptions used in determining fair value, please refer to note 20. The Group's exposure to various risks associated with financial instruments is discussed in note 37.

31 December 2020

	Fair value				
Measurement basis	Mandatorily at FVTPL £m	Designated at FVTPL £m	Amortised cost £m	Non-financial assets and liabilities £m	Total £m
Assets					
Investments in associated undertakings[1]	–	–	–	1	1
Loans and advances	186	–	33	–	219
Financial investments	63,248	1	25	–	63,274
Trade, other receivables and other assets	–	–	444	257	701
Derivative assets	43	–	–	–	43
Cash and cash equivalents	1,064	–	857	–	1,921
Total assets that include financial instruments	64,541	1	1,359	258	66,159
Total other non-financial assets	–	–	–	1,213	1,213
Total assets	**64,541**	**1**	**1,359**	**1,471**	**67,372**
Liabilities					
Investment contract liabilities	–	57,407	–	–	57,407
Third-party interests in consolidation of funds	6,513	–	–	–	6,513
Borrowings and lease liabilities	–	–	319	–	319
Trade, other payables and other liabilities	–	–	590	82	672
Derivative liabilities	20	–	–	–	20
Total liabilities that include financial instruments	6,533	57,407	909	82	64,931
Total other non-financial liabilities	–	–	–	563	563
Total liabilities	**6,533**	**57,407**	**909**	**645**	**65,494**

[1]Investments in associated undertakings classified as non-financial assets and liabilities are equity accounted.

19: Categories of financial instruments continued

31 December 2019 (restated)[3]

Measurement basis	Fair value: Mandatorily at FVTPL[3] £m	Fair value: Designated at FVTPL[2] £m	Amortised cost £m	Non-financial assets and liabilities £m	Total £m
Assets					
Investments in associated undertakings[1]	–	–	–	1	1
Loans and advances	180	–	37	–	217
Financial investments	57,205	2	–	–	57,207
Trade, other receivables and other assets[2]	–	–	342	263	605
Derivative assets	22	–	–	–	22
Cash and cash equivalents	1,159	–	1,094	–	2,253
Total assets that include financial instruments	58,566	2	1,473	264	60,305
Total other non-financial assets	–	–	–	1,246	1,246
Total assets	**58,566**	**2**	**1,473**	**1,510**	**61,551**
Liabilities					
Investment contract liabilities[2]	–	52,455	–	–	52,455
Third-party interests in consolidation of funds	5,318	–	–	–	5,318
Borrowings and lease liabilities	–	–	335	–	335
Trade, other payables and other liabilities	–	–	695	106	801
Derivative liabilities	10	–	–	–	10
Total liabilities that include financial instruments	5,328	52,455	1,030	106	58,919
Total other non-financial liabilities	–	–	–	561	561
Total liabilities	**5,328**	**52,455**	**1,030**	**667**	**59,480**

[1]Investments in associated undertakings classified as non-financial assets and liabilities are equity accounted.
[2]Following a review of the Group's presentation of financial liabilities held at FVTPL, comparative amounts have been restated from those previously reported. The review identified amounts presented within mandatorily at FVTPL that are now presented as designated at FVTPL in the table above. These liabilities were previously shown as mandatorily at fair value through profit or loss ("FVTPL") as they form part of the Group's unit-linked business model. These liabilities are now classified as designated at FVTPL as they are managed on a fair value basis (in that their value is directly linked to the market value of the matching portfolio of unit-linked assets) therefore avoiding an accounting mismatch. There is no change to the underlying calculation of the fair value of these liabilities.
[3]See note 4(b) for details of changes to comparative amounts.

20: Fair value methodology

This section explains the judgements and estimates made in determining the fair values of financial instruments that are recognised and measured at fair value in the financial statements. Classifying financial instruments into the three levels of fair value hierarchy (see note 20(b)), prescribed under IFRS, provides an indication about the reliability of inputs used in determining fair value.

20(a): Determination of fair value

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market exit prices for assets and offer prices for liabilities, at the close of business on the reporting date, without any deduction for transaction costs:

- for units in unit trusts and shares in open-ended investment companies, fair value is determined by reference to published quoted prices representing exit values in an active market;
- for equity and debt securities not actively traded in organised markets and where the price cannot be retrieved, the fair value is determined by reference to similar instruments for which market observable prices exist;
- for assets that have been suspended from trading on an active market, the last published price is used. Many suspended assets are still regularly priced. At the reporting date all suspended assets are assessed for impairment; and
- where the assets are private company shares or within consolidated investment funds, the valuation is based on the latest available set of audited financial statements where available, or if more recent, a statement of valuation provided by the private company's management.

There have been no significant changes in the valuation techniques applied when valuing financial instruments. Where assets are valued by the Group, the general principles applied to those instruments measured at fair value are outlined below:

Loans and advances

Loans and advances include loans to policyholders, loans to brokers, and other secured and unsecured loans. Loans and advances to policyholders of investment-linked contracts are measured at fair value. All other loans are stated at their amortised cost.

20: Fair value methodology continued
20(a): Determination of fair value continued

Financial investments
Financial investments include government and government-guaranteed securities, listed and unlisted debt securities, preference shares and debentures, listed and unlisted equity securities, listed and unlisted pooled investments (see below), short-term funds and securities treated as investments and certain other securities.

Pooled investments represent the Group's holdings of shares/units in open-ended investment companies, unit trusts, mutual funds and similar investment vehicles. Pooled investments are recognised at fair value. The fair values of pooled investments are based on widely published prices that are regularly updated.

Other financial investments that are measured at fair value use observable market prices where available. In the absence of observable market prices, these investments and securities are fair valued utilising various approaches including discounted cash flows, the application of an earnings before interest, tax, depreciation and amortisation multiple or any other relevant technique.

Derivatives
The fair value of derivatives is determined with reference to the exchange traded prices of the specific instruments. The fair value of the Group's over-the-counter forward foreign exchange contracts is determined by the underlying foreign currency exchange rates.

Investment contract liabilities
The fair value of the investment contract liabilities is determined with reference to the underlying funds that are held by the Group.

Third-party interest in consolidated funds
Third-party interests in consolidated funds are measured at the attributable net asset value of each fund.

Borrowings and lease liabilities
Borrowings and lease liabilities are stated at amortised cost.

20(b): Fair value hierarchy
Fair values are determined according to the following hierarchy:

Description of hierarchy	Types of instruments classified in the respective levels
Level 1 – quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets.	Listed equity securities, government securities and other listed debt securities and similar instruments that are actively traded, actively traded pooled investments, certain quoted derivative assets and liabilities, policyholder loans (where they form part of a policyholder's unit-linked policy) and investment contract liabilities directly linked to other Level 1 financial assets.
Level 2 – valuation techniques using observable inputs: financial assets and liabilities with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial assets and liabilities valued using models where all significant inputs are observable.	Unlisted equity and debt securities where the valuation is based on models involving no significant unobservable data. Over-the-counter ("OTC") derivatives, certain privately placed debt instruments and third-party interests in consolidated funds which meet the definition of Level 2 financial instruments.
Level 3 – valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable.	Unlisted equity and securities with significant unobservable inputs, securities where the market is not considered sufficiently active, including certain inactive pooled investments.

The judgement as to whether a market is active may include, for example, consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads. In inactive markets, obtaining assurance that the transaction price provides evidence of fair value or determining the adjustments to transaction prices that are necessary to measure the fair value of the asset or liability requires additional work during the valuation process.

The majority of valuation techniques employ only observable data and so the reliability of the fair value measurement is high. However, certain financial assets and liabilities are valued on the basis of valuation techniques that feature one or more significant inputs that are unobservable and, for them, the derivation of fair value is more judgemental. A financial asset or liability in its entirety is classified as valued using significant unobservable inputs if a significant proportion of that asset or liability's carrying amount is driven by unobservable inputs.

In this context, 'unobservable' means that there is little or no current market data available for which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no market data available at all upon which to base a determination of fair value. Furthermore, in some cases the majority of the fair value derived from a valuation technique with significant unobservable data may be attributable to observable inputs. Consequently, the effect of uncertainty in determining unobservable inputs will generally be restricted to uncertainty about the overall fair value of the asset or liability being measured.

20: Fair value methodology continued
20(b): Fair value hierarchy continued

When allocating investments within consolidated investment funds to the fair value hierarchy, management have adopted a simplified approach whereby investments (outside of those identified as Level 3) in listed equities and securities are allocated to fair value Level 1, and investments in unlisted equity and debt securities are allocated to Level 2, to align to the classifications set out in the table above.

20(c): Transfer between fair value hierarchies
The Group deems a transfer to have occurred between Level 1 and Level 2 or Level 3 when an active, traded primary market ceases to exist for that financial instrument. A transfer between Level 2 and Level 3 occurs when the majority of the significant inputs used to determine fair value of the instrument become unobservable. Transfers from Levels 3 or 2 to Level 1 are also possible when assets become actively priced.

There were transfers of financial investments of £9 million from Level 1 to Level 2 during the year (31 December 2019: £139 million). There were transfers of financial investments of £3 million from Level 2 to Level 1 during the year (31 December 2019: £76 million). These movements are matched exactly by transfers of investment contract liabilities. See note 20(e) for the reconciliation of Level 3 financial instruments.

20(d): Financial assets and liabilities measured at fair value, classified according to fair value hierarchy
The majority of the Group's financial assets are measured using quoted market prices for identical instruments in active markets (Level 1) and there have been no significant changes during the year.

The linked assets are held to cover the liabilities for linked investment contracts (net of reinsurance). The difference between linked assets and linked liabilities is principally due to short-term timing differences between policyholder premiums being received and invested in advance of policies being issued, and tax liabilities within funds which are reflected within the Group's tax liabilities.

Differences between assets and liabilities within the respective levels of the fair value hierarchy also arise due to the mix of underlying assets and liabilities within consolidated funds. In addition, third-party interests in consolidated funds are classified as Level 2.

The table below presents a summary of the Group's financial assets and liabilities that are measured at fair value in the consolidated statement of financial position according to their IFRS 9 classification (see note 19 for full details).

	31 December 2020		31 December 2019 restated[1]	
	£m	%	£m	%
Financial assets measured at fair value				
Level 1	56,927	88.2%	48,009	82.0%
Level 2	5,793	9.0%	8,842	15.1%
Level 3	1,822	2.8%	1,717	2.9%
Total	**64,542**	**100.0%**	**58,568**	**100.0%**
Financial liabilities measured at fair value				
Level 1	55,135	86.3%	50,315	87.0%
Level 2	6,985	10.9%	5,751	10.0%
Level 3	1,820	2.8%	1,717	3.0%
Total	**63,940**	**100.0%**	**57,783**	**100.0%**

[1]See note 4(b) for details of changes to comparative amounts.

20: Fair value methodology continued

20(d): Financial assets and liabilities measured at fair value, classified according to fair value hierarchy continued

The tables below further analyse the Group's financial assets and liabilities measured at fair value by the fair value hierarchy described in note 20(b):

31 December 2020	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets measured at fair value				
Mandatorily (fair value through profit or loss)	56,926	5,793	1,822	64,541
Loans and advances[2]	186	–	–	186
Financial investments	55,676	5,750	1,822	63,248
Cash and cash equivalents	1,064	–	–	1,064
Derivative assets	–	43	–	43
Designated (fair value through profit or loss)	1	–	–	1
Financial investments	1	–	–	1
Total assets measured at fair value	**56,927**	**5,793**	**1,822**	**64,542**
Financial liabilities measured at fair value				
Mandatorily (fair value through profit or loss)	–	6,533	–	6,533
Third-party interests in consolidated funds	–	6,513	–	6,513
Derivative liabilities	–	20	–	20
Designated (fair value through profit or loss)	55,135	452	1,820	57,407
Investment contract liabilities	55,135	452	1,820	57,407
Total liabilities measured at fair value	**55,135**	**6,985**	**1,820**	**63,940**

31 December 2019 (restated)[1]	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets measured at fair value				
Mandatorily (fair value through profit or loss)	48,007	8,842	1,717	58,566
Loans and advances[2]	180	–	–	180
Financial investments	46,668	8,820	1,717	57,205
Cash and cash equivalents	1,159	–	–	1,159
Derivative assets	–	22	–	22
Designated (fair value through profit or loss)	2	–	–	2
Financial investments	2	–	–	2
Total assets measured at fair value	**48,009**	**8,842**	**1,717**	**58,568**
Financial liabilities measured at fair value				
Mandatorily (fair value through profit or loss)	–	5,328	–	5,328
Third-party interests in consolidated funds	–	5,318	–	5,318
Derivative liabilities	–	10	–	10
Designated (fair value through profit or loss)	50,315	423	1,717	52,455
Investment contract liabilities[3]	50,315	423	1,717	52,455
Total liabilities measured at fair value	**50,315**	**5,751**	**1,717**	**57,783**

[1]See note 4(b) for details of changes to comparative amounts.
[2]Loans and advances mandatorily at fair value through profit or loss, included within fair value Level 1, solely relate to policyholder loans. See note 16 for further details.
[3]Following a review of the Group's presentation of financial liabilities held at FVTPL, comparative amounts have been restated from those previously reported. The review identified amounts presented within mandatorily at FVTPL that are now presented as designated at FVTPL in the table above.

20: Fair value methodology continued

20(e): Level 3 fair value hierarchy disclosure

The majority of the assets classified as Level 3 are held within linked policyholder funds. Where this is the case, all of the investment risk associated with these assets is borne by policyholders and the value of these assets is exactly matched by a corresponding liability due to policyholders. The Group bears no risk from a change in the market value of these assets except to the extent that it has an impact on management fees earned.

During the year ended 31 December 2020, Level 3 assets also include a shareholder investment in suspended funds to the value of £2 million (31 December 2019: £nil); this is not matched by a corresponding liability and therefore any changes in market value are recognised in the Group's consolidated income statement.

The table below reconciles the opening balance of Level 3 financial assets to the closing balance at each year end:

	31 December 2020 £m	31 December 2019 £m
At beginning of the year[1]	1,717	1,154
Fair value losses charged to income statement	(121)	(20)
Purchases	16	314
Sales	(8)	(24)
Transfers in	930	369
Transfers out	(714)	(71)
Foreign exchange and other	2	(5)
Total Level 3 financial assets	**1,822**	**1,717**
Unrealised fair value losses charged to income statement relating to assets held at the year end	(110)	(20)

[1]The opening balance for 2019 includes a £3 million shareholder investment in an unlisted equity, the Charles Derby Group; this was not matched by a corresponding liability and therefore any changes in market value were recognised in the Group's income statement. Following the acquisition of the Charles Derby Group in 2019, the Group's investment is no longer held as a Level 3 financial investment, but instead as an investment in subsidiary which is eliminated on consolidation.

Amounts shown as sales arise principally from the sale of private company shares, unlisted pooled investments and from distributions received in respect of holdings in property funds.

Transfers into Level 3 assets in the current year total £930 million (31 December 2019: £369 million). This is due to a combination of stale priced assets that were previously shown within Level 2 and for which price updates have not been received for more than six months, and a significant increase in suspended funds previously shown within Level 1, predominantly due to the COVID-19 pandemic resulting in a number of property fund suspensions. Suspended funds are valued based on external valuation reports received from fund managers. Transfers out of Level 3 assets in the current year of £714 million (31 December 2019: £71 million) result from a transfer to Level 2 assets relating to assets that are now being actively repriced (that were previously stale) and where fund suspensions have been lifted following the market recovery during the second half of the year. During 2020 a suspended fund with a value of £85 million has been wound up and cash returned to policyholders, resulting in the cash being placed in a cash fund within Level 1 assets.

The table below analyses the type of Level 3 financial assets held:

	31 December 2020 £m	31 December 2019 £m
Pooled investments	522	361
Unlisted and stale price pooled investments	87	133
Suspended funds	435	228
Private equity investments	1,300	1,356
Total Level 3 financial assets	**1,822**	**1,717**

All of the liabilities that are classified as Level 3 are investment contract liabilities which exactly match against the Level 3 assets held in linked policyholder funds.

The table below reconciles the opening balance of Level 3 financial liabilities to the closing balance at each year end:

	31 December 2020 £m	31 December 2019 £m
At beginning of the year	1,717	1,151
Fair value losses charged to income statement	(120)	(20)
Purchases	16	314
Sales	(8)	(24)
Transfers in	927	369
Transfers out	(714)	(71)
Foreign exchange and other	2	(2)
Total Level 3 financial liabilities	**1,820**	**1,717**
Unrealised fair value losses charged to income statement relating to liabilities held at the year end	(110)	(20)

20(f): Effect of changes in significant unobservable assumptions to reasonable possible alternatives

Details of the valuation techniques applied to the different categories of financial instruments can be found in note 20(a) above, including the valuation techniques applied when significant unobservable assumptions are used to value Level 3 assets.

The majority of the Group's Level 3 assets are held within private equity investments, where the valuation of these assets is performed on an asset-by-asset basis using a valuation methodology appropriate to the specific investment and in line with industry guidelines. Private equity investments are valued at the value disclosed in the latest available set of audited financial statements or, if more recent information is available, from investment managers or professional valuation experts at the value of the underlying assets of the private equity investment. For this reason, no reasonable alternative assumptions are applicable and management therefore performs a sensitivity test of an aggregate 10% change in the value of the financial asset or liability (31 December 2019: 10%), representing a reasonable possible alternative judgement in the context of the current macro-economic environment in which the Group operates. It is therefore considered that the impact of this sensitivity will be in the range of £182 million to the reported fair value of Level 3 assets, both favourable and unfavourable (31 December 2019: £172 million). As described in note 20(e), changes in the value of Level 3 assets held within linked policyholder funds are exactly matched by corresponding changes in the value of liabilities due to policyholders and therefore have no impact on the Group's net asset value or profit or loss, except to the extent that it has an impact on management fees earned.

20(g): Fair value hierarchy for assets and liabilities not measured at fair value

Certain financial instruments of the Group are not carried at fair value. The carrying values of these are considered reasonable approximations of their respective fair values, as they are either short term in nature or are repriced to current market rates at frequent intervals. Their classification within the fair value hierarchy would be as follows:

Trade, other receivables, and other assets	Level 3
Trade, other payables, and other liabilities	Level 3

Cash and cash equivalents (excluding money market funds) are held at amortised cost and therefore not carried at fair value. The cash and cash equivalents that are held at amortised cost would be classified as Level 1 in the fair value hierarchy.

Fixed term deposits, which are included within Financial investments, are held at amortised cost and therefore not carried at fair value. The fixed term deposits that are held at amortised cost would be classified as Level 1 in the fair value hierarchy.

Loans and advances are financial assets held at amortised cost and therefore not carried at fair value, with the exception of policyholder loans which are categorised as FVTPL. The loans and advances that are held at amortised cost would be classified as Level 3 in the fair value hierarchy.

Borrowed funds are financial liabilities held at amortised cost and therefore not carried at fair value. Borrowed funds relate to subordinated liabilities and would be classified as Level 2 in the fair value hierarchy.

Lease liabilities valued under IFRS 16 are held at amortised cost and therefore not carried at fair value. They would be classified as Level 3 in the fair value hierarchy.

21: Structured entities

21(a): Group's involvement in structured entities

Some investment vehicles are classified as structured entities because they have a narrow and well-defined purpose. In structured entities, voting rights are not the predominant factor in deciding who controls the entity but rather it is the Group's exposure to the variability of returns from these entities.

The Group invests in collective investment vehicles, including open-ended investment companies ("OEICs") and unit trusts, in order to match unit-linked investment contract liabilities. This means that all of the investment risk associated with these assets is borne by policyholders and that the value of these assets is closely matched by a corresponding liability due to policyholders. The Group bears no risk from a change in the market value of these assets except to the extent that it has an impact on management fees earned.

Shareholder funds are also invested in collective investment vehicles, principally in respect of money market funds as an alternative to bank deposits. These structured entities are not consolidated where the Group determines that it does not have control.

The Group's holdings in collective investment vehicles are subject to the terms and conditions of the respective investment vehicles' offering documentation and are susceptible to market price risk arising from uncertainties about future values of those investment vehicles. All of the investment vehicles in the investment portfolios are managed by portfolio managers who are compensated by the respective investment vehicles for their services. Such compensation generally consists of an asset-based fee and a performance-based incentive fee, and is reflected in the valuation of the investment vehicles.

