We help more people to look after their future

Admiral Group plc

Annual Report and Accounts 2021

Admiral Group plc is a global financial services company offering insurance products, including motor, household, travel and pet insurance as well as personal lending products through Admiral Loans.

Spotted on the cover

Discover how we've helped more people look after their future this year

Simon's story

Discover how Simon helps keep all our employees safe in our Cardiff head office

See **page 21**

Becky's story

Read how Becky and her team support our household customers at the point of claim

See **page 129**

Adam's story

Learn more about how Adam is engaging with different stakeholders on the Admiral graduate scheme

See **page 211**

Contents

Download the PDF of the Annual Report and Sustainability Report at **admiralgroup.co.uk**

Our headquarters are in Cardiff, South Wales, and Admiral Group is proud to be Wales' only FTSE 100 Company. We have a strong international presence, with offices in countries including France, Italy, Spain, US, Canada, Gibraltar and India.

Our purpose is to *help more people to look after their future; always striving for better, together.* At Admiral, we care deeply about our employees, our customers, and the impact we make on wider society.

Financial and Strategic highlights

Group profit before tax, excluding restructure costs[1]

£769m

2021	£769m
2020	£608m
2019	£505m

Group profit before tax including discontinued operations and gain on disposal

£1,129m

2021	£1,129m
2020	£638m
2019	£523m

EPS[1] (pence per share)

212.2p

2021	212.2p
2020	170.7p
2019	143.7p

ROE[1]

56%

2021	56%
2020	52%
2019	52%

Net revenue

£1.55bn

2021	£1.55bn
2020	£1.31bn
2019	£1.21bn

Turnover[1]

£3.51bn

2021	£3.51bn
2020	£3.37bn
2019	£3.30bn

Customers (million)

8.36m

2021	8.36m
2020	7.66m
2019	6.98m

Full year dividend (pence per share)[2]

187.0p

2021	187.0p
2020	156.5p
2019	140.0p

Solvency ratio[3]

195%

2021	195 %
2020	187%
2019	190%

Sustainability highlights

Gender split across the Group

51% Female, 49% Male

(2020: 53% Female, 47% Male)

Emissions (tonnes CO_2 per employee)

0.32[5] tonnes

(2020: 0.21 tonnes)

Net Promoter Score[6] (NPS) across all group operations

>50

Donated to communities during Covid

£6m+

Net Zero[5] by

2040

1 Alternative performance measure (APM)–refer to the glossary for definition and explanation. Note: Group profit including restructure costs of £713m (2020: £608m).

2 2021 full year dividend excludes dividends from sale of Penguin Portals comparison businesses.

3 Unaudited: refer to capital structure and financial position section on page 75 for further information.

4 Refer to the glossary for definition and explanation.

5 Refer to glossary for definition of Net Zero.

6 Net promoter score (NPS) is a KPI that measures the willingness of customers to recommend products or services to a family and friend. It is used to measure customers' loyalty to a brand. NPS at Admiral is currently measured based on a subset of customer responding to a single question – 'How likely would you recommend our company to a friend, family or colleague?' through phone, online or email.

Our purpose-led approach

At Admiral, we care about our employees, our customers, and the impact we make on society.

We strive to do the right thing at every turn. Our purpose defines the reason we exist, and the way we do things. Our purpose is to:

1. Help 2. more people to look after their future. 3.

Always striving for 4. better, together. 5.

1. We care about people. We want to be there to help: to provide reassurance, relief, and encouragement when it's most needed.

2. From the beginning, we've offered more people access to protection by pricing fairly and competitively. As we grow, we seek to create products that provide more people with the opportunity to access good financial services products.

3. Our products – car and home insurance, loans and travel, and more – help people protect what's important to them and enable their dreams, so they can create a better tomorrow. In the wider world, we act sustainably so we can all look after our shared future.

4. We believe that people who like what they do, do it better. We strive to do better every day.

5. At Admiral, we strive to create opportunities for all our colleagues – for example, through our employee share scheme and our dedication to our communities. We believe in the power of the team, quoting our founder Henry Engelhardt, it's all in 'The Team, The Team, The Team.'

Underpinned by

KPIs* See page 61

We are aware that our customers, shareholders and employees care about our goals and objectives. We take pride in sharing both financial and non-financial key performance indicators, which illustrate how we are progressing against strategic goals.

Financial stability See page 82

Admiral focuses on building sustainable, profitable businesses for the long term. The business follows a prudent reserving philosophy. Admiral also has a strong capital position, supported by important co-insurance and re-insurance agreements.

* Key Performance Indicators.

Culture

Prioritising our people is part of Admiral's DNA. It's the foundation of our company's belief that happy employees = happy customers = happy shareholders. We're determined to always remain a great place to work.

See our People on **page 12**

Business model

We build on our core competencies to create value for our stakeholders, focusing on profitable growth, strong risk selection capabilities, a controlled test-and-learn approach, the strength of our culture and the depth of our business relationships.

See our Business Model on **page 04**

Strategy

Our strategy remains highly focused on building customer-focused sustainable businesses for the long term. We strive to keep doing what we're doing well and do it better year after year.

See our Strategy on **page 35**

Sustainability

Our Sustainability approach is aligned with our purpose framework and considers our key stakeholders: People, Customers, Business, Society. We integrate environmental considerations across our operations.

See our Sustainability on **page 46**

Risk

See **page 116**

Admiral considers key risks facing the business and our Risk Committee supports the Board in its oversight of risk within the Group and reviews the risk strategy and risk appetite across the Group. Admiral's principal risks and uncertainties are outlined within the strategic section.

Governance

See **page 140**

We believe that having a robust corporate governance framework enables effective and efficient decision making and ensures that there is the right balance of skills and experience to assess and manage the risks in the markets in which we operate.

Our Business Model

Admiral Group is one of the UK's largest and most recognised personal lines insurance providers.

About us

Admiral Group plc is a global financial services company offering motor, household, travel and pet insurance, as well as personal lending products.

Our headquarters are in Cardiff, South Wales, and Admiral Group is proud to be Wales' only FTSE 100 company. We have a strong international presence, with offices in countries including France, Italy, Spain, US, Canada, Gibraltar and India.

Our business sectors

UK Motor Insurance

Admiral is one of the largest car and van insurers in the UK.

Admiral, Gladiator, Diamond, Bell, Veygo

UK Household Insurance

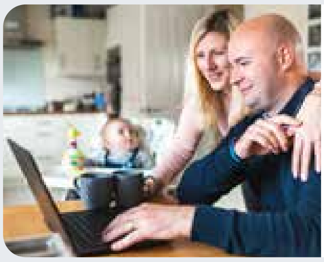
Admiral has a growing household insurance business.

Admiral

International Insurance

Admiral has insurance businesses in Spain, Italy, France, and the US.

conte.it assicurazioni, elephant, L'olivier Assurance, homebrella, balumba seguros, Qualitas Auto



Loans

Admiral offers unsecured personal loans and car finance products.

Admiral Money

Our drivers of success

Track Record of Growth
Page 09

Unique Company Culture
Page 12

1 Alternative performance measures (APM) – refer to the glossary for definition and explanation.

2 Alternative performance measures (APM) – refer to note 14 for reconciliation to the financial statements.

People employed globally	Customers worldwide	Net revenue (from continuing operations)
>11,000	8.36 million	£1.55 billion

Customers	Turnover[1,2]	Net insurance premium revenue[2]
4.97 million (2020: 4.75 million)	£2.52 billion (2020: £2.47 billion)	£496.5 million (2020: £451 million)

Customers	Turnover[1,2]	Net insurance premium revenue[2]
1.3 million (2020: 1.2 million)	£219 million (2020: £194 million)	£49.1 million (2020: £43.1 million)

Customers	Turnover[1,2]	Net insurance premium revenue[2]
1.8 million (2020: 1.6 million)	£690 million (2020: £649 million)	£221.0 million (2020: £204.2 million)

Customers	Turnover	Gross Balances
111,900 (2020: 84,430)	£37.1 million (2020: £38.4 million)	£607.0 million (2020: £401.8 million)

Efficient Capital Employment
Page 10

Operational Excellence
Page 07

Excellent Customer Service
Page 14

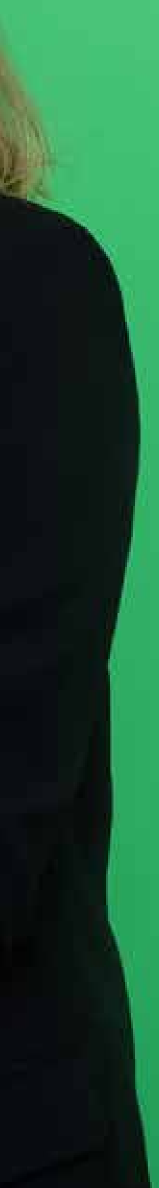
Our Business Model **continued**

1 Weighted average Group Combined Ratio based on earned result excluding commuted releases; booked LR from 2017-2021.

86%
Average CoR over the last five years[1]

Cost-conscious culture

"Our data driven approach forms a foundation for our business decisions."



Drivers of Our Success

Operational Excellence

Providing good value financial products

We take great pride in providing a range of financial products and services that meet customer needs, and aim to expand our product offering over time.