21(b): Interests in unconsolidated structured entities

The Group invests in unconsolidated structured entities as part of its normal investment and trading activities. The Group's total interest in unconsolidated structured entities is classified as financial investments mandatorily at fair value through profit or loss. The table below provides a summary of the carrying value of the Group's interests in unconsolidated structured entities:

	31 December 2020 £m	31 December 2019 restated[1] £m
Financial investments	43,737	41,004
Cash and cash equivalents	1,064	1,159
Total Group interest in unconsolidated structured entities	**44,801**	42,163

[1]See note 4(b) for details of changes to comparative amounts.

The Group's maximum exposure to loss with regard to the interests presented above is the carrying amount of the Group's investments. Once the Group has disposed of its shares or units in a fund, it ceases to be exposed to any risk from that fund. The Group's holdings in the above unconsolidated structured entities are mostly less than 50% and as such the net asset value of these structured entities is likely to be significantly higher than their carrying value.

21(c): Consolidation considerations for structured entities managed by the Group

The Group acts as fund manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of decision-making rights as fund manager, the investor's rights to remove the fund manager and the aggregate economic interests of the Group in the fund in the form of interest held and exposure to variable returns.

In most instances the Group's decision-making authority, in its capacity as fund manager, with regard to these funds is regarded to be well-defined. Discretion is exercised when decisions regarding the relevant activities of these funds are being made. For funds managed by the Group where the investors have the right to remove the Group as fund manager without cause, the fees earned by the Group are considered to be market related. These agreements include only terms, conditions or amounts that are customarily present in arrangements for similar services and level of skills negotiated on an arm's length basis. The Group has concluded that it acts as agent on behalf of the investors in all instances.

The Group is considered to be acting as principal where the Group is the fund manager and is able to make the investment decisions on behalf of the unit holders and earn a variable fee, and there are no kick out rights that would remove the Group as fund manager.

There have been no changes in facts or circumstances which have changed the Group's conclusion on the consolidation of funds. The Group has not provided any non-contractual support to any consolidated or unconsolidated structured entities.

21(d): Other interests in unconsolidated structured entities

There are no investments at the current or prior reporting date managed by the Group in which it has no holding.

22: Trade, other receivables and other assets

This note analyses total trade, other receivables and other assets.

	31 December 2020 £m	31 December 2019 restated[1] £m
Outstanding settlements	277	245
Other receivables	120	47
Accrued interest	4	2
Accrued income	31	34
Fee income receivable	192	212
Other accruals and prepayments	49	30
Contract assets	12	19
Management fees	16	16
Total trade, other receivables and other assets	**701**	**605**
To be settled within 12 months	555	444
To be settled after 12 months	146	161
Total trade, other receivables and other assets	**701**	**605**

[1]See note 4(b) for details of changes to comparative amounts.

Other receivables mainly relate to trade debtors, tax debtors and other debtors.

There have been no non-performing receivables or material impairments in the financial year that require disclosure. Information about the Group's expected credit losses on trade receivables is included in note 37(b). None of the receivables reflected above have been subject to the renegotiation of terms.

23: Deferred acquisition costs and contract costs

Deferred acquisition costs (on insurance contracts) and contract costs (on investment contracts and asset management contracts) relate to costs that the Group incurs to obtain new business. These acquisition costs are capitalised in the statement of financial position and are amortised in profit or loss over the life of the contracts. The table below analyses the movements in these balances relating to insurance, investment and asset management contracts.

	Deferred acquisition costs	Contract costs		
	Insurance contracts £m	Investment contracts £m	Asset management £m	Total £m
1 January 2019	11	547	4	562
New business	–	36	–	36
Amortisation	–	(75)	(1)	(76)
Continuing operations movement	–	(39)	(1)	(40)
Foreign exchange	–	(3)	–	(3)
Discontinued operations movement	(3)	(14)	–	(17)
Disposal of subsidiaries	(8)	(39)	–	(47)
31 December 2019	–	452	3	455
New business	–	30	–	30
Amortisation	–	(73)	(1)	(74)
Continuing operations movement	–	(43)	(1)	(44)
Foreign exchange	–	2	–	2
31 December 2020	**–**	**411**	**2**	**413**

24: Cash and cash equivalents

24(a): Analysis of cash and cash equivalents

	31 December 2020 £m	31 December 2019 restated[1] £m
Cash at bank	550	787
Money market funds	1,064	1,159
Cash and cash equivalents in consolidated funds	307	307
Total cash and cash equivalents per statement of financial position	**1,921**	**2,253**

[1]See note 4(b) for details of changes to comparative amounts.

Except for cash and cash equivalents subject to consolidation of funds of £307 million (2019: £307 million), management do not consider that there are any material amounts of cash and cash equivalents which are not available for use in the Group's day-to-day operations.

24(b): Analysis of net cash flows from operating activities:

	Notes	31 December 2020 £m	31 December 2019 restated[1] £m
Cash flows from operating activities			
Profit before tax from continuing operations		86	45
(Loss)/profit before tax from discontinued operations	6(c)	(1)	256
		85	301
Adjustments for			
Depreciation and impairment of property, plant and equipment	15	23	19
Movement on deferred acquisition and contract costs	23	44	57
Movement on contract liabilities and fee income receivable	32	(7)	(13)
Amortisation and impairment of intangibles	14	47	48
Fair value and other movements in financial assets		(3,319)	(7,650)
Fair value movements in investment contract liabilities	27	2,632	6,518
Other change in investment contract liabilities		2,187	(1,209)
Loss/(profit) on sale of subsidiaries	6(b)	1	(103)
Other movements		40	65
		1,648	(2,268)
Net changes in working capital			
Increase in derivatives		(11)	(10)
(Increase)/decrease in loans and advances	16	(5)	5
Increase/(decrease) in provisions	28	1	(28)
Movement in other assets/liabilities[2]		(245)	(35)
		(260)	(68)
Taxation paid		(28)	(37)
Net cash flows from/(used in) operating activities		**1,445**	**(2,072)**

[1]See note 4(b) for details of changes to comparative amounts.
[2]Working capital changes in respect of other assets and liabilities primarily relate to consolidated funds.

24: Cash and cash equivalents continued

24(c): Cash flows from financing activities is further analysed below:

31 December 2020	Liabilities: Borrowings and lease liabilities £m	Liabilities: Deposits from reinsurers £m	Equity[1]: Changes in equity £m	Total £m
	Note 30	Note 31		
Opening balance at 1 January 2020	**335**	**16**	**2,071**	**2,422**
Cash flows from financing activities				
Liability related:				
Finance costs on external borrowings	(9)	(1)	–	(10)
Equity related:				
Dividends paid to ordinary equity holders of the Company	–	–	(81)	(81)
Repurchase of own shares	–	–	(198)	(198)
Payment of lease liabilities	(16)	–	–	(16)
Cash flows from financing activities	**(25)**	**(1)**	**(279)**	**(305)**
Other changes				
External debt interest accrual	9	–	–	9
Changes in lease liabilities	(1)	–	–	(1)
Other changes in liabilities	1	(15)	–	(14)
Liability related	9	(15)	–	(6)
Equity related	–	–	86	86
31 December 2020	**319**	**–**	**1,878**	**2,197**

31 December 2019	Liabilities: Borrowings and lease liabilities £m	Liabilities: Deposits from reinsurers £m	Equity[1]: Changes in equity £m	Total £m
	Note 30	Note 31		
Opening balance at 1 January 2019	197	16	2,005	2,218
Cash flows from financing activities				
Liability related:				
Finance costs on external borrowings	(9)	(1)	–	(10)
Equity related:				
Dividends paid to ordinary equity holders of the Company	–	–	(92)	(92)
Payment of lease liabilities	(16)	–	–	(16)
Cash flows from financing activities	**(25)**	**(1)**	**(92)**	**(118)**
Other changes				
External debt interest accrual	4	–	–	4
Changes in lease liabilities	64	–	–	64
Other changes in liabilities	6	1	–	7
Liability related	74	1	–	75
Equity related	89	–	158	247
31 December 2019	335	16	2,071	2,422

[1]Full details of changes in equity are shown in the consolidated statement of changes in equity.

25: Share capital, capital redemption reserve and merger reserve

25(a): Share capital

Financial instruments issued are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue a variable number of own equity instruments. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. The parent Company's equity capital currently comprises 1,783,969,051 Ordinary Shares of 7p each with an aggregated nominal value of £124,877,834 (31 December 2019: 1,902,251,098 Ordinary Shares of 7p each with an aggregated nominal value of £133,157,577).

This note gives details of the Company's Ordinary Share capital and shows the movements during the year:

	Number of shares	Nominal value £m	Share premium £m
At 1 January 2019	1,902,251,098	133	58
At 31 December 2019	1,902,251,098	133	58
Shares cancelled through share buyback programme	(118,282,047)	(8)	–
At 31 December 2020	**1,783,969,051**	**125**	**58**

On 11 March 2020 the Company announced a share buyback programme to purchase shares up to a maximum value of £375 million, in order to reduce the share capital of the Company. The programme commenced on 11 March 2020 and will continue into 2021. During the year ended 31 December 2020, the Company acquired 118.3 million shares for a total consideration of £153 million and incurred additional costs of £4 million. The shares, which have a nominal value of £8 million, have subsequently been cancelled, giving rise to a capital redemption reserve of the same value as required by the Companies Act 2006. In December 2020, the committed remainder of £22 million was accrued as a liability against retained earnings.

25(b): Merger reserve

On 31 January 2018, the Group acquired the Skandia UK Limited group of entities from its then parent company Old Mutual plc. This comprised of seven Old Mutual plc group entities with a net asset value of £591 million. The transfer was effected by the issue of one share and with the balance giving rise to a merger reserve of £591 million in the consolidated statement of financial position, being the difference between the nominal value of the share issued by the parent company for the acquisition of the shares of the subsidiaries and the subsidiaries' net asset value. No debt was taken on as a result of this transaction. The most significant asset within these entities was a £566 million receivable which corresponded to an equivalent payable within the Group's consolidated statement of financial position. The net effect of this transaction for the Group was to replace a payable due to Old Mutual plc with equity.

Following the acquisition the Company allotted 315,731,886 bonus Ordinary Shares of £0.01 each to the existing shareholders of the Company (with any fractional entitlements arising to be aggregated and allotted to Old Mutual plc), with a total nominal value of £3 million. This had the effect of reducing the merger reserve by £3 million to £588 million at 31 December 2018.

This transaction attracted merger relief under section 612 of the Companies Act 2006.

During the year ended 31 December 2019, there was a partial repayment of the receivable and a subsequent dividend paid by Skandia UK Limited up to its parent Quilter plc. The resulting decrease in Skandia UK Limited's net asset value gave rise to a £439 million impairment of Quilter plc's investment in Skandia UK Limited and an associated release of the merger reserve reducing it to £149 million.

26: Share-based payments

During the year ended 31 December 2020, the Group participated in a number of share-based payment arrangements. This note describes the nature of the plans and how the share options and awards are valued.

26(a): Description of share-based payment arrangements

The Group operates the following share-based payment schemes with awards over Quilter plc shares: the Quilter plc Performance Share Plan, the Quilter plc Share Reward Plan, the Quilter plc Share Incentive Plan, and the Quilter plc Sharesave Plan.

The Old Mutual Wealth Phantom Share Reward Plan originally with awards over notional Old Mutual plc shares was transferred to awards over Quilter plc shares on 25 June 2018 and continues to the original vesting dates.

26: Share-based payments continued

26(a): Description of share-based payment arrangements continued

Scheme	Restricted shares	Conditional shares	Options	Other	Dividend entitlement[1]	Contractual life (years)	Typical service (years)	Performance (measure)
	Description of award					Vesting conditions		
Quilter plc Performance Share Plan	–	–	✓	–	✓	Up to 10	3	AP EPS CAGR[2] and Relative Total Shareholder Return
Quilter plc Performance Share Plan	–	✓	–	–	✓	Not less than 3	3	Conduct, Risk & Compliance Underpins
Quilter plc Share Reward Plan	–	✓	–	–	✓	Typically 3	3	–
Quilter plc Share Incentive Plan	✓	–	–	–	✓	Not less than 3	2	–
Quilter plc Sharesave Plan[3]	–	–	✓	✓	–	3½ – 5½	3 & 5	–
Old Mutual Wealth Phantom Share Reward Plan[4]	–	✓	–	–	✓	Typically 3	3	–
Charles Derby Group Performance Share Plan	–	–	✓	–	✓	Up to 10	5	AP EPS CAGR

[1]Participants are entitled to actual dividends for the Share Incentive Plan. For all other schemes, participants are entitled to dividend equivalents.
[2]Adjusted Profit compound annual growth rate ("CAGR").
[3]The Quilter plc Sharesave Plan is linked to a savings plan.
[4]Awards granted under the Phantom Share Reward Plan prior to the demerger of Quilter plc were made over notional Ordinary Shares in Old Mutual plc that were settled in cash on the vesting date. Upon the demerger and listing of Quilter plc, all unvested notional share awards were converted to conditional awards over Ordinary Shares in Quilter plc, which will be settled in Quilter plc shares on the normal vesting dates.

26(b): Reconciliation of movements in options

The movement in options outstanding under the Performance Share Plans and Sharesave Plan arrangements during the year is detailed below:

Options over Shares (London Stock Exchange)	Year ended 31 December 2020 Number of options	Year ended 31 December 2020 Weighted average exercise price	Year ended 31 December 2019 Number of options	Year ended 31 December 2019 Weighted average exercise price
Outstanding at beginning of the year	24,707,734	£0.65	2,468,964	£0.00
Granted during the year	3,016,429	£0.00	23,632,437	£0.73
Forfeited during the year	(976,874)	£0.85	(624,694)	£0.30
Exercised during the year	(620,349)	£0.51	(175,789)	£0.00
Expired during the year	(287,816)	£1.25	(39,120)	£1.25
Cancelled during the year	(941,029)	£1.25	(554,064)	£1.25
Outstanding at end of the year	**24,898,095**	**£0.54**	**24,707,734**	**£0.65**
Exercisable at end of the year	**–**	**–**	**–**	**–**

The weighted average fair value of options at the measurement date for options granted during the year ended 31 December 2020 is £0.95, and for the year ended 31 December 2019 was £0.73.

The options outstanding at 31 December 2020 have exercise prices of £nil for both the Quilter plc Performance Share Plan and Charles Derby Group Performance Share Plan, and £1.25 for the Quilter plc Sharesave Plan, with a weighted average remaining contractual life of 1.8 years. At 31 December 2019 the exercise price was £nil for both the Quilter plc Performance Share Plan and Charles Derby Group Performance Share Plan, and £1.25 for the Quilter plc Sharesave Plan, with a weighted average remaining contractual life of 2.7 years.

26(c): Measurements and assumptions

In determining the fair value of equity-settled share-based awards and the related charge to the income statement, the Group makes assumptions about future events and market conditions. Specifically, management makes estimates of the likely number of shares that will vest and the fair value of each award granted which is valued and 'locked in' at the grant date.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted.
The estimate of fair value of share options granted is measured using either a Black-Scholes option pricing model or a Monte Carlo simulation.

26: Share-based payments continued
26(c): Measurements and assumptions continued

The inputs used in the measurement of fair values at the grant date for awards granted during 2020 were as follows:

Scheme	Weighted average share price £	Weighted average expected volatility	Weighted average expected life (years)	Weighted average risk free interest rate	Weighted average expected dividend yield	Expected forfeitures per annum
Quilter plc Performance Share Plan – Share Options (Nil cost options)	1.17	35.1%	3.00	0.1%	0.0%	4%
Quilter plc Performance Share Plan – Conditional Shares	1.17	35.1%	3.02	0.1%	0.0%	4%
Quilter plc Share Reward Plan – Conditional Shares	1.17	36.4%	2.00	0.1%	0.0%	4%

The expected volatility used was based on the historical volatility of the share price over the period for which trading history is available. The risk-free interest rate was based on the yields available on UK Government bonds as at the date of grant. The bonds chosen were those with a similar remaining term to the expected life of the share awards.

26(d): Share grants
The following summarises the fair value of Restricted Shares and Conditional Shares granted by the Group during the year:

	Year ended 31 December 2020		Year ended 31 December 2019	
Instruments granted during the year	Number granted	Weighted average fair value	Number granted	Weighted average fair value
Quilter plc Performance Share Plan – Conditional Shares	4,911,597	£1.17	4,048,663	£1.39
Quilter plc Share Reward Plan – Conditional Shares	13,471,153	£1.17	10,314,569	£1.39

26(e): Financial impact
The share-based payment reserve of £42 million (2019: £45 million) represents the cumulative expense of the Group for the unsettled portion of equity awarded schemes.

The total expense recognised in the year arising from equity compensation plans was as follows:

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Expense arising from equity-settled share and share option plans – continuing operations	25	25
Expense arising from equity-settled share and share option plans – discontinued operations	–	1
Total expense arising from share and share option plans	25	26

27: Investment contract liabilities

The following table provides a summary of the Group's investment contract liabilities:

	31 December 2020 £m			31 December 2019 £m		
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
Carrying amount at 1 January	**52,455**	**–**	**52,455**	**56,450**	**(1,671)**	**54,779**
From continuing operations						
Fair value movements	2,632	–	2,632	5,091	–	5,091
Investment income	696	–	696	719	–	719
Movements arising from investment return	3,328	–	3,328	5,810	–	5,810
From discontinued operations						
Fair value movements	–	–	–	1,427	(205)	1,222
Investment income	–	–	–	142	–	142
Movements arising from investment return	–	–	–	1,569	(205)	1,364
Contributions received	4,871	–	4,871	5,718	1,148	6,866
Maturities	(97)	–	(97)	(166)	–	(166)
Withdrawals and surrenders	(3,226)	–	(3,226)	(7,419)	–	(7,419)
Claims and benefits	(59)	–	(59)	(205)	–	(205)
Other movements	2	–	2	2	(1)	1
Change in liability	**4,819**	**–**	**4,819**	**5,309**	**942**	**6,251**
Currency translation loss/(gain)	133	–	133	(121)	–	(121)
Disposal of subsidiaries	–	–	–	(9,183)	729	(8,454)
Investment contract liabilities	**57,407**	**–**	**57,407**	**52,455**	**–**	**52,455**

For unit-linked investment contracts, movements in asset values are offset by corresponding changes in liabilities, limiting the net impact on profit.

The benefits offered under the unit-linked investment contracts are based on the risk appetite of policyholders and the return on their selected investments and collective fund investments, whose underlying investments include equities, debt securities, property and derivatives. This investment mix is unique to individual policyholders.

The maturity value of these financial liabilities is determined by the fair value of the linked assets at maturity date. There will be no difference between the carrying amount and the maturity amount at maturity date.

The reinsurers' share of policyholder liabilities relating to investment contract liabilities reduced to £nil in 2019 due to the disposal of QLA.

For unit-linked business, the unit liabilities are determined as the value of units credited to policyholders. Since these liabilities are determined on a retrospective basis, no assumptions for future experience are required. Assumptions for future experience are required for unit-linked business in assessing whether the total of the contract costs asset and contract liability is greater than the present value of future profits expected to arise on the relevant blocks of business (the "recoverability test"). If this is the case, then the contract costs asset is restricted to the recoverable amount. For linked contracts, the assumptions are on a best estimate basis.

Following the sale of QLA in 2019 (see note 6(b)) the Group no longer has any pure insurance contracts. Within the Group's International business, insurance contracts are unbundled. The insurance component does not give rise to any future liabilities and the deposit component is presented in investment contract liabilities. As a result, the Group no longer has any insurance liabilities or reinsurance assets. In the year ended 31 December 2020 unbundled insurance premiums of £1 million (31 December 2019: £1 million) are offset by £(1) million (31 December 2019: £(1) million) of premiums ceded to reinsurers.

28: Provisions

31 December 2020	Compensation provisions £m	Sale of QLA £m	Sale of Single Strategy business £m	Clawback and other provisions £m	Total £m
Balance at beginning of the year	31	6	10	17	64
Additions from business combinations	12	–	–	–	12
Charge to income statement	10	–	–	1	11
Utilised during the year	(5)	(3)	(1)	(4)	(13)
Unused amounts reversed	(6)	–	(2)	(3)	(11)
Reclassification within statement of financial position[1]	–	–	–	14	14
Balance at 31 December 2020	**42**	**3**	**7**	**25**	**77**

31 December 2019	Compensation provisions £m	Sale of QLA £m	Sale of Single Strategy business £m	Clawback and other provisions £m	Total £m
Balance at beginning of the year	54	–	20	20	94
Adjustment on initial application of IFRS 16	–	–	–	(5)	(5)
Additions from business combinations	14	–	–	1	15
Charge to income statement[2]	9	6	1	7	23
Utilised during the year	(19)	–	(11)	(1)	(31)
Unused amounts reversed	(13)	–	–	(4)	(17)
Disposals	(11)	–	–	(1)	(12)
Reclassification within statement of financial position	(3)	–	–	–	(3)
Balance at 31 December 2019	31	6	10	17	64

[1]Clawback provision was disclosed on a net basis in 2019. In 2020 the balance has been reclassified, with the liability due to product providers on indemnity commission disclosed within provisions and the recoverable amount from brokers disclosed within receivables.
[2]Part of the charge to income statement in 2019 is included within the discontinued operations income statement.

Compensation provisions

Compensation provisions total £42 million (31 December 2019: £31 million), and are comprised of the following:

Lighthouse pension transfer advice provision of £28 million (31 December 2019: £12 million)

A provision for pension transfer advice was established within the fair value of the Lighthouse assets and liabilities acquired. As at 31 December 2019, the provision related to approximately 30 complaints received on advice provided by Lighthouse in respect of pension transfers for British Steel Pension Scheme members, prior to the Group's acquisition of Lighthouse in June 2019. All the complaints received related to transfers before that date.

During 2020, the FCA reported the results of their thematic review into the general market of pension transfers, which included British Steel pension transfers. The FCA review determined that the percentage of unsuitable files for British Steel transfers was higher than those for other pension scheme transfers in their sample. The FCA review included a sample of British Steel pension transfer advice provided by Lighthouse. Additionally, approximately 45 further complaints have been received from British Steel Pension Scheme members subsequent to the publication of the Group's 2019 Annual Report. As such, the Group has extended the provision to include consideration of the full population of 265 British Steel transfers on which Lighthouse advisers provided advice and the relevant customers proceeded to make a transfer, in order to determine a more reliable approximation of the estimated redress payable.

In April 2020, the Group was informed by the FCA that it would be required to appoint a skilled person to review the British Steel pension transfers. A skilled person has been appointed, and they have performed provisional redress calculations on a significant portion of the British Steel complaints received by Lighthouse where the advice given was not suitable. The redress calculated on the complaints has been extrapolated to the entire population of British Steel transfers, by subdividing the population into cohorts with similar characteristics, including dividing into transfers pre and post June 2017 when the Trustees of the British Steel Pension Scheme changed the basis on which transfer values were calculated. The timing of any benefits withdrawn by the member after the transfer also has an impact upon the redress calculated. The estimated redress per client as a proportion of the transfer value of the pensions was determined for each cohort and extrapolated to the overall population of cases where advice was provided, and that advice was then acted upon. The methodology employed to assess the calculated redress payable uses assumptions and estimation techniques which are consistent with principles under the FCA's FG17/9 "*Guidance for firms on how to calculate redress for unsuitable defined benefit pension transfers*".

28: Provisions continued
Compensation provisions continued

A total provision of £28 million (31 December 2019: £12 million) has been calculated for the potential redress of all British Steel cases, including anticipated costs associated with the redress activity. This is comprised of two parts:

(a) Client redress provision of £25 million (31 December 2019: £9 million). As noted above, this provision was increased during 2020 following the publication of the FCA thematic review and additional client complaints received.
(b) Anticipated costs associated with redress activity of £3 million (31 December 2019: £3 million). This provision is recognised in respect of the anticipated costs of legal and professional fees related to the cases and redress process, which includes the expected costs to review advice provided of a similar nature in relation to cases that management believe may have similar characteristics. £1 million of the legal and professional fees provision has been utilised during the year, and the provision was increased by a further £1 million during the year.

The recognition of the total provision before utilisation of £29 million has been further apportioned between the fair value of net assets of Lighthouse at acquisition and the expenses of the Group:

(a) £24 million (31 December 2019: £12 million) is recognised within the fair value of net assets acquired and impacts the goodwill balance recognised upon acquisition.
(b) The increase in the provision subsequent to acquisition of £5 million has been recognised within expenses of the Group.

The table below shows the change in this provision and how the amounts have been recognised:

	Notes	31 December 2020 £m	Utilised during the year £m	Balance before utilisation £m	Increase in 2020 £m	31 December 2019 £m
Client redress provision		25	–	25	16	9
Anticipated costs		3	(1)	4	1	3
Total Lighthouse pension transfer advice complaints provision		**28**	(1)	29	17	12
Recognised within fair value of acquired net assets	6(a)	24		24	12	12
Recognised within expenses	7(b)(vi)	5		5	5	–

Additionally, the recognition of the fair value of acquired assets has been increased by management's estimate of the fair value of the insurance recoverable of £3 million and the deferred tax asset receivable of £2 million (both described in note 6(a)) which, taken together with the £12 million increase in client redress provision described above, results in a net decrease of £7 million to the fair value of the acquired net assets, which has been recognised as an increase in the goodwill balance in the year ending 31 December 2020.

Management has not changed the £3 million insurance recoverable that has been included in the fair value of the acquired net assets of Lighthouse. Discussion with insurers is ongoing and management will review the recoverable amount as and when they receive further certainty. The insurance asset at 31 December 2020 is disclosed within "Trade, other receivables and other assets".

The final costs of redress for cases upheld will depend on specific calculations on a case-by-case basis, which are impacted by market movements and other parameters affecting the defined contribution scheme asset, and therefore exposed to volatility from this, and may vary from the amounts currently provided. The skilled person review is expected to conclude in the second half of 2021, after which settlements to customers will be made.

The key assumptions which have an impact upon the redress payable calculation are the discount rate, changes in market levels and proportion of cases where redress is estimated to be payable. For the purpose of the redress calculation, changes in the discount rate impact the valuation of the defined benefit ("DB") scheme at the reporting date, and market level changes impact the valuation of the personal pension scheme for each client.

The following table presents the potential change to the provision balance at 31 December 2020 as a result of movements in the key assumptions:

	31 December 2020 £m	
	Increase	**Decrease**
Change in discount rate to value the DB pension liability of 0.25%	(4)	4
Change in market levels of 5%	(2)	2
Change in number of cases upheld of 10%	1	(1)

A further assumption which has an impact upon the provision is the timing of benefits taken. The uncertainty regarding the timing of benefits taken by each member for the cases not yet determined by the skilled person has a potentially material future impact upon the provision. The range of outcomes for the provision, including anticipated costs, varies from £25 million to £36 million at each extremity of possible timing of benefits taken.

28: Provisions continued
Compensation provisions continued

Compensation provisions (other) of £14 million (31 December 2019: £19 million)
Other compensation provisions of £14 million are all held within the Group's continuing operations and include amounts relating to the cost of correcting deficiencies in policy administration systems, including restatements, any associated litigation costs and the related costs to compensate previous or existing policyholders and customers. This provision represents management's best estimate of expected outcomes based upon previous experience, and a review of the details of each case. Due to the nature of the provision, the timing of the expected cash outflows is uncertain. The best estimate of timing of outflows is that the majority of the balance is expected to be settled within 12 months. Estimates are reviewed annually and adjusted as appropriate for new circumstances. Management estimate a reasonably possible change of +/- £4 million, based upon a review of the cases and the range of potential outcomes.

Provisions arising on the disposal of Quilter Life Assurance
The QLA business was sold on 31 December 2019 (see note 6(c)), resulting in a number of provisions totalling £6 million being established in respect of the costs of disposing the business and the related costs of business separation.

The costs of business separation arise from the process to separate QLA's infrastructure, which is complex and covers a wide range of areas including people, IT systems, data, contracts and facilities. A programme team has been established to ensure the transition of these areas to the acquirer. These provisions have been based on external quotations and estimations, together with estimates of the time required for incremental resource costs to achieve the separation.

The most significant element of the provision is the cost of migration of IT systems and data to the acquirer. Work has taken place during 2020 and will continue into 2021. Calculation of the provision is based on management's best estimate of the work required, the time it is expected to take, the number and skills of the staff required and their cost, and the cost of related external IT services to support the work. In reaching these judgements and estimates, management have made use of their past experience of previous IT migrations following business disposals. Management estimate a reasonably possible change of +/- £1 million, based upon the time it takes to complete the work, which is expected to conclude in 2021.

During the year £3 million of the provision has been utilised.

Sale of Single Strategy Asset Management business provision
In 2018, a restructuring provision was recognised as a result of the sale of the Single Strategy Asset Management business to enable the remaining Quilter Investors business to function as a standalone operation going forward. The provision includes those costs directly related to replacing and restoring the operational capability that previously underpinned and supported both parts of the asset management business. Key parts of this capability had either been disposed of or disrupted as a consequence of the sale. The provision established for restructuring was £19 million, of which £5 million was utilised during 2018 and a further £11 million utilised in 2019. During 2020, further utilisation of £1 million has been incurred, and £2 million has been reversed, and therefore the provision at year end 31 December 2020 is £nil.

Additional provisions totalling £6 million were also made in the year ended 31 December 2018 as a consequence of the sale of the Single Strategy Asset Management business. These were in relation to various sale related future commitments, the outcome of which was uncertain at the time of the sale and the most significant of which is in relation to the guarantee of revenues for the seller in future years arising from funds invested by customers of Quilter. A further £1 million was added to the provision during 2019, bringing the closing balance to £7 million at 31 December 2019. The balance remains at £7 million at 31 December 2020.

The provision considers sensitivities including potential scenarios which would result in a reduction in Group assets under management held in Merian (Single Strategy Asset Management business) funds, leading to a reduction in the management fees paid to Merian. The scenarios are based upon assumptions determined considering historical outflows over the past three years, expectation of outflows in the next two years and the latest information received from Merian. Per the conditions of the sale agreement, the maximum remaining potential exposure is £17 million, based on business periods between 2020 and 2022. The expected range of payments based upon the latest information received from Merian and management's reasonable expectations of AUM invested within Merian funds during the assessment periods is between £5 million to £12 million.

Of the total £7 million provision outstanding, £2 million is expected to be settled in the first half of 2021 related to the 2020 measurement year, and the remaining £5 million (2019: £3 million) is estimated to be payable after one year, with expected final settlement due in the first half of 2023.

Clawback and other provisions
Other provisions include amounts for the resolution of legal uncertainties and the settlement of other claims raised by contracting parties and indemnity commission provisions. Where material, provisions and accruals are discounted at discount rates specific to the risks inherent in the liability. The timing and final amounts of payments in respect of some of the provisions, particularly those in respect of litigation claims and similar actions against the Group, are uncertain and could result in adjustments to the amounts recorded.

28: Provisions continued
Clawback and other provisions continued

Included within the balance in 2020 is £18 million of clawback provisions in respect of potential refunds due to product providers on indemnity commission, within the Quilter Financial Planning business. This provision, which is estimated and charged as a reduction of revenue on the income statement at the point of sale of each policy, is based upon assumptions determined from historical experience of the proportion of policyholders cancelling their policies, which requires Quilter to refund a portion of commission previously received. Reductions to the provision result from the payment of cash to product providers as refunds or the recognition of revenue where a portion of the provision is assessed as no longer payable. The provision has been assessed at the reporting date and adjusted for the latest cancellation information available. At 31 December 2020, an associated balance of £13 million recoverable from brokers is included within "Trade, other receivables and other assets". At 31 December 2019 the associated asset of £14 million was offset within the provision balance.

Management estimate a reasonably possible change of +/- £6 million, based upon the potential range of outcomes for the proportion of cancelled policies within the clawback provision, and a detailed review of the other provisions.

Of the total £25 million provision outstanding, £13 million is estimated to be payable within one year (2019: £17 million).

29: Tax assets and liabilities
Deferred income taxes are calculated on all temporary differences at the tax rate applicable to the jurisdiction in which the timing differences arise and are all non-current.

Deferred tax summary

	31 December 2020 £m	31 December 2019 £m
Deferred tax assets	78	43
Deferred tax liabilities	106	88
Net deferred tax liability	**28**	**45**

On the 3 March 2021 the Chancellor of the Exchequer announced in the Budget a future increase in the Corporation Tax rate from 19% to 25%, effective from 1 April 2023. The change in rate has not yet been substantially enacted but had it been at 31 December 2020 the impact on the deferred tax assets and liabilities would be a decrease in the net deferred tax liabilities of £5 million.

29(a): Deferred tax assets
Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable, being where, on the basis of all available evidence, it is considered more likely than not that there will be suitable taxable profits against which the reversal of the deferred tax asset can be deducted.

The movement on recognised deferred tax assets is as follows:

31 December 2020	At beginning of the year £m	Income statement (charge)/ credit £m	(Charged)/ credited to equity £m	Acquisition /disposal of subsidiaries £m	At end of the year £m
Tax losses carried forward	19	(4)	–	–	15
Accelerated depreciation	19	–	–	–	19
Accrued interest expense and other temporary differences	3	38	–	–	41
Share-based payments	8	1	–	–	9
Deferred expenses	7	(1)	–	–	6
Provisions	–	1	–	–	1
Netted against liabilities	(13)	–	–	–	(13)
Deferred tax assets at 31 December 2020	**43**	**35**	**–**	**–**	**78**

29: Tax assets and liabilities continued

29(a): Deferred tax assets continued

31 December 2019	At beginning of the year £m	Income statement (charge)/ credit £m	(Charged)/ credited to equity £m	Acquisition/ disposal of subsidiaries £m	At end of the year £m
Tax losses carried forward	19	(1)	–	1	19
Accelerated depreciation	13	6	–	–	19
Other temporary differences	4	(3)	2	–	3
Share-based payments	4	4	–	–	8
Contract liabilities	2	(1)	–	(1)	–
Deferred expenses	35	(15)	–	(13)	7
Netted against liabilities	(39)	12	–	14	(13)
Deferred tax assets at 31 December 2019	38	2	2	1	43

The credit to the income statement of £(38) million in 2020 in respect of Accrued interest expense and other temporary differences includes a credit of £(39) million relating to first time recognition of a deferred tax asset on accrued interest expenses, as explained in note 11(a).

The recognition of deferred tax assets is subject to the estimation of future taxable profits, which is based on the annual business planning process and in particular on estimated levels of assets under management, which are subject to a large number of factors including global stock market movements and related movements in foreign exchange rates, together with estimates of net client cash flow, expenses and other charges.

The business plan, adjusted for known and estimated tax sensitivities, is used to determine the extent to which deferred tax assets are recognised. In general the Group assesses recoverability based on estimated taxable profits over a three year planning horizon. Where credible longer-term profit forecasts are available (e.g. for the life insurance companies) the specific entity may assess recoverability over a longer period, subject to a higher level of sensitivity testing.

Deferred tax assets have been recognised to the extent they are supported by the Group's business plans. The sensitivity of these assets is such that any decrease in profitability over the assessment period would result in a write down in the deferred tax assets.

Unrecognised deferred tax assets

The amounts for which no deferred tax asset has been recognised comprises:

	31 December 2020 £m		31 December 2019 £m	
	Gross amount	Tax	Gross amount	Tax
Expiring in less than a year	–	–	–	–
Expiring between one and five years	–	–	–	–
Expiring after five years	780	146	472	80
Unrelieved tax losses	780	146	472	80
Accelerated depreciation	–	–	28	5
Other timing differences	5	1	7	2
Total unrecognised deferred tax assets	**785**	**147**	**507**	**87**

Movements in unrecognised deferred tax assets

The value of unrecognised deferred tax assets has increased by £60 million during the year. This is primarily as a result of the increase in losses related to the Group's Managed Separation from previous parent (Old Mutual plc) under the terms of the Separation Agreement.

29: Tax assets and liabilities continued

29(b): Deferred tax liabilities

The movement on deferred tax liabilities is as follows:

31 December 2020	At beginning of the year £m	Income statement (credit)/ charge £m	Acquisition/ disposal of subsidiaries £m	At end of the year £m
Other acquired intangibles	39	(4)	1	36
Other temporary differences	–	4	(2)	2
Investment gains	62	19	–	81
Netted against assets	(13)	–	–	(13)
Deferred tax liabilities at 31 December 2020	**88**	**19**	**(1)**	**106**

31 December 2019	At beginning of the year £m	Income statement (credit)/ charge[1] £m	Acquisition/ disposal of subsidiaries £m	At end of the year £m
Deferred acquisition costs	11	(3)	(8)	–
Other acquired intangibles	40	(8)	7	39
Other temporary differences	1	(1)	–	–
Investment gains	46	92	(76)	62
Netted against assets	(39)	12	14	(13)
Deferred tax liabilities at 31 December 2019	59	92	(63)	88

[1]In the year ended 31 December 2019, of the £92 million income statement credit, £41 million relates to continuing operations and £51 million relates to discontinued operations.

29(c): Current tax receivables and payables

Current tax receivables and current tax payables at 31 December 2020 were £24 million (2019: £13 million) and £1 million (2019: £6 million), respectively.

30: Borrowings and lease liabilities

The following table analyses the Group's borrowings and lease liabilities:

	Notes	31 December 2020 £m	31 December 2019 £m
Subordinated debt: fixed rate loan at 4.478%	30(a)	199	198
Lease liabilities	30(b)	120	137
Total borrowings and lease liabilities		**319**	**335**

30(a): Borrowings

Borrowed funds are repayable on demand and categorised in terms of IFRS 9 *Financial Instruments* as "Financial liabilities at amortised cost". The carrying value of the Group's borrowings is considered to be materially in line with the fair value. All amounts outstanding at 31 December 2020 are payable to a number of relationship banks.

On 28 February 2018, the Group issued a £200 million subordinated debt security in the form of a 10-year Tier 2 bond with a one-time issuer call option after five years to J.P. Morgan Securities plc, paying a semi-annual coupon of 4.478% (the "Tier 2 Bond"). The bond was remarketed and sold to the secondary market in full on 13 April 2018. It is now listed and regulated under the terms of the London Stock Exchange. The bond matures in 2028 with the option to redeem in 2023.

In addition, the Group entered into a £125 million revolving credit facility which remains undrawn and is being held for contingent funding purposes.

30(b): Lease liabilities

The Group has entered into commercial non-cancellable leases on certain property, plant and equipment where it is not in the best interest of the Group to purchase these assets. Such leases have varying terms, escalation clauses and renewal rights.

Termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of termination options held are exercisable only by the Group and not by the respective lessor.

30: Borrowings and lease liabilities continued
30(b): Lease liabilities continued

As at 31 December 2020, future undiscounted cash outflows of £22 million (2019: £26 million) have been included in the lease liability which will occur beyond termination option dates on three of the Group's principal property leases, as it is reasonably certain that these leases will not be terminated. The lease term is reassessed if an option is exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

During the year, certain lease terms were reassessed to reflect the expectation that termination options will now be exercised. The financial effect of this reassessment was a decrease in recognised lease liabilities and right-of-use assets of £7 million (2019: £nil). These are the only significant property leases where the term is modelled up to a termination option date.

Lease liabilities represent the obligation to pay lease rentals as required by IFRS 16 and are categorised as financial liabilities at amortised cost.

	31 December 2020 £m	31 December 2019 £m
Opening balance	137	–
Implementation of IFRS 16	–	89
Acquisitions through business combinations	–	1
Additions[1]	6	60
Disposals and adjustments to lease liabilities	(11)	–
Interest charge for the year	4	3
Payment for interest portion of lease liability	(2)	(3)
Payment for principal portion of lease liability	(14)	(13)
Closing balance	**120**	**137**
To be settled within 12 months	9	13
To be settled after 12 months	111	124
Total lease liabilities	**120**	**137**
Maturity analysis[2]		
Within one year	11	15
One to five years	57	50
More than five years	75	99
Total lease liabilities – undiscounted	**143**	**164**

[1]The majority of additions during 2019 relate to the lease for Senator House, the Group's new London property.
[2]The maturity analysis of lease liabilities is on an undiscounted basis.

31: Trade, other payables and other liabilities

	31 December 2020 £m	31 December 2019 restated[1] £m
Claims outstanding	131	182
Amounts owed to intermediaries	8	11
Amounts payable on direct insurance business	139	193
Deposits received from reinsurers	–	16
Accounts payable on reinsurance business	–	1
Outstanding settlements	255	270
Accruals and deferred income	111	160
Trade creditors	41	41
Deferred consideration	16	39
Other liabilities[1]	110	81
Total trade, other payables and other liabilities	**672**	**801**
To be settled within 12 months[1]	666	797
To be settled after 12 months	6	4
Total trade, other payables and other liabilities	**672**	**801**

[1]See note 4(b) for details of changes to comparative amounts.

32: Contract liabilities

Contract liabilities relate to non-refundable front-end fee income, comprising fees received at inception or receivable over an initial period for services not yet provided, and is deferred through the creation of a contract liability on the statement of financial position and released to income as the services are provided. Equal service provision is assumed over the lifetime of the contract and, as such, the contract liability is amortised on a linear basis over the expected life of the contract, adjusted for expected persistency. The contract liability principally comprises fee income already received in cash. The table below analyses the movements in contract liabilities.