Risk selection and data analytics

Our unique approach to risk selection is built upon experience, underwriting skill, and, increasingly, on insights from big data and analytics. Our data-driven approach forms a foundation for business decisions.

Efficient claims management

We maintain our focus on efficient and effective claims management backed by a culture of continuous improvement, decades of experience in claims handling, a cost-conscious culture and great customer service.

Financial discipline and a cost-conscious culture

Admiral focuses on bottom line profitability for sustainable and profitable businesses over the long term, and this focus guides decisions made across our operations. Our cost-conscious approach translates to a competitive expense ratio.

Our Business Model **continued**

+1.2pp
increase in retention rates

+500k
additional customers beyond UK Car

+900k
growth in international customers over the last 5 years

+9%

growth in group customer numbers in 2021

Drivers of Our Success

Track record of long-term, profitable growth

Test-and-learn approach

Admiral has a strong culture of innovation and organic growth; our businesses have been built from the ground up. We identify and understand opportunities; take measured steps to test our understanding of the challenges and effectiveness of our solutions; and learn from these experiences. We continue to investigate opportunities to improve our existing businesses and build new businesses.

Our prudent approach informs our reserving philosophy

Our track record of success is in part due to our robust reserving approach, and the impact that has on our insurance and loans businesses. In addition, we continuously improve and build on our key competitive advantages, including cost efficiency, risk selection, data analytics, digital capabilities and claims management effectiveness.

Responsible and sustainable operations

Central to our approach towards long-term value creation is our continued commitment to drive positive outcomes for all our stakeholders. We appreciate that our stakeholders' needs evolve over time, and we are seeking to consciously adapt to remain a responsible, sustainable business for the long term. We genuinely care about the impact that we have on our customers, people, communities, partners, the environment, and our shareholders, and how we can best drive real value for all our stakeholders.

Our Business Model **continued**

Drivers of Our Success

Efficient Capital Employment

Managing risk

Admiral shares a large proportion of risk with co- and reinsurance partners. Sharing risk allows us to be more capital efficient and can lead to a superior return on equity for our shareholders whilst also whilst also providing protection for losses.

Shareholder returns

We are committed to returning excess capital to shareholders, and we do so when we make significant divestments (such as the sale of our comparison businesses in April 2021). We expect our businesses to make efficient use of capital resources.

195%
solvency ratio[2]

51%
51% growth in Admiral Gross Loans Balances

55%
Average group ROE last 5 years[1]

19%
increase in DPS

> Sharing risk allows us to hold less capital as it bears less risk, resulting in a superior return on capital for our shareholders.

1 5 year 2017-21 weighted average Group ROE for continuing operations, excluding restructure cost.

2 Continuing operations only; equity excludes capital held from disposal to be returned to shareholders

Drivers of Our Success

Unique Company Culture

Our company culture is based on four pillars: Fun, Communication, Equality, and Recognition and Reward

Fun

Great Place to Work

We strive to create an environment where people enjoy their work and feel happy, supported, and valued in their roles; and believe that our unique culture is integral to our success. Admiral's four pillars help define our unique workplace culture and have been the basis for some of our greatest achievements, including being on the Best Companies[1] To Work For list for 21 years in a row.

Ministry of Fun

We want our people to look forward to coming to work, celebrate being who they are, and feel happy and supported to give that little bit extra. Extra resources and effort have gone into planning how we retain and build upon this core pillar in 2021, engaging in different ways to inspire and have fun both in the office and when working from home.

Communication

We encourage effective and transparent communication at all levels. This is aided by accessible management and opportunities to encourage feedback across the Company.

There are a wide range of tools used by the Group to communicate matters that are relevant to colleagues to assist in the understanding of business goals, objectives, and economic and financial factors affecting the performance of the Group. Some of these tools include our colleague portal Atlas, internal newsletters, the use of video updates, team briefings, suggestion schemes, people forums, updates on the employee share scheme and the annual Employee General Meeting.

The transparency of our communication philosophy extends to Senior Managers and Directors, who encourage dialogue between colleagues of all levels of seniority across all areas of our business. Our Group Chief Executive Officer operates an open-door policy and colleagues can contact her directly through our 'Ask Milena' initiative. Our senior managers and Directors also participate in regular face-to-face and online chats with our people.

In order to ensure that there are effective means by which the views of the workforce can be heard, the Board established a UK Employee Consultation Group (ECG) in 2019. You can read more about this on page 91.

Equality

We work hard to promote a sense of fairness and equality. We want to create a working environment where everyone has an opportunity to succeed, and where everyone supports, and feels genuinely supported by groups related to diversity, gender equality, inclusion and social mobility.

We are very proud to be a diverse workplace and we're committed to building an inclusive culture where every individual has a voice and sense of belonging. We have working groups focusing on age, disability, gender, lesbian, gay, bisexual, transgender (LGBTQ+) and social mobility.

The working groups and forums are platforms for diverse talent and provide opportunities to help educate, inform and improve our approach to specific issues relating to under-represented groups. As a result, these channels represent the voices of our colleagues and empower them to play a role in shaping our employee propositions and policies.

To find out what our Diversity and Inclusion Forums focused on in 2021, turn to page 54.

1 Previously called The Sunday Times Best Companies to Work For.

88%
of colleagues believe that Admiral is a great place to work[3]

90%
of colleagues feel encouraged by Admiral's commitment to Smart Working.[1]

494
career advice sessions were hosted by our new Careers Academy

"Admiral's 'Give a Day' scheme allows colleagues in the UK to volunteer two days in the local community each year, with full pay"

Colleagues completed over 192,000 online courses in 2021 (UK operations)

95%
of our people feel well supported by the business[2]

Recognition and Reward

At the heart of this pillar is our share ownership scheme, which rewards success with a stake in the Company. We firmly believe that a job well done should be appropriately rewarded.

We maintain a philosophy that people who like what they do, do it better, and in doing so, aim to ensure a work environment where colleagues are engaged and have a clear purpose. One example is through our share ownership scheme, which is an important part of the Admiral culture, and aims to reward and recognise our employees for their hard work and the overall performance of the Group.

Over 10,000 employees working at Admiral for more than one year received shares through our Approved Free Share Plan (SIP) or equivalent schemes in 2021. More than 3,300 employees from across the business receive additional shares through the Discretionary Free Share Scheme, which is designed to ensure that decisions are made by management to support long-term value growth, reward the right behaviours, and to ensure that our people's interests are aligned with those of our shareholders.

1 Continuing operations only; equity excludes capital held from disposal to be returned to shareholders.
2 June Pulse Survey.
3 GPTW Survey Results 2021.

Drivers of Our Success

Excellent Customer Service

Our commitment to delivering excellent customer service remains unchanged, and unaffected by the pandemic.

We are proud of our colleagues as they continue to work from home and their ability to remain motivated and capable of delivering excellent customer service.

There have been so many uplifting stories of how our colleagues have continued to do what is right by our customers over the course of the last 12 months. Below are just a few examples of teams who are going that extra mile every day.

Vulnerable Customers

Our specialist customer support team helps some of our most vulnerable customers compassionately when they need us the most. This team is dedicated to supporting bereaved customers and customers facing financial difficultly, or hardship. The team was established in July 2021 as part of our response to the pandemic, to provide our customers the support needed as they faced an increasing number of complex financial difficulties. During 2021, this small team helped more than 6,000 customers who had lost a loved one, and over 3,000 financially vulnerable customers.

Treating Customers Fairly

In the UK, our Customer Assurance team were awarded the Gold Award for 'Support Team of the Year 2021' by the Welsh Contact Centre Awards, for the third year running. Our colleagues in Customer Assurance are passionate about treating all customers fairly and ensuring that our customers are provided with the best service and most suitable products for their needs. The assurance team ensures that claims are paid promptly and fairly and that any complaints are resolved as quickly and thoughtfully as possible. This team provides support to all customers, including those customers who are facing challenges ranging from those affected by bereavement, the breakdown of a relationship or general affordability issues or concerns.

Team members within Customer Assurance are equipped with training in soft skills such as empathy and patience, as well as technical knowledge to be robust and resilient problem solvers.

Key Worker Initiative

Disruption caused by the Covid pandemic caused challenges for everyone, particularly those working across the front line and in the NHS.

In response to the contributions made by key workers to help protect the public, we wanted to offer our thanks and appreciation in return. In 2021 we launched a Key Worker initiative to support our customers working in key roles, a project that resulted in waiving over 10,000 customer excess payments, amounting to over £5 million and covering the cost of almost 1,000 hire cars. Feedback from our customers relating to this support was positive, with many customers praising Admiral's efforts in going that extra mile in such a challenging time.

Read more about our operational excellence in our **Business Model** on **page 07**

> In 2021, Admiral has helped 9,000 of its most vulnerable customers through dedicated customer initiatives.

6,000
bereaved customers

3,000
financially vulnerable customers

Not Another Number

Elsewhere in the UK, the Van team enjoyed record customer satisfaction results in 2021, closing the year with an average score of 9.35/10.00 and a net promoter score over 65. These impressive outcomes were due, in part, to their 'Not Another Number' initiative which encourages colleagues to treat our customers as individuals with their own needs. We're proud of our Van agents for building upon our core value of excellent customer service and tailoring it for their business.

Our Business Model **continued**

Creating value for our stakeholders

At Admiral, we are committed to building strong and sustainable businesses that are focused on achieving positive outcomes for all our stakeholders.

Our Customers

Read more on **page 87**

Our People

Read more on **page 89**

Our Business

Read more on **page 93**

Our Society

Read more on **page 96**

Read more about our detailed approach in our **s172** statement on **page 100**

Our Customers

Help more people to look after their future.

As a customer-centric organisation, we seek to create products that provide more people with the opportunity to access good financial services products.

Value created in 2021

- We continued to provide fair and affordable products across the Group
- The UK Motor business launched a virtual assistant to better enable customers to self-serve
- We improved our digital offering for our household customers
- We launched new and innovative motor products
- We launched Admiral Essential on price comparison for more price sensitive customers
- Our customer operations teams were restructured around the two core elements of value and service, to support better customer experiences

Priorities in 2022

Our priorities in 2022 are to continue delivering great customer service, and to provide quality products, at fair prices, for a range of customers.

Customer satisfaction remains at the centre of our approach to business, and we strive to recognise evolving needs and expectations and adapt our channels and products in response.

Our People

The Team, The Team, The Team.

We believe that people who like what they do, do it better. This attitude creates happier and more productive colleagues, and better outcomes for our customers and other stakeholders.

Value created in 2021

- A wellbeing portal was launched for colleagues
- Members of the Group Board attended Employee Consultation Group sessions so they could hear directly from colleagues to understand their concerns
- The Learning and Development team ran training to support our colleagues in their transition to working from home
- An internal careers office, promoting career development, was launched
- We launched several group talent leadership development programmes in 2021, attended by a diverse audience from all operations
- Our Ministry of Fun held monthly competitions for all colleagues to enter
- We provided clear and reassuring communications on returning to the office
- The UK Reward team embarked on a comprehensive review of pay, working hours and employee share schemes

Priorities in 2022

In 2022 we will continue to encourage our people to acquire skills and develop their careers, whilst at the same time offering recognition and competitive rewards.

The health and wellbeing of our people, both physically and mentally, along with flexible working practices, will remain paramount.

We will continue to engage with our employees and strive to improve diversity and inclusion across the Group.

Our Business Model **continued**

£6m

invested back into our communities in 2020/2021

Our Business

Partners & Suppliers

Our business stakeholders include partners, suppliers, co-insurance and reinsurance partners.

Our strategic partners and suppliers comprise a mix of financial partners, reinsurance partners, IT hosting, distribution and claims management and claims services partners. In 2021, there has been a significant focus on enhancing the Group governance framework surrounding our procurement controls, looking to create and drive further alignment across Admiral Group with the ability to tailor to our local businesses to support their sizes, countries and culture.

In addition, management and the Board have placed significant focus on supplier payment performance during the year and are committed to ensuring that the Group continues to improve its performance in this area.

Value created in 2021

- Continued engagement with partners and suppliers. Made positive progress towards developing a unique supplier code of conduct
- Continued positive progress towards building our supplier risk registers
- Updated the Group Procurement Framework
- Improved procurement processes
- Updated and improved our Modern Slavery policy
- Extended our risk sharing partnership with one of our major reinsurance partners, Munich Re, with the longest contract until 2029. Worked more closely with our suppliers and partners to further support our net zero aspirations

Priorities in 2022

In 2022 Group procurement aim to enhance our relationships with all our partners and suppliers, and further assess risks in the supply chain, particularly with regard to modern slavery and environmental considerations.

In 2022 we aim to roll out enhanced procurement controls and to improve our current management information and reporting offerings which will allow us to enhance our engagement with suppliers.

Shareholders

Admiral focuses on building long-term sustainable businesses for the future.

The Group maintains a prudent approach in the way we run our businesses, which informs our investment and reserving philosophy and attitude to risk. The focus of our underlying investment strategy is capital preservation and low volatility of returns.

Admiral regularly engages with shareholders through open and transparent dialogue, as investor engagement fosters long-term strategic understanding of our business.

Value created in 2021

- Strong financial performance (ROE/EPS/DPS)
- We widened our investment portfolio without a material change in market risk
- We bought additional inflation protection
- We enhanced engagement with ESG Indices
- We aligned disclosures to the Sustainability Accounting Standards Board (SASB)
- Our Chair and Senior Independent Director held a series of Corporate Governance meetings with our largest investors

Priorities in 2022

In 2022 we commit to maintaining frequent and open dialogue with our shareholders, and the wider financial markets. Our goal is to maintain a strong capital position, manage risk and protect our business for the long term.

We intend to consistently deliver positive financial performances, and shareholder returns.

Our Society

Communities

A culture of giving and a sense of responsibility for the community is shared across the whole Group.

Giving back to our communities is an integral part of our company culture. Our colleagues play a key role in how we engage with our communities, and we work collectively to drive long-term change.

Value created in 2021

- We continued the Admiral Covid Support Fund established in 2020, and have since donated to more than 350 worthy causes
- We donated £1 million to the UNICEF India vaccination programme
- We allocated over £1 million to our international businesses to distribute to their local causes
- In total, we invested more than £6 million back into our communities during 2020/21

Priorities in 2022

In 2022 we will look to build on our long-standing financial and resource-based contributions, and maintain consistency and integrity relating to our promises.

Our communities approach will consider a number of influences and demands, including but not limited to topics such as employability, social mobility, educational opportunities, health and wellbeing for all, and wider financial inclusion.

Environment

Admiral has set targets to reduce its impact on the environment.

The main environmental focus in 2021 was on climate change, both the impact of a changing climate on our businesses, as well as how we can mitigate our businesses having a negative impact on climate change.

Value created in 2021

- We seek to cut our current emissions by half by 2030 with a commitment to achieve net zero greenhouse gas emissions by 2040
- We obtained assurance for scope 1 and 2 carbon emissions[1] from our operations, becoming fully carbon neutral for the second year running
- We formalised our Climate Change Steering group, headed up by our Group Strategic Risk team
- We aligned our sustainability approach (see pages 46 – 60) with our Group purpose, supported by a materiality matrix and group-wide people engagement (see pages 49 – 50)
- Our Investments team refined the portfolio's climate data set for better decision-making towards our net-zero commitments
- We promoted Green Week and Earth Day, and supported various recycling initiatives, and clean-up events as part of everyday business

Priorities in 2022

In 2022, we aim to enhance the Group governance framework surrounding our data capture process for emissions reporting, to drive further alignment across Admiral Group. We seek to improve how we will report against progress made towards the following commitments:

- to reach net zero greenhouse gas emissions by 2040
- to cut emissions in half by 2030
- to achieve net zero in directly controlled operational emissions by 2030

Admiral also aims to complete verification of its scope 3 emissions, and then begin working to set Science-Based Targets, which will complement the Group's overall net zero ambitions.

1 We independently verified our carbon emissions with Carbon Intelligence, who provided limited assurances as per the industry standard.

Strategic report

Quick navigation

Simon's story

4,000 laptops and computers distributed

Spotted on the cover

We sit down with Security Manager Simon as he talks about how he keeps our people safe in our Cardiff head office.

'As a Security Manager, I oversee security operations across all the Cardiff sites along with a team of seven others. My role is to keep people safe. As part of this I monitor contracts, issue security clearances, checking building-related equipment and alarms, and look after the mechanical equipment for Tŷ Admiral.

Admiral means a lot to me, and the best part of working here is the people. I can tell that our people are happy to be here as I sit at the reception desk and let everyone in. If I was going to describe the culture in three words, I would say *'approachable, supportive, equal'*.

I have developed so many long-lasting friendships here, and the support and kindness that was shown to me when I lost my Dad a few years back went a long way.

The pandemic has directly impacted my role. My days were a very different kind of busy when we started smart working, and everyone began to work from home. We oversaw the distribution of over 4,000 laptops and computers, supporting collections and couriers, in addition to our different type of busy usual security tasks. Now we are establishing a new kind of normal, and I have to say it's nice to see more familiar faces passing by our desk in the morning!'

> If you've been to our Head Office, Tŷ Admiral, then you'll probably recognise me. I've been working at Admiral for almost ten years now, and time has flown.

“We continue to believe that if people like what they do, they do it better. Our people feel involved because they have a voice, they are shareholders in our business, and they genuinely care.”

Chair’s Statement

Well that was quite a challenging year – again! Against this backdrop, Admiral continued to thrive.

Background to the year

Milena Mondini de Focatiis took over as Group CEO back in January 2021 and has provided strong leadership. She has further built a high-performing team which continues to take the business from strength to strength, building on Admiral’s solid foundations and maintaining the key ingredients that make Admiral different. We remain focused on continuously strengthening our core competencies whilst creating sustainable businesses for the future.

The welfare of our people remains a top priority. I am proud of the way they have responded to the changing Covid situation in looking after each other, our customers and the community at large, whilst always remaining true to Admiral’s values.