	Insurance and Investments £m	Asset Management £m	Total £m
1 January 2019 (as originally stated)	225	1	226
Fee income receivable reclassification[1]	230	–	230
1 January 2019 restated[1]	455	1	456
Fees and commission income deferred	44	–	44
Amortisation	(62)	(1)	(63)
Foreign exchange	(3)	–	(3)
Continuing operations movements	(21)	(1)	(22)
Discontinued operations movements	(8)	–	(8)
Disposal of subsidiaries	(23)	–	(23)
31 December 2019 restated[1]	403	–	403
Fees and commission income deferred	35	–	35
Amortisation	(62)	–	(62)
Foreign exchange	3	–	3
Continuing operations movements	(24)	–	(24)
31 December 2020	379	–	379

	31 December 2020 £m	31 December 2019 restated[1] £m
The Group expects to recognise the above contract liability balances as revenue in the following years:		
Within one year	61	60
One to five years	184	192
More than five years	134	151
Total contract liabilities	**379**	**403**

[1]See note 4(b) for details regarding the restatement of the Group's fee income receivable.

33: Post-employment benefits
The Group operates a number of defined contribution and defined benefit pension schemes in the UK, the Channel Islands and Ireland.

Defined contribution pension schemes
The Group's defined contribution schemes require contributions to be made to funds held in trust, separate from the assets of the Group. Participants receive either a monthly pension supplement to their salaries or contributions to personal pension plans. For the defined contribution schemes, the Group pays contributions to separately administered pension schemes. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised in current service cost in the consolidated income statement as staff costs and other employee-related costs when they are due.

Defined benefit schemes
The Group operates two defined benefit schemes: The Quilter Cheviot Limited Retirement Benefits Scheme and the Quilter Cheviot Channel Islands Retirement Benefits Scheme which are both closed to new members. The assets of these schemes are held in separate trustee administered funds. Pension costs and contributions relating to defined benefit schemes are assessed in accordance with the advice of qualified actuaries. Actuarial advice confirms that the current level of contributions payable to each pension scheme, together with existing assets, are adequate to secure members' benefits over the remaining service lives of participating employees. The Group's policy is to fund at least the amounts sufficient to meet minimum funding requirements under applicable employee benefit and tax regulations. The schemes are reviewed at least on a triennial basis or in accordance with local practice and regulations. In the intervening years the actuary reviews the continuing appropriateness of the assumptions applied.

In 2019, the Trustees of the Quilter Cheviot Limited Retirement Benefits scheme purchased a bulk annuity from Aviva to de-risk the defined benefit pension scheme obligation. This investment strategy was intended to equally match the assets and liabilities of the scheme. This covers all remaining insured scheme benefits following previous bulk annuity transactions in 2013, 2014 and 2015. The Group injected a capital contribution of £7 million to effect this transaction.

Further details explaining the considerations behind the Group's decision to fund the buy-in are included in the 2019 Annual Report.

IAS 19 Employee Benefits disclosures
This note gives full IAS 19 *Employee Benefits* disclosures for the above schemes.

33(a): Liability for defined benefit obligations
The IAS 19 value of the assets and the scheme obligations are as follows:

	31 December 2020 £m	31 December 2019 £m
Changes in retirement benefit obligations		
Total IAS 19 retirement benefit obligation opening balance	(38)	(44)
Interest cost on benefit obligation	(1)	(1)
Effect of changes in actuarial assumptions	–	(2)
Actuarial losses	(4)	(6)
Benefits paid	2	15
Total IAS 19 retirement benefit obligations closing balance	**(41)**	**(38)**
Change in plan assets		
Total IAS 19 fair value of scheme assets opening balance	39	56
Actual return on plan assets	5	(8)
Company contributions	–	6
Benefits paid	(2)	(15)
Total IAS 19 fair value of scheme assets closing balance	**42**	**39**
Net IAS 19 asset recognised in statement of financial position		
Funded status of plan	1	1
Unrecognised assets	(1)	(1)
Net IAS 19 amount recognised in statement of financial position	**–**	**–**

33: Post-employment benefits continued

33(a): Liability for defined benefit obligations continued

Contributions for the year to the defined benefit schemes totalled £nil (2019: £6 million), and £1 million was accrued at 31 December 2020 (2019: £1 million). The Group expects to contribute £1 million in the next financial year, based upon the current funded status and the expected return assumption for the next financial year.

	31 December 2020 £m	31 December 2019 £m
Changes in the asset ceiling		
Opening unrecognised asset due to asset ceiling	1	12
Changes in asset ceiling	–	(11)
Closing unrecognised asset due to the asset ceiling	**1**	**1**

33(b): Income/expense recognised in the income statement

The total pension charge to staff costs for all of the Group's defined benefit schemes for the year ended 2020 was £nil (2019: £nil).

Actuarial gains and losses and the effect of the limit to the pension asset under IAS 19 *Employee Benefits* paragraph 58 have been reported in other comprehensive income.

The cumulative amount of actuarial losses recognised in other comprehensive income is £33 million (2019: £33 million).

Assumptions

The expected long-term rate of return on assets represents the Group's best estimate of the long-term return on the scheme assets and is generally estimated by computing a weighted average return of the underlying long-term expected returns on the different asset classes, based on the target asset allocations. The expected long-term return on assets is a long-term assumption that is generally expected to remain the same from one year to the next unless there is a significant change in the target asset allocation, the fees and expenses paid by the plan or market conditions.

The Group, in consultation with its independent investment consultants and actuaries, determined the asset allocation targets based on its assessment of business and financial conditions, demographic and actuarial data, funding characteristics and related risk factors. Other relevant factors, including industry practices, long-term historical and prospective capital market returns, were also considered.

The scheme return objectives provide long-term measures for monitoring the investment performance against growth in the pension obligations. The overall allocation is expected to help protect the plan's funded status while generating sufficiently stable real returns (net of inflation) to help cover current and future benefit payments.

Both the equity and fixed income portions of the asset allocation use a combination of active and passive investment strategies and different investment styles. The fixed income asset allocation consists of longer duration fixed income securities in order to help reduce plan exposure to interest rate variation and to better correlate assets with obligations. The longer duration fixed income allocation is expected to help stabilise plan contributions over the long run.

The weighted average duration of the defined benefit obligation is 20 years, based upon actual cash flows.

The following table presents the principal actuarial assumptions at the end of the reporting year:

	2020 %	2019 %
Discount rate	1.4	2.1
Rate of increase in defined benefit funds	3.5	3.5
Inflation	2.9	2.8

The mortality assumptions used give the following life expectancy at 65:

		Life expectancy at 65 for male member currently		Life expectancy at 65 for female member currently	
	Mortality table	Aged 65	Aged 45	Aged 65	Aged 45
31 December 2020	**S2PA Light**	**23.40**	**25.50**	**24.50**	**26.70**
31 December 2019	S2PA Light	23.40	25.40	24.40	26.70

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, inflation rate and rate of mortality.

33: Post-employment benefits continued

33(b): Income/expense recognised in the income statement continued

The sensitivities regarding the principal assumptions used to measure the defined benefit obligations are described below. Reasonably possible changes at the reporting date to one of the principal actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation as follows:

	31 December 2020 £m		31 December 2019 £m	
	Increase	Decrease	Increase	Decrease
Discount rate (0.1% movement)	(0.7)	0.7	(0.7)	0.7
Inflation rate (0.1% movement)	0.3	(0.3)	0.3	(0.3)
Rate of mortality (increase by 1 year)	1.7	–	1.6	–

33(c): Scheme assets allocation

Scheme assets are stated at their fair values. Total scheme assets are comprised as follows:

	31 December 2020 %	31 December 2019 %	31 December 2020 £m	31 December 2019 £m
Equity securities	7	4	3	2
Debt securities	93	94	39	36
Cash and other assets	–	2	–	1
Total IAS 19 fair value of scheme assets	**100**	**100**	**42**	**39**

Equity instruments, debt instruments and investment fund assets have a quoted market price. All other assets, including the value of the bulk annuity policy, do not have a quoted market price. The bulk annuity policy, where assets are matched to the value of liabilities, is included at values provided by the insurer in accordance with relevant guidelines.

34: Master netting or similar agreements

The Group offsets financial assets and liabilities in the statement of financial position when it has a legal, enforceable right to do so and intends to settle on a net basis simultaneously. Currently, the only such offsetting within the Group relates to the pooling of bank accounts and, in some circumstances a bank account may be overdrawn and therefore offset.

The following tables present information on the potential effect of netting offset arrangements after taking into consideration these types of agreements.

31 December 2020	Gross amounts £m	Amounts offset in the statement of financial position £m	Net amounts reported in the statement of financial position £m
Financial assets			
Cash and cash equivalents	1,999	(78)	1,921
Financial liabilities			
Trade, other payables and other liabilities	78	(78)	–

31 December 2019 (restated)[1]	Gross amounts £m	Amounts offset in the statement of financial position £m	Net amounts reported in the statement of financial position £m
Financial assets			
Cash and cash equivalents	2,331	(78)	2,253
Financial liabilities			
Trade, other payables and other liabilities	78	(78)	–

[1]See note 4(b) for details of changes to comparative amounts.

35: Contingent liabilities

The Group, in the ordinary course of business, enters into transactions that expose it to tax, legal and business risks. The Group recognises a provision when it has a present obligation as a result of past events, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made (see note 28). Possible obligations and known liabilities where no reliable estimate can be made or it is considered improbable that an outflow would result are reported as contingent liabilities in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Contingent liabilities – acquisitions and disposals

The Group routinely monitors and assesses contingent liabilities arising from matters such as litigation, warranties and indemnities relating to past acquisitions and disposals. In April 2020, the Group was informed by the FCA that it would be required to appoint a skilled person, under section 166(3)(a) of the Financial Services and Markets Act 2000 ("FSMA") in relation to Lighthouse Defined Benefit ("DB") pension transfer advice. The review covers Lighthouse Advisory Services Limited only, and no other companies within the Group. The review covers the period from 1 April 2015 to 27 January 2020, which is the date that Lighthouse converted to the Quilter Financial Planning advice process for their Defined Benefit transfer activity. The review will cover British Steel DB pension transfer advice activity undertaken by Lighthouse, and a representative sample of other Lighthouse DB pension transfer advice activity. The skilled person will also calculate redress, following the FCA's FG17/9 *"Guidance for firms on how to calculate redress for unsuitable defined benefit pension transfers"* guidance. The skilled person will also review the redress methodology applied by Lighthouse to any complaints already upheld. The skilled person's final report is expected to be submitted to the FCA in the third quarter of 2021.

For the British Steel cases, management currently consider that the likelihood of redress is probable on the majority of the cases, but this is subject to confirmation through the ongoing skilled person review process. An estimate of the amount of redress payable has been made and is included within Provisions in note 28. For the non-British Steel cases, it is possible that further costs of redress may be incurred following the outcome of the skilled person review. At present, there is no indication of redress payable in relation to non-British Steel cases. Any further redress costs related to non-British Steel cases, and any differences between the provision and final payment to be made for British Steel cases, will be recognised as an expense or credit in the Income Statement, following the finalisation of the acquisition balance sheet of Lighthouse in June 2020.

Tax

The Revenue authorities in the principal jurisdictions in which the Group operates routinely review historical transactions undertaken and tax law interpretations made by the Group. The Group is committed to conducting its tax affairs in accordance with the tax legislation of the jurisdictions in which they operate. All interpretations made by management are made with reference to the specific facts and circumstances of the transaction and the relevant legislation.

There are occasions where the Group's interpretation of tax law may be challenged by the Revenue authorities. The financial statements include provisions that reflect the Group's assessment of liabilities which might reasonably be expected to materialise as part of their review. The Board is satisfied that adequate provisions have been made to cater for the resolution of tax uncertainties and that the resources required to fund such potential settlements are sufficient.

Due to the level of estimation required in determining tax provisions, amounts eventually payable may differ from the provision recognised. This may include amounts relating to first time recognition of a deferred tax asset on accrued interest expenses, as explained in notes 11(a) and 29(a).

Complaints and disputes

The Group is committed to treating customers fairly and supporting its customers in meeting their lifetime goals. The Group does from time to time receive complaints and claims, and enters into commercial disputes with service providers, in the normal course of business. The costs, including legal costs, of these issues as they arise can be significant and, where appropriate, provisions have been established under IAS 37.

36: Commitments

The Group has contractual commitments in respect of funding arrangements which will be payable in future periods. These commitments are not recognised in the Group's statement of financial position.

37: Capital and financial risk management

37(a): Capital management

The Group manages its capital with a focus on capital efficiency and effective risk management. The capital management objectives are to maintain the Group's ability to continue as a going concern while supporting the optimisation of return relative to the risks. The Group ensures that it can meet its expected capital and financing needs at all times having regard to the Group's business plans, forecasts, strategic initiatives and regulatory requirements in all businesses in the Group. Capital forecasts have been reviewed regularly during 2020 in response to the emerging impacts of the COVID-19 pandemic which has evolved over the year and, where appropriate, management actions have been taken in response to these forecasts.

The Group's overall capital risk appetite is set with reference to the requirements of the relevant stakeholders and seeks to:
- maintain sufficient, but not excessive, financial strength to support stakeholder requirements;
- optimise debt to equity structure to enhance shareholder returns; and
- retain financial flexibility by maintaining liquidity including unutilised committed credit lines.

37: Capital and financial risk management continued
37(a): Capital management continued

The primary sources of capital used by the Group are equity shareholders' funds of £1,878 million (31 December 2019: £2,071 million) and subordinated debt which was issued at £200 million in February 2018. Alternative resources are utilised where appropriate. Risk appetite has been defined for the level of capital, liquidity and debt within the Group. The risk appetite includes long-term targets, early warning thresholds and risk appetite limits. The dividend policy sets out the target dividend level in relation to profits.

The regulatory capital for the Group is assessed under Solvency II requirements.

37(a)(i): Regulatory capital (unaudited)
The Group is subject to Solvency II group supervision by the PRA. The Central Bank of Ireland is Quilter's lead supervisor within the European Union and exercises a limited form of Solvency II group supervision over the Group. The Group is required to measure and monitor its capital resources under the Solvency II regulatory regime.

The Group's insurance undertakings are included in the Group solvency calculation on a Solvency II basis. Other regulated entities are included in the Group solvency calculation according to the relevant sectoral rules. The Group's Solvency II surplus is the amount by which the Group's capital on a Solvency II basis (own funds) exceeds the Solvency II capital requirement (solvency capital requirement or "SCR").

The Group's Solvency II surplus is £1,021 million at 31 December 2020 (2019: £1,168 million), representing a Solvency II ratio of 217% (2019: 221%) calculated under the standard formula. The Solvency II regulatory position for the year ended 31 December 2020 allows for the impact of the recommended final dividend payment of £61 million (2019: £64 million). The disclosure does not include the impact of Tranche 3 of the share buyback which had not been approved by the Group's regulators at the reporting date.

The Solvency II results for the year ended 31 December 2020 (unaudited estimate) and 31 December 2019 were as follows:

	31 December 2020[1] £m	31 December 2019[2] £m
Own funds	1,897	2,132
Solvency capital requirement (SCR)	876	964
Solvency II surplus	1,021	1,168
Solvency II coverage ratio	**217%**	**221%**

[1]Based on preliminary estimates. Filing of annual regulatory reporting forms due by 20 May 2021.
[2]As represented within the Quilter plc Group Solvency and Financial Condition Report for the year ended 31 December 2019.

The Group's own funds include the Quilter plc issued subordinated debt security which qualifies as capital under Solvency II. The composition of own funds by tier is presented in the table below.

Group own funds	31 December 2020 £m	31 December 2019 £m
Tier 1[1]	1,688	1,925
Tier 2[2]	209	207
Total Group Solvency II own funds	**1,897**	**2,132**

[1]All Tier 1 capital is unrestricted for tiering purposes.
[2]Comprises a Solvency II compliant subordinated debt security in the form of a Tier 2 bond, which was issued at £200 million in February 2018.

The Group's insurance subsidiaries based in the UK and Ireland are also subject to Solvency II at entity level. Other regulated entities in the Group are subject to the locally applicable entity-level capital requirements in the jurisdictions in which they operate. In addition, the Group's asset management and advice businesses are subject to group supervision by the FCA under the CRD IV regime.

The solvency and capital requirements for the Group and its regulated subsidiaries are reported and monitored through monthly Capital Management Forum meetings. Throughout 2020, the Group has complied with the regulatory capital requirements that apply at a consolidated level and Quilter's insurance undertakings and investment firms have complied with the regulatory capital requirements that apply at entity level.

37(a)(ii): Loan covenants

Under the terms of the revolving credit facility agreement, the Group is required to comply with the following financial covenant: the ratio of total net borrowings to consolidated equity shareholders' funds shall not exceed 0.5.

	Note	31 December 2020 £m	31 December 2019 £m
Total external borrowings of the Company	30	199	198
Less: cash and cash equivalents of the Company		(314)	(559)
Total net external borrowings of the Company		(115)	(361)
Total shareholders' equity of the Group		1,878	2,071
Tier 2 bond	30	199	198
Total Group equity (including Tier 2 bond)		2,077	2,269
Ratio of Company net external borrowings to Group equity		**-0.055**	**-0.159**

The Group has complied with the covenant since the facility was created in February 2018.

37(a)(iii): Own Risk and Solvency Assessment ("ORSA") and Internal Capital Adequacy Assessment Process ("ICAAP")

The Group ORSA process is an ongoing cycle of risk and capital management processes which provides an overall assessment of the current and future risk profile of the Group and demonstrates the relationship between business strategy, risk appetite, risk profile and solvency needs. These assessments support strategic planning and risk-based decision making.

The underlying ORSA processes cover the Group and consider how risks and solvency needs may evolve over the planning period. The ORSA includes stress and scenario tests, which are performed to assess the financial and operational resilience of the Group.

The Group ORSA report is produced annually and summarises the analysis, insights and conclusions from the underlying risk and capital management processes in respect of the Group. The ORSA report is submitted to the PRA as part of the normal supervisory process and may be supplemented by ad hoc assessments where there is a material change in the risk profile of the Group outside the usual reporting cycle.

In addition to the Group ORSA process, entity level ORSA processes are performed for each of the solo insurance entities within the Group.

The Group ICAAP process is similar to the ORSA process although the ICAAP process is performed for a subset of the Group consisting of the investment and advisory firms within the Group (the "ICAAP Group"). The Group ICAAP report is also produced annually and summarises the analysis, insights and conclusions from the underlying risk and capital management processes in respect of the ICAAP Group. The ICAAP report is submitted to the FCA as part of the normal supervisory process and may be supplemented by ad-hoc assessments where there is a material change in the risk profile of the ICAAP Group outside the usual reporting cycle.

The conclusions of ORSA and ICAAP processes are reviewed by management and the Board throughout the year.

37(b): Credit risk

Overall exposure to credit risk

Credit risk is the risk of adverse movements in credit spreads (relative to the reference yield curve), credit ratings or default rates leading to a deterioration in the level or volatility of assets, liabilities or financial instruments resulting in loss of earnings or reduced solvency. This includes counterparty default risk, counterparty concentration risk and spread risk.

The Group has established a Credit Risk Framework that includes a Credit Risk Policy, Credit Risk Standard and Credit Risk Appetite Statement. This framework applies to all activities where the shareholder is exposed to credit risk, either directly or indirectly, ensuring appropriate identification, measurement, management, monitoring and reporting of the Group's credit risk exposures.

The credit risk arising from all exposures is mitigated through ensuring the Group only enters into relationships with appropriately robust counterparties, adhering to the Group Credit Risk Policy. For each asset, consideration is given as to:

- the credit rating of the counterparty, which is used to derive the probability of default;
- the loss given default;
- the potential recovery which may be made in the event of default;
- the extent of any collateral that the firm has in respect of the exposures; and
- any second order risks that may arise where the firm has collateral against the credit risk exposure.

37: Capital and financial risk management continued

37(b): Credit risk continued

The credit risk exposures of the Group are monitored regularly to ensure that counterparties remain creditworthy, to ensure there is appropriate diversification of counterparties and to ensure that exposures are within approved limits. At 31 December 2020, the Group's material credit exposures were to financial institutions (primarily through the investment of shareholder funds), corporate entities (including external fund managers and reinsurers) and individuals (primarily through fund management trade settlement activities).

There is no direct exposure to European sovereign debt (outside of the UK) within the shareholder investments. The Group has no significant concentrations of credit risk exposure.