Looking back at 2021

Admiral has produced another strong set of results in 2021 in both reported profit and growth. This is once again due to our people. They make the real difference at Admiral and take care of all the little things that make that difference; continuously evolving and improving the business. They remain true to our purpose to – *Help more people to look after their future. Always striving for better together* – ensuring that we do the right things in consideration of all of our stakeholders. The Group has continued to grow with turnover increasing by 4% to £3.51 billion, whilst customer numbers are 9% higher than 2020 at 8.36 million. Group pre-tax profit increased by 26% to £769 million. Covid continued to impact the results in all markets in which we operate. In the UK, profits were strong due to accident frequency taking longer to return to more normal historical levels than expected and strong prior year development, notably in the first half of the year. We continue to maintain a prudent approach and, as a result, benefited from strong reserve releases from past years. Earnings per share rose by 24% and return on equity was 56%. The Group’s solvency ratio remains robust at 195% (187% at the end of 2020).

Diversity and Inclusion Awards

In 2021 we were ranked 26 out of 850 companies in the Financial Times' Diversity Leaders ranking and received the highest placing for insurance companies and fourth highest in financial services.

The Diversity Leaders list is a pan-European survey of more than 100,000 employees which assesses their perception of companies' inclusiveness or efforts to promote various aspects of diversity.

Over 15,000 companies across 16 European countries were assessed, so to have made the final shortlist is a huge achievement that we are extremely proud of!

In 2021 we also celebrated an amazing achievement by our colleagues in Spain. In September, Admiral Seguros were named as one of the Top 30 companies in Diversity & Inclusion practices by INTRAMA, a network of companies committed to diversity and equality. Admiral Seguros was highlighted for having a special culture that fosters innovation and trust, and for being a workplace where differences are celebrated for the added value they bring.

In the UK we prepared for the changes resulting from the Financial Conduct Authority (FCA) market pricing study for general insurance that will affect Motor and Household insurance products. The full changes came into effect in January 2022, and we anticipate that they will have a significant impact on the market. We see this as an opportunity to continue to build on Admiral's strengths and desire to do the right thing for customers. As a reminder, approximately 80% of Admiral customers shop around at renewal, so we are encouraged that the majority choose to remain with us; this being an indicator of our good customer experience and competitive pricing.

Read more about **Our International Insurance** on **page 74**

International insurance delivered good customer growth but an overall loss as Covid-related accident frequency benefits returned to more normal levels and competitive activity increased in most markets.

We have continued to grow our Loans business. The loans book remains resilient despite economic uncertainty, largely as a result of our prime customer base and prudent approach.

As I covered last year, we were pleased to complete the successful sale of our Comparison businesses, although we were sad to say goodbye to many colleagues.

Read more about **Our Loans** on **page 79**

Dividend

Our dividend policy remains that we pay a normal dividend of 65% of post-tax profit and distribute each year as a special dividend the available surplus over and above what we retain to meet regulatory requirements, the future development needs of our business and appropriate buffers.

As a result of the sale of the Comparison businesses, we announced that the proceeds would be returned to shareholders as a further special dividend phased equally over the interim 2021, final 2021 and interim 2022 dividends. Therefore, the Directors have recommended a final dividend of 118.0 pence per share (2020: 86.0 pence per share) for the year to 31 December 2021, representing a distribution of 91% of our second half earnings (72.0 pence per share) as well as 46.0 pence per share as the second of three payments related to the Penguin Portals disposal proceeds.

Chair's statement **continued**

> 5th best super large workplace in the UK, Great Place to Work.

This will bring the total dividend for the year to 279.0 pence per share, an overall increase of 78%. This represents a pay-out ratio of 88% of full year earnings (187.0 pence per share) and 92.0 pence per share related to the Penguin Portals disposal. The Group has delivered a Total Shareholder Return TSR of 577% over the last ten years (as illustrated in the chart on page 200).

Group Board in 2021

The Board recognises the need for a strong corporate governance framework and supporting processes across the Group and believes that good governance, with the tone set from the top, is a key factor in delivering sustainable business performance and creating value for all the Group's stakeholders.

The Group strategy remains straightforward and highly focused on building customer-centric, sustainable businesses for the long term. Within this context, we do not rest on our strengths, but rather strive to keep doing what we're doing well and do it better year after year.

In our UK Insurance business, we remain determined to strengthen our core competitive advantages and nurture our culture of innovation via our test-and-learn approach. For example, we are continuing to deploy technology relating to digital and self-service to improve customer experience and overall efficiencies.

We also continue to take these core strengths to new markets and new products, both in the UK and abroad, which enhances our diversification and the future growth of the business. We are agile enough to adapt to evolving business environments and encourage entrepreneurial initiatives to solve challenges and offer the best outcome to our customers, people and investors. One example is Admiral Pioneer, a business focusing on diversification through new business areas, that builds on our traditional test-and-learn approach.

For more information read our **Governance report** on **page 140**

From a governance perspective, we continue to apply the principles of the Corporate Governance Code which ensures that we will continue to take on board the views of all of our stakeholders in our discussions and decision making.

As you would expect, we already have strong links with our people and in 2021, the Board revisited and enhanced several areas of focus, including our culture, engagement, diversity, our impact on the environment and climate change, and how we give back and participate in the communities in which we operate.

People

Once again Admiral was recognised as a great place to work in 2021, ranking as the 17th best workplace in Europe by Great Place to Work as well as a Diversity leader in Europe by the Financial Times. We were awarded fifth position at the Best Big Companies to Work For awards in the UK and are the only UK company to be listed for 21 consecutive years. We were also named the second best workplace for women in the UK and recognised for our Wellbeing initiatives. I could go on!

Of course, this doesn't happen by accident. We continue to believe that if people like what they do, they do it better. We strive to create a diverse and inclusive workplace where our people feel that they belong and their voices are valued.

Having our people as shareholders remains a distinctive element of Admiral's incentive schemes. These are designed to ensure that decisions are made by management to support long-term value growth, that the right behaviours are rewarded and that our people's interests are aligned with those of shareholders. Our core belief is that over the long term, share price appreciation depends on delivering great outcomes for our customers.

During the year, I usually visit our overseas operations as well as being present regularly in South Wales. This year I had the pleasure of visiting our operations in the UK, France, Italy, Spain and the US – a mix of physical and virtual visits. All Non-Executive Directors participated in a number of these visits. We also attended the Employee Consultation Group meetings. This allowed us to keep contact with our people during this difficult period and directly hear their views and the challenges they faced. The Admiral culture still shines through.

#IBelong at Admiral

We recognise that our people are important to the success of the Group and that attracting and retaining diverse talent will help us to deliver sustainable growth.

In September 2021 we launched #IBelong, a diversity and inclusion social media campaign designed to attract talent by showcasing our existing colleagues to dispel any misconception prospective talent may have about the type of people that thrive at Admiral.

The #IBelong campaign highlights the careers of 12 UK-based employees, and includes those that are neurodiverse, colleagues from an ethnic minority, those who have caring responsibilities and colleagues that identify as members of the lesbian, gay, bisexual, or transgender community. The campaign stories centre around why colleagues join Admiral, more importantly why they stay and the advice they would give to someone considering a role within the Group.

The campaign is due to run into 2022 to remind Admiral colleagues that we should all contribute to an environment where everyone can feel comfortable as their authentic selves, and where everyone is given opportunities to grow.

Board

We reviewed the composition of the Board in 2021 and made two new appointments: Evelyn Bourke, who has a wealth of experience in financial services, risk, capital management and transformation, now chairs the Remuneration Committee; and Bill Roberts, who has extensive insurance, underwriting and marketing experience, brings valuable knowledge and insight on the US insurance market. Manning Rountree and Owen Clarke stepped down from the Board after many years. We are thankful for the huge contributions they have made.

The Board and I feel that there is a good balance of experience, skills and knowledge to support and challenge the management team, and that operations are supported by effective governance and control systems.

The Board remains focused on the following areas:

- Continuing to build on the remarkably special Admiral culture that places our people, customers and wider impact on the community at the heart of what we do
- Continuing our trajectory of growth, profitability and innovation
- Investing in the development and growth of our people
- Ensuring excellent governance and the highest standards
- Focusing on all aspects of ESG

Our role in Society

Admiral takes its role in society very seriously and has an active approach to Corporate Responsibility by focusing on all our stakeholders and the wider impact we have (more information in the Sustainability Report on the Admiral website). We are proud to be Wales' only FTSE 100 headquartered company and employ over 7,000 people in South Wales. Our people play an active part in the communities in which we operate. We carefully consider our impact on the community and environment, including factors such as the green credentials of our buildings, raising funds for multiple charities, and considering the impact of climate change across the business.

This year we announced our ambition to be net zero by 2040 and to be net zero across our operations for Scope 1 and 2 emissions by 2030[1]. We aim to be an economically strong and responsible business over the long term, guided by a clear purpose, to make a positive and significant impact not just on our customers and our people, but on the economy and society as a whole.

Thank you

On behalf of the Board, I would like to thank everyone at Admiral for their continued hard work, their adaptability and caring behaviour and their contribution to the Group's results in 2021. I would also like to thank our shareholders for their support and confidence. Most of all I would like to thank our customers for placing their trust in us.

Annette Court
Group Chair
3 March 2022

1 Refer to HY21 Results presentation on www.admiralgroup.co.uk


Positive energy
Help more people to look after their future
The team, the team, the team
Striving for better, together
Napoli, Italy

> Our people and our unique culture are what makes Admiral great. All our businesses have completed the move to hybrid working this year and we have worked hard to ensure that Admiral remains a fantastic place to work.

Chief Executive Officer's statement

My first year as Group CEO has been intense and not short of challenges … Admiral has achieved plenty to be proud of.

We have delivered – yet again – growth, strong financial results and increased customer loyalty, surpassing 8m customers and recording exceptional profits of £769 million[1], due to unusual market conditions and Admiral's disciplined approach. This has been achieved despite turbulent conditions, starting with continued disruption from Covid and ending with a massive collective effort to plan and build rate structures well-adapted to life post the FCA pricing reforms introduced in January 2022.

There is no doubt that David left me big boots to fill… perhaps mine will be fancy Italian ones in a much smaller size! Admiral may have more in common with a finely crafted pair of shoes than you might expect. Our strong insurance capabilities and technical competences are the sole on which everything is built, our strategy is the design in continuous evolution to meet ever-evolving customer needs and our people and unique culture are the stitching which holds everything together. Like an expert shoemaker, we strive to produce high quality products by doing the common, uncommonly well.

So what do I mean by this? It's common to all insurers who survive beyond infancy that they are competent in the core insurance disciplines – notably risk selection, claims handling and effective digital distribution and servicing. What sets Admiral apart from most of our peers is our ability to deliver on these consistently well and 2021 has been no different.

1 Profit before tax from continuing operations, excluding impact of restructure cost.

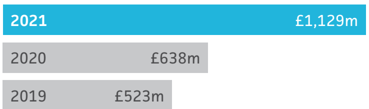
Chief Executive Officer's statement **continued**

Group profit before tax, excluding restructure costs[1]

£769m

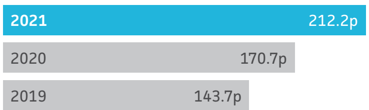
Group profit before tax including discontinued operations and gain on disposal

£1,129m



EPS[1] (pence per share)

212.2p



1 Alternative performance measure (APM)–refer to the glossary for definition and explanation. Note: Group profit including restructure costs of £713m (2020: £608m).

This consistent track record is only possible as we continue to evolve and modernise our operating model and invest in innovation for the long term. The adoption of machine learning models has increased our pricing agility, enabling us to offer customers good value products whilst protecting loss ratios. This will stand us in good stead following the introduction of the UK FCA pricing remedies in January. We also made great progress in the adoption of scaled agile and our digital acceleration, deploying, for example, a new claims system that allows our UK Household customers to settle claims completely online if they wish to do so.

Adapting and expanding our proposition to customers is a strategic priority for us. We are successfully scaling UK Household, reaching 1.3 million customers, and the Loans business grew to £607 million gross balances in 2021. Admiral Pioneer launched its first product for SMEs last year and continues to explore the evolution in mobility, seeding smaller businesses for the future. We now have over 1.8 million customers across our international businesses and continued to grow the customer base by 13% despite the market being as competitive as ever.

We are also working on building distribution capabilities outside of price comparison to create more optionality for efficient growth and realise more economies of scale.

A key feature of 2021 was saying goodbye to our friends at the Penguin Portals comparison businesses, and we wish them the best of luck. We successfully completed the sale process and believe a good outcome was achieved for all. This will give us the chance to focus even more on our main markets in the future.

Our people and our unique culture are what makes Admiral great and will continue to do so. All our businesses have completed the moved to hybrid working this year. Covid continued to create uncertainty for both our businesses and colleagues, but we demonstrated our agility and ability to quickly adapt to meet our customers' needs and continue to deliver the great service they expect from us. We have worked hard to ensure that Admiral remains a fantastic place to work, and this year we have been named among the top best places to work in every country in which we operate, including the fifth best super large workplace in the UK and first in Spain.

Our strategy for 2022

Accelerate evolution towards Admiral 2.0

Our priority is to accelerate the evolution of our business towards Admiral 2.0, an organisation that builds and uses historical strengths but is even more agile. Whilst we continue to put the customer first, we aim to focus on our technology and data to do so.

See **page 35**

Product diversification

We view diversification as a key element in building a sustainable business. Our Group-wide approach is focused on increasing business resilience and adapting to the evolving needs and expectations of our customers.

See **page 38**

The evolution of motor

The way that people move around is changing and Admiral's third pillar focuses on evolving our proposition to meet those demands. Admiral stays close to emerging trends and continues to apply its test and learn philosophy to further develop competencies.

See **page 42**

Cascading Group strategy to colleagues

Our people are key to our success and employee insights help inform the Admiral Group Board discussions and decision-making processes.

To protect our colleagues as the Covid pandemic continued, we supported them to work from home over extended periods in 2021. However, it was important for us to ensure that colleague engagement remained possible. Across the Group, Employee Consultation Group meetings continued to be held, albeit virtually.

With colleagues working remotely, renewed focus was put on ensuring that they felt connected to Admiral, our culture, our strategy and understood how each colleague's role played a part in helping the Group deliver against its strategy.

As part of the Group's employee engagement programme, in addition to regular colleague communications, in the second half of the year Milena Mondini de Focatiis attended a virtual UK Employee Consultation Group. During the session, Milena reflected on the fact employees were not only moving to a smart working environment but the shift to a more agile and tech-driven culture would change how customers wanted to interact and transact with insurers, and drive up the number of new entrants to the market.

Milena also set out the Group's strategy, the priorities for 2022 and how both the Group and our people will need to adapt our customer propositions and service in order to meet new expectations. The session provided colleagues with a chance to hear directly from Milena in her first year as Group CEO and with an opportunity for her to hear directly from colleagues from around the UK business and understand their views on the direction of the Group.

Chief Executive Officer's statement **continued**

> We also continue to take what we do well and what we learn to new markets and new products, in the UK and abroad.

We have pledged to reach net zero emissions by 2040 as part of our commitment to long-term sustainability and environmental improvement. We are proud to support our local communities and in 2020 we established an Admiral Support Fund to provide support to those most impacted by the pandemic, setting aside £6 million over the past two years with over 350 organisations having received support. This includes a £1 million donation we made to UNICEF to help support our colleagues and communities in India. We are excited about the continuous evolution of our sustainability strategy and to continue to increase our support to our local communities.

What a roller-coaster of a year! I am incredibly proud that we are now helping more customers than ever to look after their future.

Thank you so much to our enlarged Admiral family, our customers, Board and shareholders who continue to support us. And more importantly, thank you to all my colleagues, our people, who are the key to Admiral's success.

Milena Mondini de Focatiis
Chief Executive Officer
3 March 2022

Milena's reflections from her first full year as CEO

Farewell to all our Penguins Portals Colleagues (April). **So sad!**

Announcement of record profits and dividends to the market and to Admiral staff! (August). **So proud!**

Serenade delivered by Group Board members and 'Grease-revised' musical performed by the executive team for David Stevens' Covid-delayed farewell (October). **So funny!**

The generation of 2025: Talking Group strategy at our first 'in person off-site' with my new team after a long lockdown (October). **So energising!**

2021

> We also continue to take what we do well and what we learn to new markets and new products, both in the UK and abroad.

Listening to many fascinating and touching stories from colleagues that have been with us 15–20 years at their anniversary celebration (November)! **So emotional!**

Q&A with Milena, Geraint, Cristina and Costantino

Q. Milena, with so many market changes, a pandemic, and future disruption of the motor insurance sector through the sharing economy and autonomous vehicles, how are you ensuring that Admiral maintains its competitive edge and how are you progressing?

Milena: That's a loaded question! When I moved to the UK, I worked closely with David Stevens who at the time was Group CEO, and we challenged ourselves on this very question – 'how can we maintain our competitive advantage and future proof the business for future disruption?' That's how I landed on the current three pillar strategy for Admiral that I communicated at the 2020 full year results, focusing on three key areas – Admiral 2.0 (core transformation), Product Diversification, Motor Evolution. I believe the best way to maintain our competitive edge is to keep doing the common (everyday) things, uncommonly well whilst continuing to enhance and invest in new capabilities.

The first pillar of Admiral 2.0 is related to strengthening our core competencies and increasing the speed of delivery on customer expectation, within the context of a very strong culture and talent base. In 2021, the business has accelerated investment in digital and technological capabilities, which we believe will enhance risk selection and claims management, as well as making us more agile and quicker to adapt to changing market trends.

For example, we transitioned to cloud-based technology to enhance our agility across the Group. We also invested in machine learning capabilities to enhance our risk selection whilst ensuring an ethical approach to pricing for all customers and increasing our footprint, supporting our ambition to help more customers secure fairly priced products. We've also hired talented individuals with vast expertise in digital and technology to further support our journey of being a technology-driven insurer that evolves according to customer needs.

This second pillar focuses on product diversification – continuing to launch new products and maintain a test-and-learn approach to scale up new offerings, such as tools insurance and green fleet insurance. We're confident that by offering customers more good quality products designed to meet their needs, we'll encourage them to stay at Admiral for longer, through greater levels of customer satisfaction.

Our third pillar focuses on the evolution of motor insurance, and it remains a key factor in our consideration as we evolve our products. Notably, our Veygo insurance business is actively investigating new product propositions for evolving customer needs, and products such as short-term insurance that may have the potential to grow and disrupt in the future.