Other credit risks

The Group is exposed to financial adviser counterparty risk through a number of loans that it makes to its advisers and the payment of upfront commission on the sale of certain types of business. The risk of default by financial advisers is managed through monthly monitoring of loan and commission debt balances.

The Group is also exposed to the risk of default by fund management groups in respect of settlements and rebates of fund management charges on collective investments held for the benefit of policyholders. This risk is managed through the due diligence process which is completed before entering into any relationship with a fund group. Amounts due to and from fund groups are monitored for prompt settlement and appropriate action is taken where settlement is not timely.

Legal contracts are maintained where the Group enters into credit transactions with a counterparty.

Impact of credit risk on fair value

Due to the limited exposure that the Group has to credit risk, credit risk does not have a material impact on the fair value movement of financial instruments for the year under review. The fair value movements on these instruments are mainly due to changes in market conditions.

Maximum exposure to credit risk

The Group's maximum exposure to credit risk does not differ from the carrying value disclosed in the relevant notes to the financial statements.

Loans and advances subject to 12 month expected credit losses ("12 month ECL") are £31 million (2019: £37 million) and other receivables subject to lifetime expected credit losses ("lifetime ECL") are £525 million (2019 restated – see note 4(b)(i): £458 million). These balances are not rated; they represent the pool of counterparties that do not require a rating. These counterparties individually generate no material credit exposure and this pool is highly diversified, monitored and subject to limits.

Exposure arising from financial instruments not recognised on the statement of financial position is measured as the maximum amount that the Group would have to pay, which may be significantly greater than the amount that would be recognised as a liability. The Group does not have any significant exposure arising from items not recognised on the statement of financial position.

The table below represents the Group's exposure to credit risk from cash and cash equivalents.

	Credit rating relating to cash and cash equivalents that are neither past due nor impaired £m						
31 December 2020	**AAA**	**AA**	**A**	**BBB**	**<BBB**	**Not rated[1]**	**Carrying value**
Cash at amortised cost, subject to 12 month ECL	–	81	464	1	4	307	857
Money market funds at FVTPL	1,062	–	–	–	2	–	1,064
Total cash and cash equivalents	**1,062**	**81**	**464**	**1**	**6**	**307**	**1,921**

	Credit rating relating to cash and cash equivalents that are neither past due nor impaired £m						
31 December 2019 (restated)[2]	AAA	AA	A	BBB	<BBB	Not rated[1]	Carrying value
Cash at amortised cost, subject to 12 month ECL	–	272	511	2	2	307	1,094
Money market funds at FVTPL	1,156	–	–	3	–	–	1,159
Total cash and cash equivalents	**1,156**	**272**	**511**	**5**	**2**	**307**	**2,253**

[1] Cash included in the consolidation of funds is not rated (see note 24(a)).
[2] See note 4(b) for details of changes to comparative amounts.

Impairment allowance

Assets that are measured and classified at amortised cost are monitored for any expected credit loss ("ECL") on either a 12 month or lifetime ECL model. The majority of such assets within the Group are measured on the lifetime ECL model, with the exception of some specific loans that are on the 12 month ECL model.

Impairment allowance	£m
Balance at 1 January 2019	(0.9)
Additions due to increased broker loans	(0.3)
31 December 2019	(1.2)
Reduction due to reassessment of broker loans impairment modelling	0.4
31 December 2020	**(0.8)**

37(c): 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 loss of earnings or reduced solvency. Market risk arises from changes in equity, bond and property prices, interest rates and foreign exchange rates. Market risk arises differently across the Group's businesses depending on the types of financial assets and liabilities held.

The Group has a market risk policy which sets out the risk management framework, permitted and prohibited market risk exposures, maximum limits on market risk exposures, management information and stress testing requirements which are used to monitor and manage market risk. The policy is cascaded to the businesses across the Group, and Group level governance and monitoring processes provide oversight of the management of market risk by the individual businesses.

The Group does not undertake any principal trading for its own account. The Group's revenue is however affected by the value of assets under management and consequently it has exposure to equity market levels and economic conditions. Scenario testing is undertaken to test the resilience of the business to severe but plausible events, including assessment of the potential implications of climate related risks and opportunities, and to assist in the identification of management actions.

37(c)(i): Equity and property price risk

In accordance with the market risk policy, the Group does not generally invest shareholder assets in equity or property, or related collective investments, except where the exposure arises due to:
- mismatches between unitised fund assets and liabilities. These mismatches are permitted, subject to maximum limits, to avoid excessive dealing costs; and
- seed capital investments. Seed capital is invested within new unit-linked funds at the time when these funds are launched. The seed capital is then withdrawn from the funds as policyholders invest in the funds.

The above exposures are not material to the Group.

The Group derives fees (e.g. annual management charges) and incurs costs (e.g. adviser fund-based renewal commissions) which are linked to the performance of the underlying assets. Therefore future earnings will be affected by equity and property market performance.

Equity and property price sensitivity testing

A movement in equity and property prices would impact the fee income that is based on the market value of the investments held for the policyholders. In this analysis, all linked renewal commission is assumed to be fund-based. The sensitivity is applied as an instantaneous shock to equity and property prices at the start of the year. The sensitivity analysis is not limited to the unit-linked business and therefore reflects the sensitivity of the Group as a whole.

Impact on profit after tax and shareholders' equity	31 December 2020 £m	31 December 2019 £m
Impact of 10% increase in equity and property prices	32	32
Impact of 10% decrease in equity and property prices	(32)	(32)

37(c)(ii): Interest rate risk

Interest rate risk arises primarily from bank balances held with financial institutions. A small amount of the Group's assets are held in fixed interest UK Government bonds, which are exposed to fluctuations in interest rates.

Fixed interest UK Government bonds are mainly held to match liabilities by durations and so the exposure to interest rate risk is not material.

37: Capital and financial risk management continued
37(c): Market risk continued

A rise in interest rates would also cause an immediate fall in the value of investments in fixed income securities within unit-linked funds. The unit-linked funds asset look-through analysis has revealed that less than 30% of the Group's linked assets are invested in the fixed income securities which generally have short durations, resulting in a low material impact in fund based revenues.

Conversely, a reduction in interest rates would cause a rise in the value of investments in fixed income securities within unit-linked funds. It would also reduce the interest rate earned on bank balances, and could potentially result in the Group incurring interest charges on these balances, if interest rates become negative.

Exposure of the IFRS income statement and statement of financial position equity to interest rates are summarised below.

Interest rate sensitivity testing
The impact of an increase and decrease in market interest rates of 1% is tested (e.g. if the current interest rate is 5%, the test allows for the effects of an instantaneous change to 4% and 6% from the start of the year). The test allows consistently for similar changes in investment returns and movements in the market value of any fixed interest assets backing the liabilities. The sensitivity of profit to changes in interest rates is provided.

Impact on profit after tax and shareholders' equity	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Impact of 1% increase in interest rates	16	16
Impact of 1% decrease in interest rates	(8)	(12)

37(c)(iii): Currency translation risk
Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's functional currency is sterling, which accounts for the majority of the Group's transactions, but the Group also has minor exposures to foreign exchange risk in respect to accounts receivable and future revenues denominated in US Dollars, Euros and Swedish Krona through its International operations. Where currency risk is considered material, risk mitigation techniques are adopted, such as using derivative financial instruments such as forward foreign exchange contracts. After risk mitigation, the Group does not have material foreign currency risk exposure.

37(d): 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 Group to trade in illiquid assets in order to maintain its asset and liability matching ("ALM") profile.
The Group manages liquidity on a daily basis through:
- maintaining adequate high quality liquid assets and banking facilities, the level of which is informed through appropriate liquidity stress testing;
- continuously monitoring forecast and actual cash flows; and
- monitoring a number of key risk indicators to help in the identification of a liquidity stress.

Individual businesses maintain and manage their local liquidity requirements according to their business needs within the overall Group Liquidity Risk Framework that includes a Group Liquidity Risk Policy, Group Liquidity Risk Standard and Group Liquidity Risk Appetite Statement. The Group framework is applied consistently across all businesses in the Group to identify, manage, measure, monitor and report on all liquidity risks that have a material impact on liquidity levels. This framework considers both short-term liquidity and cash management considerations and longer-term funding risk considerations.

Liquidity is monitored centrally by Group Treasury, with management actions taken at a business level to ensure each business has liquidity to cover its minimum liquidity requirement, with an appropriate buffer set in line with the Group Risk Appetite Statement.

Throughout the COVID-19 pandemic experienced in 2020 all of the subsidiaries and the Group Holding Companies have operated above their individual liquidity targets and there were no new liquidity stresses identified over this period to include in the liquidity monitoring process. Daily liquidity monitoring continues across the Group to enable timely identification of any emerging issues.

The Group maintains contingency funding arrangements to provide liquidity support to businesses in the event of liquidity stresses that are greater than their risk appetite. Contingency Funding Plans are in place for each individual business in order to set out the approach and management actions that would be taken should liquidity levels fall below minimum liquidity requirements. The plans undergo an annual review and testing cycle to ensure they are fit for purpose and can be relied upon during a liquidity stress. Information on the nature of the investments and securities held is given in note 17.

The Group has a £125 million five year Revolving Credit Facility with a five-bank club that represents a form of contingency liquidity for the Group. No drawdown on this facility has been made since inception or through the period of the COVID-19 pandemic. The Group has exercised the option to extend the facility for a further two-year period, to February 2025, and has continued to meet all the covenants attached to its financing arrangements.

The financing arrangements are considered sufficient to maintain the target liquidity levels of the Group and offer coverage for appropriate stress scenarios identified within the liquidity stress testing undertaken across the Group.

Further details, together with information on the Group's borrowed funds, are given in note 30.

The Group does not have material liquidity exposure to special purpose entities or investment funds.

37(e): Insurance Risk

37(e)(i): Overview

The Group assumes insurance risk by providing life assurance cover to customers within insurance policies, under which the Group agrees to compensate the policyholder or other beneficiary in the event that a specified uncertain future event (the insured event) affecting the policyholder occurs. The Group does not offer general insurance business and therefore does not take on other forms of insurance risk such as motor and property insurance risks.

Insurance risk arises through exposure to variable claims experience on life assurance, exposure to variable operating experience in respect of factors such as persistency levels and management expenses. Unfavourable persistency, expenses and mortality claim rates, relative to the actuarial assumptions made in the pricing process, may result in profit margins reducing below the target levels included in the pricing process.

The Group has implemented an insurance risk policy which sets out the Group requirements for the management, measurement, monitoring and reporting of insurance risks. The Group has implemented three standards to support the insurance risk policy, as follows:
- Underwriting and Claims Standard;
- Reinsurance Standard; and
- Technical Provisions Standard.

The sensitivity of the Group's earnings and capital position to insurance risks is monitored through the Group's capital management processes.

The Group manages its insurance risks through the following mechanisms:
- management of expense levels relative to approved budgets;
- pricing of insurance contracts utilising analysis of mortality, persistency and expense experience;
- underwriting of mortality risks;
- reinsurance, which is used to limit the Group's exposure to large single claims and catastrophes through transfer of mortality risk exposures; and
- the Group does not offer group insurance business in order to avoid risk concentrations of insurance risk.

Mortality

Mortality risk is the risk that death claims experience is higher than the rates assumed when pricing contracts.

A risk charge is applied to meet the expected cost of the insured benefit (in excess of the unit value). This risk charge can be altered in the event of changes in the expectation for future claims experience, subject to the objective to provide fair customer outcomes.

Persistency

Persistency risk is the risk that the level of surrenders or withdrawals on insurance policies occur at levels that are different to the levels assumed in the pricing process and relative to the levels assumed in determination of technical provisions. Persistency statistics are monitored monthly and a detailed persistency analysis at a product group level is carried out on an annual basis. Management actions may be triggered if persistency statistics indicate significant adverse movement or emerging trends in experience.

Expenses

Expense risk is the risk that actual expenses and expense inflation differ from the levels expected and allowed for within the pricing process. Expense levels are monitored quarterly against budgets and forecasts. Expense drivers are used to allocate expenses to entities and products. Some product structures include maintenance charges. These charges are reviewed annually in light of changes in maintenance expense levels and the market rate of inflation. This review may result in changes in charge levels.

37(e)(ii): Sensitivity analysis

Sensitivity analysis has been performed by applying the following parameters to the statement of financial position and income statement as at 31 December 2020 and 31 December 2019. Interest rate and equity and property price sensitivities are included within the Group market sensitivities above.

37: Capital and financial risk management continued
37(e): Insurance Risk continued

Expenses
The increase in expenses is assumed to apply to the costs associated with the maintenance and acquisition of contracts. It is assumed that these expenses are increased by 10% from the start of the year, so is applied as an expense shock rather than a gradual increase. The only administrative expenses that are deferrable are sales bonuses but as new business volumes are unchanged in this sensitivity, sales bonuses and the associated deferrals have not been increased. Administrative expenses have been allocated equally between life and pensions.

An increase in expenses of 10% would have decreased profit by £11 million after tax (2019: £13 million).

Mortality
Mortality risk is not material as the Group does not provide material mortality insurance on its products and mortality benefits are reinsured.

37(f): Operational risk
Operational risk is the risk that failure of people, processes, systems or external events results in financial loss, damage to brand/reputation or adverse regulatory intervention, or government or regulatory fine. Operational risk includes all risks resulting from operational activities, excluding the risks already described above and excluding strategic risks and risks resulting from being part of a wider group of companies.

Operational risk includes the effects of failure of administration processes, IT and Information Security maintenance and development processes, investment processes (including settlements with fund managers, fund pricing and matching and dealing), product development and management processes, legal risks (e.g. risk of inadequate legal contract with third parties), poorly managed responses to regulatory change, which in the future may include transitional financial risks from climate change, risks relating to the relationship with third-party suppliers and outsourcers, and the consequences of financial crime and business interruption events.

In accordance with Group policies, management have primary responsibility for the identification, assessment, management and monitoring of risks, and the escalation and reporting on issues to executive management.

The Group executive management have responsibility for implementing the Group Operational Risk management methodologies and frameworks and for the development and implementation of action plans designed to manage risk levels within acceptable tolerances and to resolve issues identified.

37(g): Contractual maturity analysis
Investment contract policyholders have the option to terminate or transfer their contracts at any time and to receive the surrender or transfer value of their policies, and these liabilities are therefore classified as less than three months' maturity. Although these liabilities are payable on demand, the Group does not expect that all liabilities will be settled within this period. Following the sale of QLA at the end of 2019 the Group has no pure insurance contracts (unbundled elements of linked investment contracts are included within "unit-linked investment contracts and similar contracts").

38: Fiduciary activities
The Group provides custody, trustee, corporate administration and investment management and advisory services to third parties that involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. Some of these arrangements involve the Group accepting targets for benchmark levels of returns for the assets under the Group's care. These services give rise to the risk that the Group may be accused of misadministration or under-performance.

39: Related party transactions
In the normal course of business, the Group enters into transactions with related parties. Loans to related parties are conducted on an arm's length basis and are not material to the Group's results. There were no transactions with related parties during the current and prior year which had a material effect on the results or financial position of the Group.

39(a): Transactions with key management personnel, remuneration and other compensation
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group. Details of the compensation paid to the Board of Directors as well as their shareholdings in the Company are disclosed in the Remuneration Report on page 122.

39: Related party transactions continued

39(a)(i): Key management personnel compensation

	31 December 2020 £'000	31 December 2019 £'000
Salaries and other short-term employee benefits	5,503	10,230
Post-employment benefits	62	131
Share-based payments	5,263	7,005
Termination benefits	51	2
Total compensation of key management personnel	**10,879**	**17,368**

39(a)(ii): Key management personnel transactions

Key management personnel and members of their close family have undertaken transactions with the Group in the normal course of business.

The Group's products are available to all employees of the Group on preferential staff terms, the impact of which is material to the Group's financial statements. During the year ended 31 December 2020, key management personnel and their close family members contributed £2 million to Group pensions and investments (in both internal and external funds). The total value of investments in Group pensions and investment products by key management personnel serving at any point during the year and their close family members was £14 million at the end of the year.

During the year ended 31 December 2019, key management personnel and their close family members contributed £4 million (restated from £2 million previously reported) and the value of their investments in Group pensions and investment products totalled £18 million (restated from £16 million previously reported). The prior year comparatives have been restated due to the subsequent identification of additional investments in Group products associated with key management personnel in the year.

39(b): Associates

In the current and prior year, IT services were provided by 360 Dot Net Limited, an associate company. The impact on the financial statements of the Group is immaterial.

39(c): Other related parties

Details of the Group's staff pension schemes are provided in note 33. Transactions made between the Group and the Group's staff pension schemes are made in the normal course of business.

The Group used the consulting services of Manchester Square Partners LLP, a company which is jointly controlled by one of the Group's non-executive Directors (who resigned from the Quilter plc Board in May 2020). The transactions between the Group and Manchester Square Partners LLP amounted to £54,000 for that period in 2020 (2019: £359,000). Amounts were billed based on market rates for such services and were due and payable under normal payment terms. The outstanding balance with Manchester Square Partners LLP was £nil at 31 December 2020 (2019: £18,000).

Appendix A: Other accounting policies

Investments in associates
An associate is an entity over which the Group has significant influence, but not control or joint control, through its participation in the entity's financial and operating policy decisions. Significant influence is generally demonstrated by the Group holding between 20% and 50%, of the voting rights. Where voting rights are irrelevant, all other factors, contractual or otherwise, are assessed in determining whether the Group has the ability to exercise significant influence.

The results, assets and liabilities of associates, other than those that are measured at FVTPL (see below) are incorporated into these consolidated financial statements using the equity method of accounting from the date that significant influence commences until the date it ends. Under this method, the cost of the investment in an associate together with the Group's share of that entity's post-acquisition changes to shareholders' funds is included as an asset in the consolidated statement of financial position. The cost includes goodwill recognised on acquisition. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associate until the date on which significant influence ceases. Where a Group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Unrealised losses are eliminated in the same way but only to the extent that there is no evidence of impairment. Investments in associates that are held with a view to subsequent resale are accounted for as non-current assets held for sale.

Where the Group has an investment in an associate, a portion of which is held by, or is held indirectly through a unit trust or similar entity, including investment-linked insurance funds, that portion of the investment is measured at FVTPL.

Foreign currency translation
The Group's presentation currency is pounds sterling (£). The functional currency of the Group's foreign operations is the currency of the primary economic environment in which these entities operate. The parent Company functional currency is pounds sterling (£). Income statements and cash flows of foreign entities are translated into the Group's presentation currency at average exchange rates for the year and their statements of financial position are translated at the year-end exchange rates. Exchange rate differences arising from the translation of the net investment in foreign subsidiaries and associates are recognised in other comprehensive income and taken to the currency translation reserve within equity. To the extent that these gains and losses are effectively hedged, the cumulative effect of such gains and losses arising on the hedging instruments are also included in that component of shareholders' equity. On disposal of a foreign entity, exchange differences are transferred out of this reserve to the income statement as part of the gain or loss on sale.

Foreign currency transactions are converted into the relevant functional currency at the exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the relevant functional currency at exchange rates prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the functional currency at foreign exchange rates prevailing at the dates the fair values were determined. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are converted into the functional currency at the rate of exchange ruling at the date of the initial recognition of the asset and liability and are not subsequently retranslated.

Exchange gains and losses on the translation and settlement during the period of foreign currency assets and liabilities are recognised in profit or loss. Exchange differences for non-monetary items are recognised in the statement of other comprehensive income when the changes in the fair value of the non-monetary item are recognised in the statement of other comprehensive income, and in profit or loss if the changes in fair value of the non-monetary item are recognised in profit or loss.

Leases
Under IFRS 16, the Group assesses whether a contract is or contains a lease at inception of the contract. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess where a contract conveys the right to control the use of an identified asset, the Group assesses whether:
- the contract involves the use of an identified asset which may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

For lessee contracts, the right-of-use asset is initially measured at cost, which comprises the initial amount of lease liability, adjusted for any lease payments made at or before the commencement date, and any initial direct costs incurred. Adjustments are also made, where appropriate, for dilapidation requirements and lease incentives received such as rent free periods. The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the asset-specific incremental borrowing rates.

Subsequent to lease commencement, the Group measures the right-of-use asset using a cost model, whereby the asset is held at cost less accumulated depreciation and any accumulated impairment. Depreciation is charged to the income statement on a straight-line basis to write down the cost of the right-of-use asset to its residual value over its estimated useful life which is dependent on the length of the lease. In addition, the carrying amount of the right-of-use asset may be adjusted for certain remeasurements of the lease liability. The lease liability is subsequently measured at amortised cost using the effective interest method and also reflects any lease modifications or reassessments.