Q&A with Milena, Geraint, Cristina and Costantino **continued**

These are only a few things that we are doing. Our competitive edge really lies in our culture and approach to working collectively. I might be biased, but Admiral is special – our people are engaged, proactive and encouraged to innovate. Often, innovation is in the small everyday things, where our people try new things, but then these small things turn into new processes and products, enabling us to continually improve what we offer our customers.

Q. Admiral has had another good year of profitability. What have been the key drivers of the profit, and what is the Group outlook?

Geraint: Another strong set of results, with the key driver of the strong performance being the UK Motor business. But, before I delve into the profit story, I'll just remind you that 2020 and 2021 financial years benefited from current period loss ratios that were notably lower than previous years as a result of less driving and hence lower frequency due to the pandemic, which contributes to this set of results being even more pronounced.

The main reason for the strong UK Motor profit is the very positive development of back year claims costs, leading to large releases of reserves, and increased profit commission revenue. The prior year claims costs were significantly more visible in the first half of the year, and as the lower frequency due to Covid began to unwind and frequency levels started bouncing back to more normal levels, which is likely to continue into 2022.

Elsewhere in the Group, the international insurance businesses also felt (albeit more painfully!) the unwind of lower Covid-related frequency through higher claims inflation. That, coupled with highly competitive conditions in most markets and continued investment in growth and technology and data capabilities, drove down profitability for the segment.

Our expectation remains for our international businesses to be profitable and sustainable businesses in the long term.

Looking ahead, I think we can also be confident that our UK Household business and Loans business will continue their growth journeys and increasingly contribute to Group profit, over time.

Q. In 2020, the UK car insurance market saw a material reduction in claims frequency due to pandemic-driven lockdowns. How did the picture change in 2021, and are we moving back towards a pre-Covid world as we start 2022?

Cristina: The initial lockdown in March 2020 had a sharp impact on claims frequency with the number of accidents dropping by almost 70% at its peak. The material reduction in claims costs led us to pay a £110 million Stay at Home Refund to our UK car customers, reflecting the positive impact of reduced car accidents on UK roads.

In 2021, we started to see a normalisation of claims frequency trends. Whilst the number of miles driven on UK roads is returning to more normal levels, claims frequency is lagging this trend and remains below pre-pandemic levels. This is impacted by more people working from home which to some extent is likely to persist and a reduction in peak hour driving; that is, a structural change in when customers are choosing to drive.

Looking at 2022, Admiral expects to maintain pricing discipline, whilst remaining primed for growth, if the right opportunities arise. In January 2022, the FCA pricing regulation changes have taken effect and will also have an impact on the pricing cycle in 2022. We believe it will likely take some time for the impact to flow through clearly as different players in the market adapt and adjust prices over time.

Q: How have the international businesses fared in 2021, and what are your expectations for these businesses going forward?

Costantino: As Geraint mentioned, we saw challenging market conditions in 2021. Within this context, we took a conscious decision to continue to invest in these businesses with a focus on their long-term sustainability. These investments, together with the current market conditions, resulted in less favourable financial performance across the international operations for this period. At the same time, I'm happy to report that customer volumes in our international businesses saw continued strong growth, which is allowing us to build greater economies of scale.

Part of this investment, and hence growth, is related to the expansion of our distribution beyond price comparison (which remains our dominant channel), and to further grow via the broker channel in Italy and Spain, and the agent channel in the US.

The year ahead will see us adapt to the benefits that Admiral 2.0 will bring, as our scaled agile approach beds down at ConTe, and ramps up at Admiral Seguros and L'olivier. These businesses continue to improve their operational efficiencies and are strengthening their digital and data capabilities.

Our expectation remains to build long-term profitable and sustainable international businesses for the future. We continue to lay strong foundations in each of these businesses, foundations that are even stronger in a post-pandemic world. As we look ahead, we will adapt to emerging trends and align technology and analytics to deliver improved performance and synergies across the countries in which we operate.

Q. The UK Motor expense ratio increased in 2021 – what were the key drivers?

Geraint: Admiral has a culture of expense efficiency, and this continues to be the case. At the same time, our strategy is to maintain and strengthen our competitive advantages and adapt to market trends, which requires some level of investment.

The last 12 months saw an overall trend of lower average written premiums, and together with our various initiatives to improve and enhance our digital offering across the Group, our expense ratio was impacted.

In 2021 we increased investment in our digital and technology capabilities, including moving to the cloud, enhancing the digital customer journey, and upgrading our internal claims management system. These changes, we believe, will continue to strengthen our pricing and risk selection, operational efficiencies, claims management and customer offering over time. In the long term, this investment both future proof the business and improve the overall combined ratio.

We conducted a review of our cost base in 2021 which resulted in an impairment of technology assets as we upgrade our technology and digital assets. Other elements, which had a lesser impact, included a voluntary redundancy program for employees and the need for less office space as we shift to hybrid working, which resulted in an upfront cost to move out of some of our buildings in the UK.

Overall, I'm confident that all these actions and investments have been taken for the long term benefit of the business.

Q. Your household business is performing well and gaining momentum, can you provide an update on the future of the business?

Cristina: In 2021, the household business grew its customer base by 14% year-on-year, through both the price comparison channel as well as through MultiCover sales. The business also maintained good retention rates.

Looking back on the last 12 months, the household business saw lower claims inflation during the pandemic, with fewer escape of water and theft claims as more people were working from home and claims were reported earlier. In addition, 2021 also saw strong positive development of prior year claims, and more benign weather (the main notable weather event was storm Arwen in Q4) compared to 2020.

Overall, UK Household is a strong business that has the potential to grow whilst maintaining a competitive expense ratio and an improving loss ratio. We aim to provide a strong product proposition for our customers as a standalone product, and we are targeting growth via our multiproduct offering. We see MultiCover as a simple, cost-effective proposition that improves customer satisfaction and hopefully means that our customers will stay with Admiral for longer.

I'm very pleased with the overall performance of the UK Household business, and it's growing contribution to Group profits this year. Let's see what we can achieve in 2022!

Q. What is the overall approach to Loans and how big is the opportunity that you see in this market?

Geraint: Admiral Loans is developing well and with a continued prudent approach in writing loans, we returned to a pre-pandemic level of growth with a closing gross loans balance of £607 million, up from £402 million in 2020. Our approach is to capitalise on a sizable lending market which generates around £50–60 billion of new business per annum. The loans business aims to leverage Admiral's capabilities such as strong analytics and risk selection, an efficient expense base, and providing a strong digital and product proposition for our customers.

We believe we can have a competitive advantage in risk selection and pricing – algorithms, decision-making engines and data pricing. From this perspective we've continued to improve our risk selection which has resulted in improved loss ratios, for example we've seen an improvement of over 20ppt in actual loss outcomes as a percentage of net interest income (the loans equivalent of the insurance loss ratio) from 2018 to 2020. From an expense perspective, we continue to invest in growth and expect to achieve economies of scale as we grow, operating at a materially lower expense ratio relative to legacy competitors. In addition, the use of the digital channel also contributes to expense efficiency both from an acquisition and a customer service perspective. In particular, the comparison channel for Loans continues to grow and we continue to take advantage of this to grow our book. The team has a strong focus on providing a strong digital and product proposition for customers, and as customer demand for guaranteed rates and acceptance certainty increases, Admiral is well placed to provide for customer needs.

So, what's in store for 2022? We'll continue to grow the business in a prudent, cost-efficient way whilst providing our customers with a great product and strengthening our competitive advantages!

Q&A with Milena, Geraint, Cristina and Costantino **continued**

Q: You sold the Penguin Portals Group comparison businesses in 2021 – can you explain the rationale for this sale?

Milena: *(Admiral completed the sale of the Penguin Portals and Preminen comparison businesses to ZPG Comparison Services Holdings UK Limited ('RVU') in April 2021).* The acceleration of customer preferences for digital interactions globally had also accentuated market interest in platforms such as Penguin Portals, our network of comparison site businesses.

We believe that RVU will be an excellent owner and that Penguin's insurance comparison strengths, combined with RVU's strengths beyond insurance, as well as their experience in growth through acquisition, would provide a solid foundation for the combined businesses to prosper.

We are hugely proud of what the Penguin team has achieved and how they have transformed – or even created – the markets in which they operate. Although it was sad for the Group to part company with the Penguins, we believe they will benefit from many interesting and worthwhile opportunities being created going forward. In addition, comparison remains the key distribution channel for insurance, and this opportunity for the channel to grow would lead to an ultimate benefit for all businesses.

Q: Climate change continues to be a key element on conversations on ESG, could you tell us a bit more about Admiral's commitment to net zero, and how your electric vehicle offering is evolving?

Milena: With the challenges of climate change becoming more prominent, we have continued to step up our ambitions, taking steps towards a greener future with a target to achieve net zero carbon emissions by 2040 at the latest.

Our 2040 ambition covers both our operational emissions, that is the carbon emissions from our offices, as well as that of our investment portfolio and business travel. Ultimately, this means that we will cover all our scope 1, 2 and 3 emissions to measure and decrease our carbon emissions as far as possible, and offset the rest. As part of this journey, we have interim targets to reduce emissions by 50% by 2030, and across our investment portfolio to reduce emissions by 25% by 2025 and by 50% by 2030.

We've also expanded our Task Force on Climate-related Financial Disclosures reporting this year to reflect our increased commitment towards transparent climate disclosure. We are working to outline a clear decarbonisation plan as we move forward with our net zero commitments[1].

We are also aiming to help our customers make greener and smarter choices as we provide a stronger proposition and product features, with an aim to be a market-leading underwriter of electric vehicle (EV) insurance. In the UK, we offer insurance cover for these products and have seen double digit growth of the EV book.

We have also been proactively connecting with customers (our team hosted interviews with hundreds of customers in 2021) and testing different product enhancements to further engage customers as they transition to electric vehicle ownership.

We want to provide the assurance to current and prospective customers that if they choose to go electric, they will find the right level of cover with us. We are also testing opportunities in green vehicle fleet insurance as part of our diversification strategy, making sure we stay close to wider changes in mobility and the evolution of motor.

1 See page 107 for our TCFD disclosures.

Our strategy

Part 1: Accelerating towards Admiral 2.0

Competencies:

- **Customer-Centric Innovation**
- **Digital First**
- **Scaled Agile**
- **Smart Working**[1]
- **Data and Advanced Analytics**

1 To read more about our approach to smart working practices, turn to page 101.

Overview

First and foremost, our priority is to accelerate the evolution of our businesses toward what we call Admiral 2.0, an organisation that leverages on Admiral's historical strengths but is even more agile and technology-focused, putting data and digital first. It also includes having smaller and more autonomous interdisciplinary teams, embracing smarter ways of working and attracting new talent. But, above all else, it is a company that continues to put the customer at the forefront and seeks to leverage even more on data and advanced analytics to constantly improve their experience.

Developments in 2021 within our UK market include improvements relating to

- **Underwriting agility:** we demonstrated pricing discipline and flexibility by changing prices ahead of the market to reflect Covid-related claims trends
- **Claims efficiency:** we more than tripled the total loss claims settled online – whilst almost halving the time to settle the average claim overall
- **Cost effectiveness:** Customers using MyAccount to self-service almost doubled between January 2020 and December 2021

Other developments in 2021 from across the Group include

- The adoption of open banking and a new decision engine to enhance risk selection for the loans business
- Implementation of a scaled agile approach to operations in the UK and in Italy
- The adoption of smart working, in line with Admiral's approach to optimise hybrid working and maintain a strong culture
- Strong progress with building cloud-based architecture to support sophisticated data capabilities and improve the speed of delivery
- The introduction of a new chatbot and natural language processing to enhance the customer journey

Our strategy **Accelerate evolution towards Admiral 2.0 continued**

A truly digital and data first business

In 2021 we've made good strides towards becoming a truly digital and data first business.

Admiral's reputation has historically been to provide customers with great prices and great places for our people to work – translating into great customer outcomes. And this year, whilst maintaining our focus on human interaction, we've continued to enrich the customer experience with a set of new digital capabilities.

Within our UK Motor claims function, we've enhanced our claims management process, and improved our cross-sell functionalities, leveraging our digital investments to increase the proportion of MultiCar policies sold fully online. These now account for over a third of all MultiCar sales and we are taking steps to replicate this success across our MultiCover product proposition.

Undeniably, the pandemic rapidly accelerated customer preferences for easy and accessible online solutions and as a testament to the work our teams have done this year, we've seen more customers interacting with us online than ever before. In 2021 we passed over 54 million total online user sessions[1] (2020: 49 million), and our total user sessions increased by over 10% to 1.02 million on an average weekly basis.

Customer-centricity is at the core of what we do here at Admiral, and this is reflected in our digital approach as we aim to give customers a personalised service experience anytime, anywhere. Our focus continues to be providing leading digital services and claims capabilities that delight our customers, whilst reducing operational costs and increasing long-term customer growth.

Our ethical approach to machine learning and analytics

We know that our customers want insurance products to be accessible, straightforward and jargon free. We also recognise that for most of our customers, easy-to-use digital platforms that offer tailored products suit their requirements best. To develop the most convenient and competitive customer platforms, we need to incorporate a range of insights into our technological offering, including machine-based learning. We aim to do the right thing by our customers and commit to using the available data that is generated by the digital economy in a fair and ethical way.

Enhancing our claims management process

Our reputation is founded on being there for our customers when they need us most – at the point of claim.

In April 2019, teams from across the UK business embarked on a multi-year programme designed to improve the customer journey through the claims management process, by harnessing digital technology.

In 2021, a key milestone was achieved, and the business rolled out a new claims system, Guidewire ClaimCentre.

Guidewire ClaimCenter is designed to help business resolve claims faster, by improving automation and workflows behind the scenes. The system was introduced with customer convenience in mind – customers can now monitor developments using their smartphone or online, rather than having to call us for an update, as well as upload information such as supporting documents online. Of course, customers can still speak to our friendly claims colleagues on the phone when needed and we continue to provide great service.

Internally the Guidewire ClaimCentre helps us to manage claims more efficiently and gather data more effectively – significantly improving our digital capabilities and our ability to develop products and services that meet the needs of our customers. Since adopting the system we have improved several 'pain points' identified by our customer facing agents, to deliver more streamlined and transparent claims experiences, and often quicker claims settlements.

As we look to build on the platform, we are excited about the ability to further personalise the experiences of our customers. In line with our approach to Admiral 2.0, we are confident that our investments in new technology will result in reduced costs and improvements in efficiencies. Following the completion of the Household claims function's transformation in 2021, the project's focus has now shifted to the Group's Motor claims system.

1 Total user session is defined as any online session that is completed by a customer. Whilst that customer may have performed many actions, this measures all interactions within that session.

Agile transformation in ConTe – Italy

As an organisation we've always focused on our agility and our ability to make pricing and other changes rapidly and effectively.

Qualities which, in the face of a rapidly changing market – driven by factors such as the growing gig economy, shifts in mobility trends, and the electrification of the automotive industry – are more important than ever.

ConTe, our Italian operation, launched in 2008, and strong business foundations have been built. Its hunger for innovation and improvement has led to the search for new opportunities to build on this success and work in a more collaborative and efficient way. As such, in 2021, an agile transformation project was initiated which built on its test-and-learn philosophy, with teams across the business redesigned to better integrate customer needs.

To ensure a smooth agile transition, clear objectives were designed, and new roles were implemented. Leaders ensured the right level of buy-in was in place and that teams were communicating efficiently.

Since starting, IT productivity[1] has doubled year-on-year, business agility has strongly increased, and teams are better equipped to deliver projects to the market quickly and efficiently. Customers are also receiving better customer service, which is reflected by an improved net promoter score (NPS[2]) of high single digits in the same period. Considering future growth projections of ConTe, the time cost savings and benefits to the bottom line will become increasingly significant.

Looking ahead, the team at ConTe is working to integrate additional departments into the agile management system, embedding learnings to continue strengthening customer outcomes in the future. Watch this space!

Smart People – Smart Technologies – Smart Spaces – Smart Business Practices.

As the scale of the pandemic became clear in March 2020, we embraced the challenge of transitioning almost our entire workforce to a remote-working model whilst working to maintain positive customer outcomes and uphold our strong people culture.

Now, almost two years later, we are learning and adapting to the challenges and opportunities that come with hybrid working.

Our Smart Working approach is built on four key pillars: Smart People – Smart Technologies – Smart Spaces – Smart Business Practices.

Our Smart People pillar ensures that our people have the tools and policies in place to support them in a hybrid environment. We signpost useful information to encourage colleagues to work comfortably and assign budgets for colleagues to purchase equipment for ergonomic adaptations, for example.

Our Smart Technology pillar equips our people with the tools needed to be successful and to provide excellent customer service. Our employees have access to a comprehensive suite of software that amplifies collaboration at home and the office and adoption of these practices are cemented with comprehensive training.

Our Smart Spaces pillar looks at providing employees with the spaces they need to work in a smart and agile way. Meetings rooms across the Group can facilitate hybrid meetings and much of our traditional office space is being repurposed for shared areas.

Our approach to Smart Business Practices will ensure that Admiral remains an attractive and collaborative space to work. We're very much aware that global working trends are evolving, and we are committed to remaining ahead of the curve. Ultimately, we want to provide colleagues with safe and collaborative environments, that supports their development and the needs of our customers.

Under this new Smart Working umbrella, we've been actively engaging with our people to understand their individual needs and testing new solutions as we transition out of lockdown.

In 2021, a new suite of content to satisfy the learning needs of our new Smart Working environment rolled out, and the list of training topics will continue to expand in 2022.

1 Number of releases/headcount.

2 Net promoter score (NPS) is a KPI that measures the willingness of customers to recommend products or services to a family and friend. It is used to measure customers' loyalty to a brand. NPS at Admiral is currently measured based on a subset of customer responding to a single question – 'How likely would you recommend our company to a friend, family or colleague?' through phone, online or email.

Our strategy **continued**

Part 2: Diversification

Competencies:

Strengthen Customer Proposition

Scale Up Promising Products

Leverage Core Strengths

Innovate in Product Design

We were proud to be recognised as winners of the Moneyfacts Consumer Awards as Best Personal Loans Provider and Best Car Finance Provider.