The Group presents its right-of-use assets within "Property, plant and equipment" and lease liabilities within "Borrowings and lease liabilities" in the statement of financial position. The Group does not have any right-of-use assets that would meet the definition of investment property.

The Group currently has material lease commitments of varying durations for the rental of numerous office buildings. The future lease cash outflows within the Group are not exposed to variable lease payments, low value or short-term leases, residual value guarantees, restrictions or covenants imposed by a lease contract or sale and leaseback transactions.

Property, plant and equipment

Property, plant and equipment consists principally of computer equipment, and fixtures and fittings, and is stated at cost less accumulated depreciation and any recognised impairment losses. Cost includes the original purchase price of the asset and the costs of bringing the asset to its working condition for its intended use. Depreciation is charged to profit or loss on a straight-line basis to write down the cost of the asset to its residual value over its estimated useful life, ranging between 2 and 24 years depending on the length of time the Group expects to derive benefit from the asset.

Management determines useful lives and residual values for assets when they are acquired, based on experience of similar assets and taking into account other relevant factors such as any expected changes in technology. The Group assesses and adjusts (if required) the useful life, residual value and depreciation method for property plant and equipment on an annual basis.

Items of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Where the carrying amount of an asset is greater than its estimated recoverable amount, which represents the higher of the asset's fair value less costs of disposal and value in use, it is written down immediately to its recoverable amount and an impairment loss is recognised in the income statement. Impaired non-financial assets, except goodwill, are reviewed for possible reversal of the impairment at each reporting date. On de-recognition of an item of equipment, any gain or loss on disposal, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is included in profit or loss in the period of the de-recognition. Items of property and equipment that are not owned by the Group, but are held under lease arrangements are accounted for in accordance with the accounting policy on leases.

Share Capital

Equity instruments

Shares are classified as equity instruments when there is no contractual obligation to deliver cash or other assets to another entity on terms that may be unfavourable. The value of the Company's share capital consists of the number of Ordinary Shares in issue multiplied by their nominal value. The difference between the proceeds received on issue of the shares and the nominal value of the shares issued is recorded in share premium.

Share issue costs

Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of the issue and disclosed where material.

Dividends

Dividends are distributions of profit to holders of the Group's share capital and as a result are recognised as a deduction in equity. Dividends payable to holders of equity instruments are recognised in the period in which they are authorised or approved. Interim dividends payable to holders of the Group's Ordinary Share capital are announced with the half year results and authorised by the Directors of the parent Company. The final dividend is announced with the Annual Report and typically requires shareholder approval at the Annual General Meeting. For this reason it is not included in the annual consolidated financial statements.

Shares held by trusts

Shares in the parent Company that are held by the Employee Benefit Trust ("EBT") are treated as "Own shares". The EBT purchases shares in the parent Company for delivery to employees under employee incentive plans. Purchased shares are recognised as a deduction from equity at the price paid for them.

Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the Ordinary Shareholders of the parent Company by the weighted average number of Ordinary Shares in issue during the period, excluding Ordinary Shares purchased by various share trusts of the Group and held as own shares.

Diluted earnings per share is calculated by increasing the weighted average number of Ordinary Shares outstanding to assume conversion of all dilutive potential Ordinary Shares, notably those related to employee share schemes.

Appendix B: Related undertakings

The Companies Act 2006 requires disclosure of certain information about the Group's related undertakings which is set out in this note. Related undertakings comprise subsidiaries, joint ventures, associates and other significant holdings. Significant holdings are where the Group either has a shareholding greater than or equal to 20% of the nominal value of any share class, or a book value greater than 20% of the Group's assets.

The definition of a subsidiary undertaking in accordance with the Companies Act 2006 is different from the definition under IFRS. As a result, the related undertakings included within the list below may not be the same as the undertakings consolidated in the Group IFRS financial statements. Refer to accounting policies note 5(a) Group Accounting for further detail on the principles of consolidation.

The Group's related undertakings along with the country of incorporation, the registered address, the classes of shares held and the effective percentage of equity owned at 31 December 2020 are disclosed below.

Company Name	Share Class	% Held
United Kingdom		
Senator House, 85 Queen Victoria Street, London, EC4V 4AB		
Charles Jacques Limited	Ordinary	100
Cheviot Capital (Nominees) Limited	Ordinary	100
Commsale 2000 Limited	Ordinary	100
Old Mutual Financial Services (UK) Limited	Ordinary	100
OMFS (GGP) Limited	Ordinary	100
OMLA Holdings Limited	Ordinary	100
Prescient Financial Intelligence Limited	Ordinary	100
Quilpep Nominees Limited	Ordinary	100
Quilter Cheviot Holdings Limited	Ordinary	100
Quilter Cheviot Limited	Ordinary	100
Quilter CoSec Services Limited	Ordinary	100
Quilter Financial Advisers Limited	Ordinary	100
Quilter Investors Limited	Ordinary	100
Quilter Investors Portfolio Management Limited	Ordinary	100
Quilter Life & Pensions Limited	Ordinary	100
Quilter Nominees Limited	Ordinary	100
Quilter Pension Trustees Limited	Ordinary	100
Quilter Private Client Advisers Limited	Ordinary	100
Quilter UK Holdings Limited	Ordinary	100
Quilter Wealth Solutions Limited	Ordinary	100
Skandia UK Limited	Ordinary[1]	100
Violet No.2 Limited	Ordinary	100
Old Mutual House, Portland Terrace, Southampton, SO14 7EJ		
IFA Holding Company Limited	Ordinary	100
IFA Services Holdings Company Limited	Ordinary[2]	100
Old Mutual Wealth Holdings Limited	Ordinary[3]	100
Old Mutual Wealth Life & Pensions Limited	Ordinary	100
Old Mutual Wealth Limited	Ordinary	100
Old Mutual Wealth Nominees Limited	Ordinary	100
Old Mutual Wealth UK Holding Limited	Ordinary	100
Quilter Business Services Limited	Ordinary	100
Wiltshire Court, Farnsby Street, Swindon, SN1 5AH		
Blueprint Distribution Limited	Ordinary	100
Blueprint Financial Services Limited	Ordinary	100
Blueprint Organisation Limited	Ordinary	100
Caerus Capital Group Limited	B Shares	100
Caerus Holdings Limited	Ordinary	100
Caerus Wealth Limited	Ordinary	100
Caerus Wealth Solutions Limited	Ordinary	100
Intrinsic Cirilium Investment Company Limited	Various[4]	100
Intrinsic Financial Solutions Limited	Ordinary	100
Intrinsic Wealth Financial Solutions Limited	Ordinary	100
Quilter Financial Limited	Ordinary[5]	100
Quilter Financial Planning Limited	Ordinary[6]	100
Quilter Financial Services Limited	Ordinary	100
Quilter Mortgage Planning Limited	Ordinary	100
Quilter Wealth Limited	Ordinary	100

Company Name	Share Class	% Held
26 Throgmorton Street, London, EC2N 2AN[7]		
Falcon Financial Advice Limited	Ordinary	100
Lighthouse Advisory Services Limited	Ordinary	100
Lighthouse Benefits Limited	Ordinary	100
Lighthouse Corporate Services Ltd	Ordinary	100
Lighthouse Direct Limited	Ordinary	100
Lighthouse Financial Advice Limited	Ordinary	100
Lighthouse Financial Adviser Services Limited	Ordinary	100
Lighthouse Financial Advisers Limited	Ordinary	100
Lighthouse Group plc[8]	Ordinary	100
Lighthouse Pensions Help Limited	Ordinary	100
Lighthouse Support Services Limited	Ordinary	100
Lighthouse Wealth Management Limited	Ordinary	100
Lighthouse+ Limited	Ordinary	100
LighthouseCarrwood Limited	Ordinary	100
Lighthouseplus Limited	Ordinary	100
Lighthousetemple Limited	Ordinary	100
LighthouseWealth Limited	Ordinary	100
LighthouseXpress Limited	Ordinary	100
Luceo Asset Management Limited	Ordinary	100
The Falcon Group Limited	Ordinary	100
6 Tollgate Business Park, Tollgate West, Stanway, Colchester, Essex, CO3 8AB		
Charles Derby Group Limited	Ordinary	100
Charles Derby Private Clients Limited	A Ordinary	100
Charles Derby Wealth Management Limited	Ordinary	100
Forward Thinking Wealth Management Limited	Ordinary	100
Riverside House, The Waterfront, Newcastle upon Tyne, NE15 8NY		
Quilter Financial Planning Solutions Limited	Ordinary[9]	100
Think Synergy Limited	Ordinary	100
Hill House, 1 Little New Street, London, EC4A 3TR		
Caerus Bureau Services Limited (in liquidation 10/03/2020)	Ordinary	100
Freedom Financial Planning (Manchester) Limited (in liquidation 08/10/2020)	Ordinary A	100
Maestro Financial Services Limited (in liquidation 11/09/2019)	Ordinary	100
NPL Financial Limited (in liquidation 11/09/2019)	Ordinary	100
Premier Planning Limited (in liquidation 19/03/2018)	Ordinary	100
Saltire Court, 20 Castle Terrace, Edinburgh, Scotland, EH1 2DB		
D G Pryde Limited (in liquidation 27/02/2020)	Ordinary A	100

Company Name	Share Class	% Held
C/O Addleshaw Goddard LLP, 19 Canning Street, Edinburgh, Scotland, EH3 8EH		
Financial Services Advice & Support Limited	Ordinary	100
Ireland		
Hambleden House, 19-26 Lower Pembroke Street, Dublin 2, D02 WV96		
Pembroke Quilter (Ireland) Nominees Limited	Ordinary	100
Quilter Cheviot Europe Limited	Ordinary	100
Quilter International Ireland dac	Ordinary	100
Isle of Man		
King Edward Bay House, King Edward Road, Onchan, IM99 1NU		
OMF (IOM) LTD	Ordinary	100
Quilter International Business Services Limited	Ordinary	100
Quilter International Holdings Limited	Ordinary	100
Quilter International Isle of Man Limited	Ordinary	100
Quilter International Trust Company Limited	Ordinary	100
Third Floor, St George's Court, Upper Hill Street, Douglas, IM1 1EE		
Quilter Insurance Company Limited	Ordinary	100
Jersey		
3rd Floor, Windward House, La Route de la Liberation, St Helier, JE1 1QJ		
Quilter Cheviot International Limited	Ordinary A	100
C.I.P.M. Nominees Limited	Ordinary	100
QGCI Nominees Limited	Ordinary	100
Singapore		
138 Market Street, #06-01/02 Capita Green, Singapore, 048946		
AAM Advisory PTE. Ltd.	Ordinary	100
Germany		
Thurn-und-Taxis-Platz 6, 60313, Frankfurt		
Old Mutual Europe GmbH	Shares	100
Skandia Retail Europe Holding GmbH	Shares	100
South Africa		
Mutualpark, Jan Smuts Drive, Pinelands, 7405		
Global Edge Technologies (Pty) Limited	Ordinary	100
United Arab Emirates		
7 & 8 Level 2, Gate Village Building 7, Dubai International Financial Centre, Dubai, 482062		
Quilter International Middle East Limited	Ordinary	100
Other		
12-14 Upper Marlborough Road, St Albans, Hertfordshire, AL1 3UR		
360 Dot Net Limited	Ordinary A	17.5

[1]Ordinary £1.00
[2]A Ordinary and Ordinary-B
[3]Ordinary and Partly Paid Ordinary £0.20
[4]A Ordinary, B Ordinary and Preference Shares
[5]Ordinary A, Ordinary-B
[6]Ordinary £1.00
[7]On 26 February 2021 all companies at this registered office moved to Senator House, 85 Queen Victoria Street, London, EC4V 4AB
[8]Re-registered as a private limited company and changed name to Lighthouse Group Limited on 19 February 2021
[9]£0.00016 Ordinary and £0.00026 Ordinary

The International Wealth Platform business purchases shares of privately-held companies on behalf of customers so that those shares can be linked to whole of life assurance bonds for those customers. As the Group legally and beneficially usually owns 100% of the issued share capital of each of the private companies, they are considered to be related undertakings.

Private company shares held on behalf of customers:

Jersey

2nd Floor, Gaspe House, 66-72 Esplanade, St Helier, JE1 1GH
Electrolight Investments Limited
Gaspe House, 66-72 Esplanade, St Helier, JE2 3QT
Tixtan Limited

Isle of Man

Cayman National House, 4-8 Hope Street, Douglas, IM1 1AQ
Tissington Limited

Bahamas

Amicorp Bahamas Management Limited, Shirley & Charlotte Streets, PO Box N-4865
Rosco Bahamas Ltd.

Panama

2nd Floor, MMG Building, East 53rd Street, Marbella, Panama City
Atwood Development S.A.
2nd Floor, Humboldt Tower, East 53rd Street, Urb., Marbella, Panama City, PO Box 0819-09132
Accord Brook S.A.

British Virgin Islands

2nd Floor, O'Neal Marketing Associates Building, PO Box 3174, Wickhams Cay II, Road Town, Tortola, VG1110
Cannon Capital Investment Corp.
Isidro Mayo Corp.
Citco BVI Limited, Flemming House, PO Box 662, Wickhams Cay, Road Town, Tortola, VG1110
Libby Ventures Ltd
Level 1, Palm Grove House, Wickham's Cay I, Road Town, Tortola
Volenda Finance Inc.
MMG Trust (BVI) Corp, Morgan and Morgan Building, Pasea Estate, Road Town, Tortola
Pacific Commercial Services Ltd
DCAF Ltd
OMC Chambers, Wickhams Cay 1, Road Town, Tortola, VG1110
Akito Inc.
Palm Chambers, 197 Main Street, PO Box 3174, Road Town, Tortola, VG1110
Avanna Global Corp.
Tortola Pier Park, Building 1, Second Floor, Wickhams Cay 1, Road Town, Tortola
Elegant Inn Inc
Trident Chambers, P.O. Box 146, Road Town, Tortola, VG1110
South Surrey Investment & Finance S.A.
Trinity Chambers, PO Box 4301, Road Town, Tortola
Seaview Holdings Investment Limited
Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110
Bliss Spring Limited
Epoch Vision Ventures Limited
Grandeur Valley Limited
Sitori Trading Limited
Portcullis Trustnet (BVI) Ltd, Portcullis Trustnet Chambers, Vistra Corporate Services Centre, PO Box 3444 Road Town, Tortola
Neon Bay Ltd

Cyprus

Amathountos, 29 Myria Court, Flat 11 4532, Lemesos
Michael Churm Holdings Limited

Seychelles

Suite 3, Global Village, Jivans Complex, Mont Fleuri, Mahe
Reverades Holding Ltd
Rubyfield Investments Ltd

In addition, the following funds are consolidated and constitute related undertakings, as described in note 5(a).

Share Class	
A	Accumulation
B	Income

Fund Name	Share Class	% Held
United Kingdom		
Senator House, 85 Queen Victoria Street, London, EC4V 4AB		
Quilter Investors Absolute Return Bond Fund	A	64
Quilter Investors Asia Pacific (ex Japan) Equity Fund	A	59
Quilter Investors Asia Pacific (ex Japan) Large-Cap Equity Fund	A&B	57
Quilter Investors Asia Pacific Fund	A	62
Quilter Investors Bond 1 Fund	B	83
Quilter Investors Bond 2 Fund	A&B	72
Quilter Investors Bond 3 Fund	B	97
Quilter Investors China Equity Fund	A	57
Quilter Investors Cirilium Adventurous Blend Portfolio	A	39
Quilter Investors Cirilium Adventurous Passive Portfolio	A	40
Quilter Investors Cirilium Adventurous Portfolio	A	40
Quilter Investors Cirilium Balanced Blend Portfolio	A	47
Quilter Investors Cirilium Balanced Passive Portfolio	A	41
Quilter Investors Cirilium Conservative Blend Portfolio	A	37
Quilter Investors Cirilium Conservative Passive Portfolio	A	38
Quilter Investors Cirilium Conservative Portfolio	A	33
Quilter Investors Cirilium Dynamic Blend Portfolio	A	63
Quilter Investors Cirilium Dynamic Passive Portfolio	A	40
Quilter Investors Cirilium Moderate Passive Portfolio	A	42
Quilter Investors Compass Portfolio 2	A	68
Quilter Investors Compass Portfolio 3	A	63
Quilter Investors Compass Portfolio 4	A	64
Quilter Investors Compass Portfolio 5	A	64
Quilter Investors Corporate Bond Fund	A	59
Quilter Investors Creation Adventurous Portfolio	A	62
Quilter Investors Creation Balanced Portfolio	A	33
Quilter Investors Creation Conservative Portfolio	A	32
Quilter Investors Creation Dynamic Portfolio	A	34
Quilter Investors Creation Moderate Portfolio	A	33
Quilter Investors Diversified Bond Fund	A	58
Quilter Investors Emerging Markets Bond Fund	A	57
Quilter Investors Emerging Markets Equity Fund	A	61
Quilter Investors Emerging Markets Equity Growth Fund	A&B	70
Quilter Investors Emerging Markets Equity Income Fund	A	61
Quilter Investors Equity 1 Fund	A	77
Quilter Investors Equity 2 Fund	A	97
Quilter Investors Europe (ex UK) Equity Fund	A	68
Quilter Investors Europe (ex UK) Equity Growth Fund	A	62
Quilter Investors Europe (ex UK) Equity Income Fund	A	61
Quilter Investors Europe (ex UK) Small/Mid-Cap Equity Fund	A	62
Quilter Investors Generation CPI+ 3 Portfolio	A&B	57
Quilter Investors Gilt Index Fund	A&B	56
Quilter Investors Global Dynamic Equity Fund	A	77
Quilter Investors Global Equity Absolute Return Fund	A	59
Quilter Investors Global Equity Index Fund	A	50
Quilter Investors Global Equity Value Fund	A&B	57
Quilter Investors Investment Grade Corporate Bond Fund	A&B	48
Quilter Investors Japanese Equity Fund	A	58
Quilter Investors Monthly Income Portfolio	A&B	46
Quilter Investors Monthly Income and Growth Portfolio	A&B	51
Quilter Investors Global Equity Growth Fund	A	58
Quilter Investors Natural Resources Equity Fund	A	53
Quilter Investors North American Equity Fund	A	60
Quilter Investors Precious Metals Equity Fund	A	57
Quilter Investors Sterling Corporate Bond Fund	A&B	44
Quilter Investors Sterling Diversified Bond Fund	A&B	57
Quilter Investors UK Equity Fund	A	60
Quilter Investors UK Equity Growth Fund	A	56
Quilter Investors UK Equity Income Fund	A	60
Quilter Investors UK Equity Index Fund	A	43
Quilter Investors UK Equity Large-Cap Income Fund	A&B	60
Quilter Investors UK Equity Opportunities Fund	A	61
Quilter Investors US Equity Growth Fund	A	64
Quilter Investors US Equity Income Fund	A	62
Quilter Investors US Equity Small/Mid-Cap Fund	A	60
Luxembourg		
4, Rue Jean Monnet L-2180, Grand Duchy of Luxembourg		
Golden Hind – GIP Balanced	A	94
Golden Hind – GIP Cautious	A	84
Golden Hind – GIP Dynamic	A	91
Guernsey		
Ground Floor Dorey Court, Admiral Park, St Peter Port, Guernsey, GY1 2HT		
M&G Offshore Global High Yield Bond Fund	B	68

Company statement of financial position

At 31 December 2020

	Notes	31 December 2020 £m	31 December 2019 £m
Assets			
Investments in subsidiary undertakings	4	2,254	2,235
Loans and advances	5	496	495
Deferred tax assets	6	–	4
Current tax receivable		7	9
Other receivables and other assets	7	28	7
Cash and cash equivalents	8	314	559
Total assets		**3,099**	**3,309**
Equity and liabilities			
Equity			
Ordinary Share capital		125	133
Ordinary Share premium reserve		58	58
Capital redemption reserve		8	–
Merger reserve	9	1,811	1,811
Share-based payments reserve		42	46
Retained earnings			
Brought forward retained earnings		1,046	644
Profit for the year		30	55
Other movements in retained earnings		(260)	347
Total retained earnings		816	1,046
Total equity		**2,860**	**3,094**
Liabilities			
Provisions	10	7	7
Borrowings	11	201	198
Other payables	12	31	10
Total liabilities		**239**	**215**
Total equity and liabilities		**3,099**	**3,309**

Approved by the Board on 10 March 2021.

Paul Feeney
Chief Executive Officer

Mark Satchel
Chief Financial Officer

Company registered number: 06404270

Company statement of cash flows

For the year ended 31 December 2020

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Cash flows from operating activities		
Profit before tax	33	50
Non-cash movements in profit before tax	(72)	(89)
Net changes in working capital	(10)	3
Taxation received	3	10
Total net cash flows used in operating activities	**(46)**	**(26)**
Cash flows from investing activities		
Dividends received from subsidiary undertakings	83	532
Investment in subsidiaries	(21)	–
Repayment of loan notes	7	–
Total net cash from investing activities	**69**	**532**
Cash flows from financing activities		
Dividends paid to ordinary equity holders of the Company	(81)	(92)
Finance costs	(10)	(10)
Repurchase of own shares	(157)	–
Loan to Employee Benefit Trust	(20)	–
Increase in loans to subsidiary undertakings	–	(100)
Subordinated and other debt repaid	–	(26)
Total net cash used in financing activities	**(268)**	**(228)**
Net (decrease)/increase in cash and cash equivalents	(245)	278
Cash and cash equivalents at beginning of the year	559	281
Cash and cash equivalents at end of the year	**314**	**559**

Company statement of changes in equity

For the year ended 31 December 2020

31 December 2020	Share capital £m	Share premium £m	Merger reserve[1] £m	Share-based payments reserve £m	Capital redemption reserve £m	Retained earnings £m	Total share-holders' equity £m
Balance at 1 January 2020	**133**	**58**	**1,811**	**46**	**–**	**1,046**	**3,094**
Profit for the year	–	–	–	–	–	30	30
Total comprehensive income	–	–	–	–	–	30	30
Dividends	–	–	–	–	–	(81)	(81)
Shares repurchased in the buyback programme	(8)	–	–	–	8	(179)	(179)
Equity share-based payment transactions	–	–	–	(4)	–	–	(4)
Total transactions with the owners of the Company	(8)	–	–	(4)	8	(260)	(264)
Balance at 31 December 2020	**125**	**58**	**1,811**	**42**	**8**	**816**	**2,860**

31 December 2019	Note	Share capital £m	Share premium £m	Merger reserve[1] £m	Share-based payments reserve £m	Retained earnings £m	Total share-holders' equity £m
Balance at 1 January 2019		**133**	**58**	**2,250**	**35**	**644**	**3,120**
Profit for the year		–	–	–	–	55	55
Total comprehensive income		**–**	**–**	**–**	**–**	**55**	**55**
Dividends		–	–	–	–	(92)	(92)
Release of merger reserve	9	–	–	(439)	–	439	–
Equity share-based payment transactions		–	–	–	11	–	11
Total transactions with the owners of the Company		**–**	**–**	**(439)**	**11**	**347**	**(81)**
Balance at 31 December 2019		**133**	**58**	**1,811**	**46**	**1,046**	**3,094**

[1]Quilter parent entity merger reserve includes £1,662 million relating to Quilter plc's acquisition of trading entities from Old Mutual Wealth UK Holding Limited in 2008, which eliminates on consolidation and so does not form part of the Group merger reserve.

In December 2020, the committed remaining share buyback for which irrevocable instruction had been provided by the Board, of £22 million, was accrued as a liability against retained earnings.

Notes to the financial statements of the Company

For the year ended 31 December 2020

1: General Information

Quilter plc (the "Company") is a public limited company registered in England with number 06404270.

The Company's Registered Office is Senator House, 85 Queen Victoria Street, London EC4V 4AB.

2: Basis of preparation

The financial statements of Quilter plc for the year ended 31 December 2020 have been prepared in accordance with in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared on the historical cost basis, except for common control transactions which are stated at cost less impairments in accordance with IAS 27, and have been prepared in pounds sterling.

The accounting policies adopted are the same as those set out in Note 1 of the Group financial statements, which have been applied consistently apart from the following.

Investments in subsidiaries

Investments in subsidiary undertakings are initially stated at cost. Subsequently, investments in subsidiary undertakings are stated at cost less provision for impairment. An investment in a subsidiary is deemed to be impaired when its carrying value is greater than its estimated recoverable amount, and there is evidence to suggest that the impairment occurred subsequent to the initial recognition of the asset in the financial statements. All impairments are recognised in the income statement as they occur.

Critical accounting estimates and judgements

The preparation of financial statements requires management to exercise judgement in applying accounting policies and make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Critical accounting estimates and judgements are those that involve the most complex or subjective assessments and assumptions. Management uses its knowledge of current facts and circumstances and applies estimation and assumption setting techniques that are aligned with relevant accounting guidance to make predictions about future actions and events. Actual results may differ significantly from those estimates.

The areas where judgements and estimates have the most significant effect on the amounts recognised in these financial statements are summarised below:

Area	Critical accounting judgements	Notes
Provisions – recognition	In assessing whether a provision should be recognised, the Company evaluates the likelihood of a constructive or legal obligation to settle an event that took place in the past and whether a reliable estimate can be made. A significant provision has been made in respect of a revenue warranty associated with the sale of the Single Strategy Asset Management business. The key judgement is in respect of the comparative period.	10
Investment in subsidiaries – measurement	Management have applied judgement in their impairment assessment in respect of determining the cash-generating unit ("CGU"), which is the level at which largely independent cash inflows occur. Given the highly integrated nature of the Group's business model, the advice and wealth management functions are intrinsically linked. The Company's investments in Old Mutual Wealth Holdings Limited and Quilter Investors Limited each contain cash flows generated from these functions and therefore management have taken the judgement that aggregating cash flows from these investments represents the lowest level at which largely independent cash inflows are generated.	4

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its own income statement in these financial statements.

Other principal estimates

The Company's assessment of its investment in subsidiaries for impairment uses the latest cash flow forecasts from the Group's three-year business plan to calculate the recoverable value of its trading subsidiaries. These forecasts include estimates relating to equity market levels and growth in AuMA in future periods, together with levels of new business growth, net client cash flow, revenue margins, and future expenses and discount rates (see note 14 in the Group financial statements). Management do not believe that the use of these estimates have a significant risk of causing a material adjustment to the carrying amount of the assets within the next financial year.

Going concern

The financial statements have been prepared on a going concern basis.

The Directors have considered the resilience of the Company, taking into account its current financial position, the principal risks facing the business and the effectiveness of the mitigating strategies which are or will be applied. An assessment of the impact of COVID-19 on the going concern for the Company has been completed, concluding that the Company can withstand a severe but plausible downside scenario for at least the next 12 months. This assessment was based on the most recent management approved three-year profit forecasts, and incorporated scenarios that reflected the impact of significant decreases in equity market levels and net client cash flows.

As a result, the Directors believe that the Company is well placed to manage its business risks in the context of the current economic outlook and have sufficient financial resources to continue in business for a period of at least 12 months from the date of approval of these consolidated financial statements, and continue to adopt the going concern basis in preparing the consolidated financial statements.

Notes to the financial statements of the Company

For the year ended 31 December 2020 continued

3: Capital and financial risk management

The material risks faced by the Company are described below.

3(a): Operational risk

The Company defines operational risk as the risk of failure of people, process, systems or external events which results in financial loss, damage to brand/reputation or adverse regulatory intervention or government or regulatory fine.

Operational risk includes all risks resulting from operational activities which the Company undertakes excluding strategic risks and risks resulting from being part of a wider group of companies.

3(b): Credit risk

Credit risk is the risk of adverse movements in credit spreads (relative to the reference yield curve), credit ratings or default rates leading to a deterioration in the level or volatility of assets, liabilities or financial instruments resulting in loss of earnings or reduced solvency. This includes counterparty default risk, migration risk and spread risk.

The Company is exposed to credit and counterparty risk primarily arising from the investment of its shareholder funds. Sources of credit risk are managed in line with the requirements of the Credit Risk Policy that ensures cash is placed with highly rated counterparties and is appropriately diversified.

3(c): Market risk

Market risk is defined as the risk that a change in the value of the Company's income from any asset is not matched by an equal change in the value of the related liability. Market risk arises from fluctuations in variables such as equity prices, property prices, interest rates and foreign exchange rates, where assets and liabilities are not precisely matched. The Company is subject to material market risk in the following area:

Interest rate risk

Interest rate risk is defined as the risk of a deviation of the actual interest rates from the expected interest rates, resulting in the potential for a negative impact on earnings or capital and/or reduced solvency.

An exposure exists as a result of three intercompany loans (see note 5) that are linked to an underlying variable interest rate, LIBOR, and so the value of these interest payments will vary if the underlying interest rate changes.

The Company also has subordinated debt (see note 11) that has a fixed interest rate, where the present value of the loan would vary in the event of a change in interest rates.

The Company monitors the impact of interest rate changes on its financial position, with the risk managed in line with its Market Risk Policy.

3(d): Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company manages liquidity by maintaining adequate liquidity resources and banking facilities, regularly monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities. The Company maintains and manages its local liquidity requirements according to its business needs, within the overall liquidity framework established by the Company.

3(e): Sensitivity tests

Sensitivity analysis has been performed by applying the following parameters to the statement of financial position and income statement as at the reporting date.

Interest rate sensitivity

The impact of an increase and decrease in market interest rate of 1% (e.g. if the current interest rate is 5% the test allows for the effects of an immediate change to 4% and 6%) is assessed.

A decrease in interest rate of 1% would have decreased profit and shareholders equity by £4 million (2019: decrease £5 million) after tax; an equal change in the opposite direction would have increased profit by £5 million (2019: increase £7 million) after tax.

4: Investments in subsidiary undertakings

Investments in subsidiaries are stated at cost, less impairment in value. All shares held are Ordinary Shares.

	31 December 2020 £m	31 December 2019 £m
Balance at the beginning of the year	2,235	2,663
Investment in subsidiary undertakings	23	–
Investment in subsidiary undertaking in relation to share-based payments	(4)	11
Impairment of subsidiary undertaking	–	(439)
Balance at the end of the year	**2,254**	**2,235**

Investment in subsidiary

During 2020 the Company increased its investments in the Employee Benefit Trust and Quilter Insurance Company Limited by £21 million and £2 million respectively.

Investment in subsidiary undertakings in relation to share-based payments

Quilter plc grants rights to its equity instruments to employees of its subsidiaries under various share-based payment arrangements. In so doing, the subsidiaries receive services from employees that are paid for by Quilter plc, thereby increasing/(decreasing) the investment that Quilter plc holds in those subsidiaries. Quilter plc recognises the equity-settled share-based payment in equity, with a corresponding increase/(decrease) in its investment in the subsidiaries. The amount recognised as an additional investment is based on the grant date fair value of the share options granted, and is recognised by Quilter plc over the vesting period of the respective share schemes. A decrease to the Investment in subsidiary undertakings is recognised when each share award vests, and shares are delivered to the employees.

During 2020 the Company decreased its investments in subsidiaries in relation to share-based payments as listed below:

	31 December 2020 £m	31 December 2019 £m
Quilter Business Services Limited	(2)	2
Quilter Cheviot Limited	–	5
Quilter Financial Planning Limited	1	2
Quilter Investors Limited	(2)	1
Other subsidiaries	(1)	1
Total investments in subsidiaries	(4)	11

Impairment to investment in subsidiary

In accordance with the requirements of IAS 36 *Impairment of Assets*, the investments in subsidiaries are tested annually for impairment by comparing the carrying value of the underlying investments to the recoverable value, being the higher of the value-in-use or fair value less costs to sell. If applicable, an impairment charge is recognised when the recoverable amount is less than the carrying value.

2019 impairment to investment in subsidiary

On 31 January 2018, the Company acquired the Skandia UK Limited group of entities, which had a net asset value of £591 million. The most significant asset within these entities was a £566 million receivable. On 31 December 2019, there was a partial repayment of this receivable and subsequent dividend paid by Skandia UK Limited to Quilter plc. The resulting decrease in Skandia UK Limited's net asset value gave rise to a £439 million impairment of Quilter plc's investment in Skandia UK Limited.

2020 impairment to investment in subsidiary

No impairments were recognised in Quilter plc for 2020.

Notes to the financial statements of the Company

For the year ended 31 December 2020 continued

5: Loans and advances

This note analyses the loans and advances the Company has made. The carrying amounts of loans and advances were as follows:

	Note	31 December 2020 £m	31 December 2019 £m
Loans to subsidiary undertakings	13	496	489
Loan to third party[1]		–	6
Total net loans and advances		**496**	**495**

[1]Loan to third party was a loan to TA Associates in respect of the deferred consideration receivable arising from the sale of the Single Strategy Asset Management business. The loan was repaid in June 2020.

All loans are held at amortised cost and repayable on demand. The loans to subsidiary undertakings are with Old Mutual Wealth UK Holding Limited and Old Mutual Wealth Holdings Limited and are charged at interest rates of annual LIBOR plus 0.5%, 1-month LIBOR plus 1.304% and 10%. Given the profitability and net assets of these subsidiaries, the credit risk associated with these loans is considered minimal. There have been no non-performing loans, loans subject to renegotiations or material impairments on loans and advances recognised in the financial year.

6: Deferred tax assets

The following are the deferred tax balances recognised by the Company and the movements thereon, during the current and prior year.

31 December 2020	At beginning of the year £m	Income statement charge £m	At end of the year £m
Tax losses	4	(4)	–
Deferred tax assets at 31 December 2020	**4**	**(4)**	**–**

31 December 2019	At beginning of the year £m	Income statement charge £m	At end of the year £m
Tax losses	2	2	4
Deferred tax assets at 31 December 2019	2	2	4

The main rate of corporation tax is 19%. The reduction to 17% due to come into effect from 1 April 2020 was cancelled.

A deferred tax asset or liability is recognised to the extent that temporary differences are expected to reverse in the foreseeable future.

The value of the deferred tax assets not recognised as at 31 December 2020 was £16 million (2019: £3 million). This relates to gross carried forward losses of £86 million (2019: £16 million).

7: Other receivables and other assets

The note analyses total other receivables and other assets.

	Note	31 December 2020 £m	31 December 2019 £m
Due from subsidiary undertakings	13	28	7
Total other receivables and other assets		**28**	**7**

All amounts due from Group companies are unsecured and settled on demand. The Directors consider that the carrying amount of other receivables approximate their fair value.

8: Cash and cash equivalents

	31 December 2020 £m	31 December 2019 £m
Cash at bank	11	336
Money market funds	303	223
Total cash and cash equivalents per statement of financial position	**314**	**559**

All cash and cash equivalents are current, and recognised at amortised cost, apart from money market investments which are recognised mandatorily at FVTPL.

Investments in money market OEICs are classified as cash and cash equivalents. Management hold these investment funds for short term liquidity purposes. The funds are highly liquid, have a strong credit rating and a very low risk of reduction in value.

9: Merger reserve

2019 Merger reserve
During the year ended 31 December 2019, there was a partial repayment of the receivable and a subsequent dividend paid by Skandia UK Limited to Quilter plc. The resulting decrease in Skandia UK Limited's net asset value gave rise to a £439 million impairment of Quilter plc's investment in Skandia UK Limited and an associated release of the merger reserve.

2020 Merger reserve
There has been no further change to the merger reserve in 2020. These transactions attracted merger relief under section 612 of the Companies Act 2006.

10: Provisions

	31 December 2020 £m	31 December 2019 £m
Balance at beginning of the year	7	6
Additions	–	1
Total provisions	**7**	**7**

Revenue warranty in relation to the sale of the Single Strategy Asset Management business
Provisions totalling £6 million were made in 2018 as a consequence of the sale of the Single Strategy Asset Management business. These were made in relation to various sale related future commitments, the outcome of which was uncertain at the time of the sale and the most significant of which was in respect of the guarantee of revenues for the seller in future years arising from the funds invested by Quilter. Because of the long-term nature of the provision, it was deemed to be a non-current liability.

The provision takes into account sensitivities including potential scenarios which would result in a reduction in Group assets under management held in Merian Global Investors (Single Strategy Asset Management business) funds, leading to a reduction in the management fees paid to Merian Global Investors. The scenarios are based upon assumptions determined considering historical outflows over the past three years, expectation of outflows in the next two years and the latest information received from Merian. Per the conditions of the sale agreement, the maximum remaining potential exposure is £17 million, based on business periods between 2020 and 2022. The expected range of payments based upon the latest information received from Merian and management's reasonable expectations of AUM invested within Merian funds during the assessment periods varies from £5 million to £12 million.

Reassessments of the provision have led to an increase of £1 million in 2019 and £0.3 million decrease in 2020. Of the total provisions recorded above, £5 million is estimated to be payable after more than one year, with expected final settlement due in the first half of 2023.

11: Borrowings

	31 December 2020 £m	31 December 2019 £m
Subordinated debt		
Subordinated loan at 3-month LIBOR + 4.0503%[1]	198	198
Funding – intercompany payables	3	–
Total borrowings	**201**	**198**

[1]Commenced on 28 February 2018 and used for general corporate purposes.

Amounts borrowed are at amortised cost.

On 28 February 2018, the Company issued a £200 million subordinated debt security (held at amortised cost of £198 million) in the form of a 10-year Tier 2 bond with a one-time issuer call option after five years to J.P. Morgan Securities plc, paying a semi-annual coupon of 4.478% (the "Tier 2 Bond"). The bond was remarketed and sold to the secondary market in full on 13 April 2018. It is now listed and regulated under the terms of the London Stock Exchange. In addition, the Company entered into a £125 million revolving credit facility which remains undrawn and is being held for contingent funding purposes across the Group.

12: Other payables

	Note	31 December 2020 £m	31 December 2019 £m
Due to subsidiary undertaking	13	6	7
Accruals		25	3
Total other payables		**31**	**10**

Other payables includes an accrual in 2020 for committed share purchases to complete the current tranche of the share buyback programme of £22 million, where the Company does not have the option to terminate the purchases. The tranche completed on 8 March 2021.

All amounts are current and short term, i.e. repayable within one year.

Amounts due to subsidiary undertakings are unsecured, repayable on demand and usually settled quarterly.

13: Related party transactions

Key management personnel transactions

Key management personnel and members of their close family have undertaken transactions with the Group in the normal course of business.

The Directors and key management personnel of the Company are considered to be the same as for the Group. See note 39 of the Group financial statements for further information.

There were no other related party transactions in the year ended 31 December 2020 and 31 December 2019 other than those referenced in note 39 of the Group financial statements.

Transactions with related parties carried out by the Company during the year were as follows:

	Notes	31 December 2020 £m	31 December 2019 £m
Management fees paid to subsidiary undertaking		56	47
Dividends received from subsidiary undertakings		83	532
Interest received from subsidiary undertakings		13	13
Amounts due from subsidiary undertakings	7	28	7
Amounts due to subsidiary undertakings	12	6	7
Investment in subsidiary undertaking	4	23	–
Investment in subsidiary undertaking in relation to share-based payments	4	(4)	11
Loans to subsidiary undertakings	5	496	489
Other borrowings from Group entities	11	3	–

Management services and fixed assets in the current and prior year in the UK are provided by Quilter Business Services Limited, a subsidiary undertaking. Quilter Business Services Limited charges a management fee for costs incurred and services provided. This fee is charged at cost plus a mark up.

14: Commitments

The Company has given letters of support which confirm that the Company will continue to provide financial support to a number of subsidiaries for a period of at least 12 months from the date of approval of the statement of financial position of those subsidiary companies.

Other information

Shareholder information

Information for all shareholders

2021 key dates

The key dates for shareholders are:

6 April 2021	Last day for shares to trade cum dividend in South Africa
7 April 2021	Shares start trading ex-dividend in South Africa
9 April 2021	Final Dividend record date Shareholders on the register are eligible for the Final Dividend
13 May 2021	AGM at 11:00am (UK time)
17 May 2021	Final Dividend payment date
11 August 2021	Publication of 2021 half year results, including any dividend details

Dates may be subject to change. Please check our website at quilter.com for further information.

Dividends

Dividend information

This year the Directors are recommending the payment of a Final Dividend of 3.6 pence per share.

Dividend policy

The Quilter Board target a dividend pay-out ratio of 40% to 60% of post-tax operating profits, taking into account the underlying cash generation, cash resources, capital position, distributable reserves and market conditions at the time.

Odd-lot Offer

In March 2020, as part of our drive for efficiency in how we run our business and consistent with our desire to act in the best interests of all our shareholders, the Board announced the launch of an Odd-lot Offer for shareholders on the London and Johannesburg Stock Exchanges.

The Odd-lot Offer was a way of offering shareholders who held fewer than 100 Ordinary Shares the opportunity to sell their shares at a 5% premium to the market price (the 'Offer Price'), without incurring any dealing costs. Odd-lot Holders could choose to sell all of their shares at the Offer Price or they could choose to keep their shareholding in Quilter.

The Odd-lot Offer closed on Friday 15 May 2020. If you have any questions about the Odd-lot Offer or your shares, please contact our Registrar using the contact information on page 269.

Quilter 2021 AGM

AGM key dates

The key AGM dates for shareholders are:

7 May 2021 By no later than 5:00pm (UK time)	Shareholder questions to be received by the Company Secretary
11 May 2021 By no later than 11:00am (UK time)	Proxy Forms to be received by our Registrar* Requests to join the AGM by telephone to be received by the Company Secretary
13 May 2021 11:00am (UK time)	AGM to be held

*Voting deadlines may vary depending on how you hold your shares. If you hold you shares via a CSDP, broker or nominee, please contact them to confirm their voting deadline.

Regrettably, in light of current UK Government guidance, and with the health and safety of our shareholders, colleagues and the wider community in mind, we are requesting that shareholders do not attend the AGM in person, unless the current situation changes. We value the opportunity to engage with our shareholders to review our performance and to answer questions on the business of the meeting.

Asking a question

You can submit any questions you may have on the business of the meeting to the Board ahead of the AGM by emailing the Company Secretary at companysecretary@quilter.com by 5:00pm (UK time) on Friday 7 May 2021. The questions and answers will be published on our AGM Hub, quilter.com/agm, in advance of the online voting deadline. This will enable you to have your questions answered before you vote your shares. If you submit a question after this time, we will respond to you as soon as possible.

Voting and joining the meeting by telephone

We have put in place a telephone line so that shareholders can join the meeting by telephone. Shareholders will be able to listen to the meeting and also have the opportunity to ask the Board any questions relating to the business of the meeting.

Please note that shareholders joining by telephone will not be able to vote on the day. We recommend that shareholders who would like to vote appoint the Chairman of the meeting as their proxy and register a voting instruction ahead of the meeting.

How to join the AGM by telephone

If you would like to join the meeting by telephone, please contact the Company Secretary at companysecretary@quilter.com to request your individual secure dial in details. Requests must be received no later than 11:00am (UK time) on Tuesday 11 May 2021.

The telephone line will open shortly before 11:00am (UK time) on the day of the meeting.

Voting results and AGM information available to shareholders

The final voting results are expected to be released to the London Stock Exchange and Johannesburg Stock Exchange on Thursday 13 May 2021 after the AGM and will be published on our AGM Hub at quilter.com/agm.

It is expected that the audiocast of the AGM will be made available on our AGM Hub shortly after the meeting. We will also make available the Chairman's statement.

We will continue to provide up to date information about our AGM arrangements on our AGM Hub at quilter.com/agm. Please ensure you check the AGM Hub regularly for the latest updates.

More information about your AGM

Our Company Secretary, Patrick Gonsalves, sets out information on the AGM arrangements and how you can have your say in more detail on pages 4 and 5 of the 2021 Notice of AGM.

Information for UK shareholders

Managing your shares and staying in touch
You do not have to receive paper shareholder documentation. Many shareholders choose to receive their communications electronically. Our Registrar, Equiniti, provide a free, convenient online service, Shareview, where you can access your shareholding quickly and easily. If you have not already done so, you can register for Shareview by visiting www.shareview.co.uk. All you need is your Quilter Shareholder Reference Number, which can be found on your share certificate. We will email you a notification when any shareholder statements are available and when we announce our full and half year results. You can also use Shareview to submit a voting instruction for any general meetings and to find out when any dividends are due.

Keeping your personal information up to date
It is important that you keep the personal information we hold up to date. That way correspondence advising you of any changes that might affect your shareholding reaches you and any dividends are paid to you promptly. You can do this online at www.shareview.co.uk, via the Quilter Shareholder Helpline or by post. Contact details are overleaf.

Duplicate documents
If you have received more than one copy of Quilter shareholder documents you may have duplicate shareholder accounts. Please contact Equiniti who will be able to confirm and if necessary amalgamate any duplicate holdings.

Fraud warning
Shareholders should be wary of any unsolicited calls or documents offering unsolicited investment advice and offers to buy shares at a discounted price. Fraudsters can use persuasive and high-pressure tactics to lure shareholders into scams. You are advised not to give out any personal details or to hand over any money without ensuring that the organisation is authorised by the UK Financial Conduct Authority ("FCA") and doing further research. If you are unsure, or think you may have been targeted, you should report the organisation to the FCA using the share fraud reporting form available at www.fca.org.uk/scams. You can also report suspected share fraud through the FCA Helpline on +44 (0)800 111 6768 or through Action Fraud on +44 (0)300 123 2040.

Useful information

Quilter plc share register
Quilter plc listed on the London and Johannesburg Stock Exchanges on 25 June 2018. Quilter plc has a premium listing on the London Stock Exchange and a secondary listing on the Johannesburg Stock Exchange. The shares track under the QLT ticker.

Historical shareholder information
If you had shares in Old Mutual plc and have any questions about your holding or any unclaimed dividends you should contact our registrars using the contact details overleaf. Please have your Shareholder Reference Number to hand.

Information for African shareholders

Registrar name change
In November 2020, the JSE Limited purchased a majority holding in the ownership of our Registrar in South Africa, Link Market Services South Africa (Pty) Limited. Our Registrar has now changed its name to JSE Investor Services (Pty) Limited. Please note that there is no change to the service provided by our Registrar.

Managing your shares and staying in touch
You can go online to manage your shareholding at https://investorcentre.jseinvestorservices.co.za. This enables you to view your holding, check your dividend history, and update how you want us to communicate with you.

Quilter would like to send you information about your shares by text message or email. We will text you a notification when your bi-annual shareholder statement is available; when we announce our results; when you can vote at any general meetings; and when any dividends are due. If you have not already done so, you can quickly and easily register your mobile phone and email address with us as follows:

Online
Go to https://investorcentre.jseinvestorservices.co.za and register for electronic communications by following the instructions on screen. All you need is your postcode and Shareholder Reference Number which can be found on your share certificate.

By email
Write to investorenquiries@jseinvestorservices.co.za. Please include your email address and mobile phone number and state that these should be used for all future communications.

By telephone
Call your Quilter Shareholder Helpline number provided overleaf and ask for your email and mobile number to be recorded.

Dividends
For your security, Quilter will only pay your dividend to the bank account currently registered with our Registrar, JSE Investor Services. To register your bank details please contact JSE Investor Services using the contact details overleaf.

Dividend currency
All dividends will be declared in pounds sterling for shareholders on the UK register and rand for shareholders on the South African register. The foreign exchange rate will be determined the day before the Directors declare the dividend.

Did you know?
You do not need to hold a paper share certificate. By holding your shares electronically you can buy and sell shares more easily and protect your holding to help prevent fraud. You can find out more by contacting JSE Investor Services.

Contact information

Contact our UK Registrar, Equiniti
If you have a question about your shareholding, please contact Equiniti.

Post
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Online
https://help.shareview.co.uk

Telephone
0333 207 5953* (if calling from the UK)
+44 (0)121 415 0113 (if calling from overseas)

* Lines are open Monday to Friday between 08:30 and 17:30 (UK time), excluding public holidays in England and Wales.

Contact our African Registrars
Shareholders on the South Africa Register
JSE Investor Services (Pty) Limited
PO Box 10462, Johannesburg, 2000, South Africa

Email
investorenquiries@jseinvestorservices.co.za

Telephone
086 140 0110/086 154 6566 (calling from South Africa)
+27 11 029 0251/+27 11 715 3000 (calling from overseas)

Shareholders in Namibia
Transfer Securities (PTY) Limited
PO Box 2401
Windhoek, Namibia

Email
ts@nsx.com.na

Telephone
+264 (0) 227 647

Shareholders in Malawi
National Bank of Malawi plc
Legal Department
PO Box 945
Blantyre, Malawi

Email
legal@natbankmw.co.za

Telephone
+265 182 0622/+265 182 0054

Shareholders in Zimbabwe
Corpserve Registrars (PVT) Ltd
PO Box 2208
Harare, Zimbabwe

Email
corpserve@escrowgroup.org

Telephone
+263 242 751 559/+263 242 751 561

Alternative Performance Measures

We assess our financial performance using a variety of measures. APMs are not defined by the relevant financial reporting framework, which for the Group is IFRS, but we use them to provide greater insight into the financial performance, financial position and cash flows of the Group and the way it is managed.

APMs should be read together with the Group's consolidated financial statements, which include the Group's income statement, statement of financial position and statement of cash flows, which are presented on pages 167 to 171.

Further details of APMs used by the Group in its financial review are provided opposite. The Group's APMs have not changed due to the adoption of new accounting standards during the period, as disclosed in note 1 to the consolidated financial statements.

APM	Definition
Adjusted profit before tax	Adjusted profit before tax for the Group represents the Group's IFRS profit, adjusted for key items and excludes non-core operations, as detailed on page 192 in the consolidated financial statements. Due to the nature of the Group's businesses, management believe that adjusted profit before tax is an appropriate basis by which to assess the Group's underlying operating results as it enhances comparability and understanding of the financial performance of the Group. A detailed reconciliation of the adjusted profit before tax metrics presented, and how these reconcile to IFRS, is provided on page 66. Adjusted profit before tax is referred to throughout the Chief Executive Officer's statement and Financial review, with comparison to the prior period explained on page 63. A reconciliation from each line item on the IFRS income statement to adjusted profit before tax is provided in note 7(d) to the consolidated financial statements on page 195.
Revenue margin (bps)	Revenue margin represents net management fees, divided by average AuMA. Management uses this APM as it represents the Group's ability to earn revenue from AuMA. Revenue margin by segment and for the Group is explained on page 64 of the Financial review.
Operating margin	Operating margin represents adjusted profit before tax divided by total net fee revenue. Management use this APM as this is an efficiency measure that reflects the percentage of total net fee revenue that becomes adjusted profit before tax. Operating margin is referred to in the Chief Executive Officer's statement and Financial review, with comparison to the prior period explained in the adjusted profit section on page 63.
Gross sales	Gross sales are the gross client cash inflows received from customers during the period and represent our ability to increase AuMA and revenue. Gross sales are disclosed by business on page 61.
Gross outflows	Gross outflows are the gross client cash outflows returned to customers during the period and results in a decrease to AuMA and revenue. Gross outflows are disclosed by business on page 61.
Net client cash flows ("NCCF")	NCCF is the difference between money received from and returned to customers during the relevant period for the Group or for the business indicated. This measure is considered to be a lead indicator of total net fee revenue. NCCF is referred to throughout this document, with a separate section in the Financial review on pages 61 to 62.
Integrated net inflows	Integrated net inflows are total NCCF from continuing operations, before intra-Group eliminations that have flowed through two or more segments within the Group. It is considered to be a lead indicator of revenue generation driven by our integrated business model. Integrated net inflows are explained in the NCCF section of the Financial review on page 62.

APM	Definition
Assets under Management and Administration ("AuMA")	AuMA represents the total market value of all financial assets managed and administered on behalf of customers. For reporting, the Advice and Wealth Management segment presents Assets under Management and Wealth Platforms segment presents Assets under Administration. AuMA is referred to throughout this document, with a separate section in the Financial review on page 62.
Average AuMA	Average AuMA represents the average total market value of all financial assets managed and administered on behalf of customers. Average AuMA is calculated using a 7-point average (half year) and 13-point average (full year) of monthly closing AuMA.
Total net fee revenue	Total net fee revenue represents revenue earned from net management fees and other revenue listed below, and is a key input into the Group's operating margin. Further information on total net fee revenue is provided on page 63 of the Financial review and note 7(d) in the consolidated financial statements.
Net management fees	Net management fees consists of revenue generated from AuMA, fixed fee revenues including charges for policyholder tax contributions, less trail commissions payable. Net management fees are presented net of trail commission payable as trail commission is a variable cost directly linked to revenue, which is a treatment and presentation commonly used across our industry. Net management fees is a part of total net fee revenue, and is a key input into the Group's operating margin. Further information on net management fees is provided on page 63 and note 7(d) in the consolidated financial statements.
Other revenue	Other revenue represents revenue not directly linked to AuMA (e.g. encashment charges, closed book unit-linked policies, non-linked Protect policies, adviser initial fees and adviser fees linked to AuMA in Quilter Financial Planning (recurring fees)). Other revenue is a part of total net fee revenue, which is included in the calculation of the Group's operating margin. Further information on other revenue is provided on page 63 and note 7(d) in the consolidated financial statements.
Operating expenses	Operating expenses represent the underlying costs for the Group, which need to be incurred to earn total net fee revenue, and excludes the impact of material one-off items. Operating expenses are included in the calculation of adjusted profit before tax, and impact the Group's operating margin. A reconciliation of operating expenses to the applicable IFRS line items is included in note 7(d) to the consolidated financial statements, and the adjusting items excluded from operating expenses are explained in note 7(b). Operating expenses are explained on page 64 of the Financial review. This APM was relabeled this year, from 'expenses' to 'operating expenses', to reflect a more meaningful title and provide a clearer distinction between the statutory expense measure and this APM.
Cash generation	Cash generated from operations is calculated by removing non-cash generative items from adjusted profit before tax, such as deferrals required under IFRS to spread fee income and acquisition costs over the lives of the underlying contracts with customers. It is stated after deducting an allowance for net cash required to support the capital requirements generated by new business offset by a release of capital from the in-force book. Cash generation is explained on page 67 of the Financial review.

APM	Definition
Asset retention	The asset retention rate measures our ability to retain assets from delivering good customer outcomes and investment performance. Asset retention reflects the annualised gross outflows of the assets under management during the period as a percentage of opening assets under management and administration. Asset retention is calculated as: 1 – (annualised gross outflow divided by opening AuMA). Asset retention is provided for the Group on page 61.
Productivity	Productivity is a measure of the value created by integrated net inflows from our advice business, and is an indicator of the success of our integrated business model. Productivity is calculated as integrated net client cash flow per average Restricted Financial Planner. Productivity is provided on page 62.
NCCF/opening AuMA (excluding QLA)	This measure is calculated as total NCCF annualised (as described above) divided by opening AuMA presented as a percentage. This metric is provided on page 61.
Return on Equity ("RoE")	Return on equity calculates how many pounds of profit the Group generates from continuing operations with each pound of shareholder equity. This measure is calculated as adjusted profit after tax divided by average equity. Equity is adjusted for the impact of discontinued operations, if applicable.
IFRS profit before tax attributable to equity holders	IFRS profit before tax attributable to equity holders represents the profit after policyholder tax ('tax attributable to policyholder returns') but before shareholder tax ('tax attributable to equity holders'). The tax charge for the Group's UK life insurance entity, Old Mutual Wealth Life & Pensions, comprises policyholder tax and shareholder tax. Policyholder tax is regarded economically as a pre-tax cost to the Group, in that it is based on the return on assets held by the Group's life insurance entities to match against related unit-linked liabilities in respect of clients' policies, and for which the company charges fees to clients. As such, policyholder tax can be a charge or credit in any period depending on underlying market movements on those assets held to cover linked liabilities. Shareholder tax is the remaining tax after deducting policyholder tax, and is more reflective of the profitability of the entity. This metric is included on the face of the Group's income statement on page 167 and is included in the adjusted profit before tax to IFRS profit after tax reconciliation in note 7(a) to the consolidated financial statements.
IFRS profit before tax (excluding amortisation, policyholder tax adjustments and other one-off items)	This profit metric is calculated using the Group's IFRS profit before tax, from continuing and discontinued operations, and is adjusted to exclude amortisation of intangible assets, policyholder tax adjustments, and other one-off items as disclosed in the reconciliation in note 7(c) to the consolidated financial statements. This APM was relabeled in 2019, to provide a more meaningful title (was previously called IFRS profit before tax (excluding policyholder tax and life tax contributions)). This metric is used as the basis for remuneration, which is explained in the Remuneration Report in the Group's Annual Report.

APM	Definition
Adjusted diluted earnings per share	Adjusted diluted earnings per share represents the adjusted profit earnings per share, calculated as adjusted profit after tax divided by the weighted average number of shares. Refer to page 209 and note 12 in the consolidated financial statements. A continuing and discontinued view of diluted earnings per share has also been presented, and the calculation of all EPS metrics, in note 12 to the consolidated financial statements. Adjusted diluted earnings per share is referred to throughout this document, with additional details in the EPS section in the Financial review on page 65.
Headline earnings per share	The Group is required to calculate headline earnings per share in accordance with the Johannesburg Stock Exchange Limited Listing Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 02/2015. This is calculated on a basic and diluted basis. For details of the calculation, refer to note 12 of the consolidated financial statements.

Glossary

Term	Definition
Affluent	Customers with £100,000 to £250,000 of investable assets.
AuA	Assets under administration, which unless stated otherwise, reflects gross AuA before intra-group eliminations.
AuM	Assets under management, which unless stated otherwise, reflects gross AuM before intra-group eliminations.
AuMA	Assets under management and administration – for more details see Alternative Performance Measures on page 271.
Brexit	The exit of the United Kingdom from the European Union, officially announced on 29 March 2017.
CAGR	Compound annual growth rate
Company	Quilter plc
COVID-19	Coronavirus disease 19
FCA	The UK Financial Conduct Authority
GHG	Greenhouse gas
Group	Quilter plc and its subsidiaries
High net worth	Customers with over £250,000 of investable assets.
ICAAP	Internal Capital Adequacy Assessment Process
IFAs	Independent Financial Advisers, meaning advisers who provide advice on an independent basis, based on a comprehensive analysis of the whole market and free from any restriction.
IFRS	The International Financial Reporting Standards as adopted by the European Union.
Integrated net flows	NCCF that appear in more than one part of the Group's businesses – for more details see Alternative Performance Measures on page 270.
Investment managers (IMs)	Individual who provides investment advice and investment management services to private clients of Quilter Cheviot in line with individual circumstances and investment objectives.
IPO	Initial Public Offering
ISA	Individual Savings Accounts
JSE	Johannesburg Stock Exchange
Lighthouse	Lighthouse Group plc was acquired on 12 June 2019. The Company changed its name to Lighthouse Group Limited on 19 February 2021.
Listing	Reference to Quilter plc listing on the London and Johannesburg stock exchanges on 25 June 2018.
LSE	London Stock Exchange

Term	Definition
Managed Separation	Refers to the Managed Separation of Quilter plc from the Old Mutual Group.
Mass Affluent	Customers with £50,000 to £100,000 of investable assets.
NCCF	Net client cash flow – For more details see Alternative Performance Measures on page 270.
ORSA	Own Risk and Solvency Assessment
Own funds	Capital resources determined on the basis of the Solvency II balance sheet.
PCA	Private Client Advisers – refers to Quilter Private Client Advisers
PRA	Prudential Regulation Authority
Productivity	For definition, see Alternative Performance Measures on page 272.
PTP	Platform Transformation Programme
Quilter	Quilter plc
Quilter Group	The group of companies that are ultimately owned by Quilter plc.
QLA	Quilter Life Assurance – sold to ReAssure on 31 December 2019.
Restricted Financial Planners (RFPs)	Advisers who advise on a defined range of products and investment solutions, including investment solutions offered by the Group and by third parties that have been pre-researched by the Group.
Scope 1 & 2 GHG emissions	Greenhouse gas emissions are categorised into three groups or 'scopes' by the most widely-used international accounting tool, the Greenhouse Gas (GHG) Protocol. Scope 1 and 2 cover direct emissions sources (e.g., fuel used in company vehicles and purchased electricity), scope 3 emissions cover all indirect emissions due to the activities of an organisation.
SCR	Solvency Capital Requirement, the regulatory capital requirement under the Solvency II Directive.
Single Strategy business	The Single Strategy asset management business, rebranded 'Merian', sold by the Group to TA Associates on 29 June 2018.
SMCR	Senior Managers and Certification Regime
Standard Formula	The regulatory formula used to determine capital requirements for insurance entities under Solvency II. This formula broadly represents the potential loss of own funds calibrated to a 1-in-200 likelihood level.

Quilter business names

Since IPO in June 2018, the Group's businesses have progressively re-branded to Quilter. The UK Platform will be the final business to rebrand, in mid-2021.

For the purposes of this Annual Report, all businesses have been referenced by their new name. The following table details the previous and new business names and the date of change where this has already taken place.

Previous business name	New business name	Date of change
Advice & Wealth Management		
Multi-Asset	Quilter Investors	29 June 2018
Quilter Cheviot	No change	n/a
Intrinsic	Quilter Financial Planning	1 July 2019
Old Mutual Wealth Private Client Advisers	Quilter Private Client Advisers	3 September 2018
Wealth Platforms		
UK Platform	Quilter Investment Platform	Following completion of PTP
International	Quilter International	17 February 2020

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Quilter plc
Senator House
85 Queen Victoria Street
London
EC4V 4AB
United Kingdom

quilter.com