Overview

Admiral views diversification as a key element in building a sustainable business for the future. We want to grow our non-motor businesses whilst also building on our continued success in motor insurance. Our Group-wide approach is focused on increasing business resilience and adapting to the evolving needs and expectations of our customers.

Our approach to product diversification is to make focused, staged investments on a select number of new product opportunities across the financial services sector, as well as strengthening and complementing existing customer propositions.

Admiral Loans accelerating growth

Over the last three years, Admiral has prudently and cautiously expanded its financial services offering, building a prime loan book and becoming a relevant participant in what is a large market in the UK. We see our capabilities in this area as one way to accelerate further growth in the future.

Admiral Loans offers unsecured personal loans for a wide variety of reasons, and customers often use this service to make home improvements, consolidate debts, pay for life events such as a wedding, and educational courses.

Admiral Car Finance provides Personal Contract Purchase and Hire Purchase options as a way of helping people buy their dream car. Customers can generate a no-obligation quote, without leaving a footprint on their credit file, so they can compare their options.

Since 2019 we have issued over 175,000 loans and disbursed over £1.3 billion in lending.

Our loans book now stands at over £600 million, demonstrating that UK customers have embraced a guaranteed rate proposition which Admiral has been quick to respond to, and that customers value the certainty and transparency the rate concept offers. Our adoption of open banking within the Loans business has allowed us to access a wider audience, and capture and convert more customers.

In 2021 we also made pleasing progress on integrating more closely with the UK insurance business to access a wider pool of customers, many of whom may have existing lending facilities that we can potentially convert. We were also proud to be recognised as winners of the Moneyfacts Consumer Awards as Best Personal Loans Provider and Best Car Finance Provider.

Seeding, launching, and scaling new businesses at Admiral Pioneer

Admiral Pioneer is a strategic business within the Group, established to explore and invest in new ventures and emerging consumer needs.

The objective of Pioneer is to identify products and businesses according to increasingly important societal areas and trends. A key focus is the commitment to improving the customer experience, with new products, business models and partnerships tested through a discovery-driven approach.

Our test-and-learn approach steers the identification process for selecting viable new products and businesses which might benefit from the scale and scope of the wider Group.

The products and businesses identified are expected to become long-term growth areas for Admiral, and ultimately sources of long-term value.

Pioneer highlights from 2021 include the impressive growth at Veygo (see more below), and the launch of two new products – Toolbox, a tool insurance product for the UK market, and Koolays, a provider of small fleet insurance, for companies in France.

Introducing pandemic products

Our team at Veygo quickly recognised that 2021 presented an uncertain landscape for many customers who were weighing up the value of a motor insurance policy when restrictions impacted regular vehicle use.

As a result, a nimble product approach was adapted to enable customers to travel for Covid vaccination appointments. The policy offered customers three hours of car insurance and the premium was refunded if they provided us with proof of vaccination. Customers were also encouraged to promote this scheme to friends and family, with the goal of helping as many people within the UK to stay safe as possible.

Veygo demonstrates our commitment to supporting the diversification and evolution of mobility. You can read more about the business on page 42.

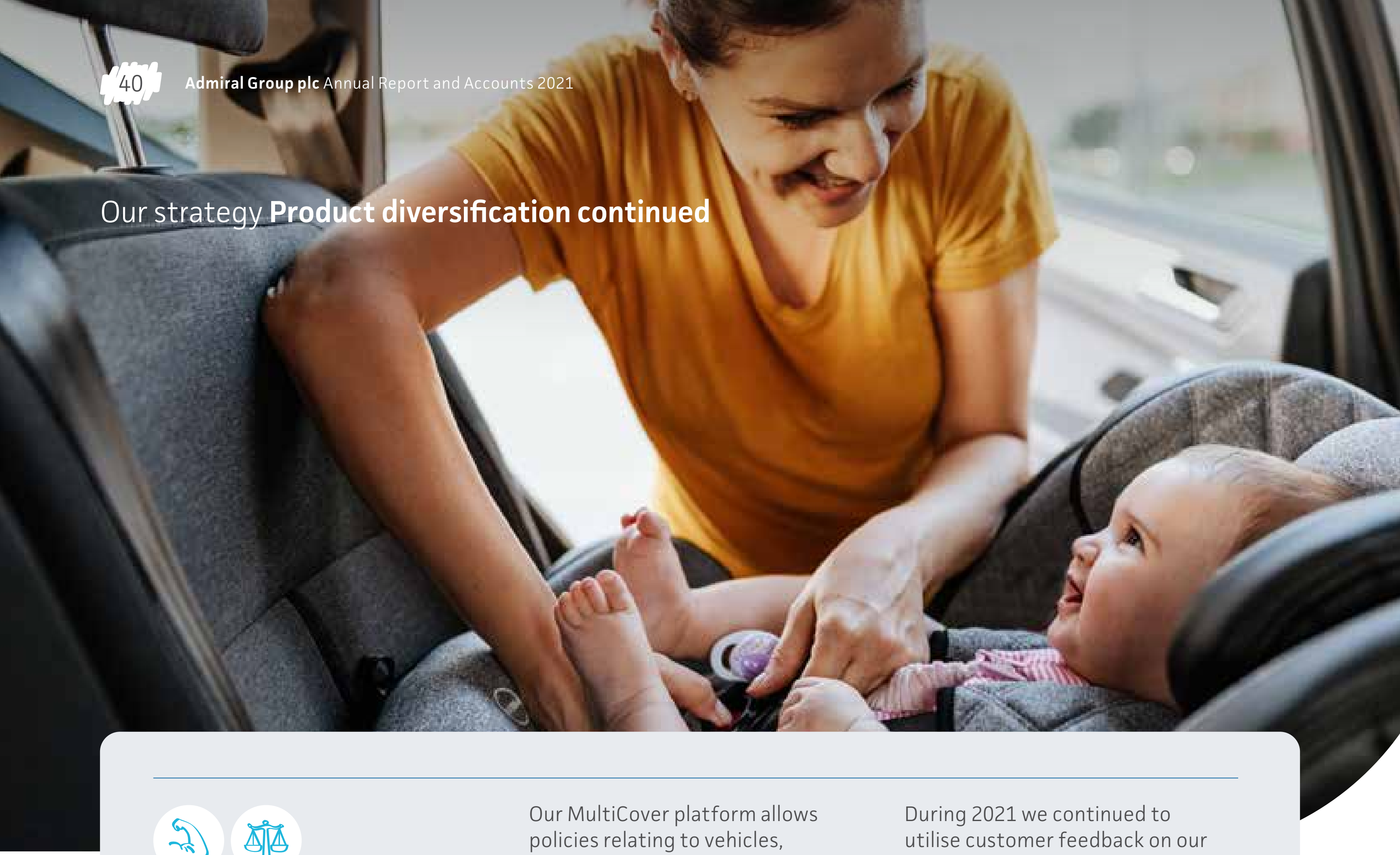
Read more about **Veygo** on **page 42**

Helping the self-employed and small businesses with Toolbox

We're starting to explore ways to serve the self-employed and small businesses and *Toolbox by Admiral* is our first endeavour in this market.

We launched our tools insurance proposition in April 2020 and, later in the year, added public liability and employers' liability products for the tradespeople segment.

We'll be testing and learning over the next few months to develop our proposition further, based on customer feedback.



Our strategy **Product diversification continued**

Offering customers discounts with MultiCover

Admiral MultiCover is designed to make buying insurance and managing insurance policies as easy as possible for our customers.

Our MultiCover platform allows policies relating to vehicles, buildings and contents cover to be clearly accessible and in one place, so that changes can be made simultaneously, meaning minimal hassle to the customer. Whilst this 12-month policy fosters better service and time efficiency within the business, the MultiCover approach allows customers to benefit from a discount each time a new policy is added.

During 2021 we continued to utilise customer feedback on our MultiCover offering to further satisfy the changing needs and preferences of our customers. In 2021, our MultiCover customer base grew by 18%, a positive trend that we hope to further capitalise on in the future.

+18%
growth in customer numbers during 2021

Products for electric and hybrid vehicles

Admiral provides several insurance solutions for energy efficient and low carbon technology as part of our core motor book.

These include insurance cover for both electric and hybrid vehicles, enabling customers to embrace more flexible driving habits and reduce their footprint on the environment.

Admiral has always been customer focused and dedicated to providing suitable products in a practical and accessible way. We'll continue to provide a great service to our customers, regardless of vehicle fuel type or product, and we are ready to embrace a further uptake of polices relating to electric vehicles. Our standard electric and hybrid vehicle policies cover both batteries and charging equipment for accidental damage, fire and theft.

You can read more about our products relating to electric vehicles on page 44.

Adapting to the evolving needs and expectations of our customers using Insight Relay

At Admiral, we want to make sure that it is as easy as possible for customers to buy and claim on an Admiral policy as this is key to growing our business in a sustainable way.

Customer centric approach

To further enhance our customer proposition in 2021, we launched a tool called Insight Relay for our frontline agents in the UK. Insight Relay is an evolution of several operational feedback schemes within Admiral and is managed by the centralised Continuous Improvement Team, within the operational change area. Insight Relay complements our Voice of the Customer project that allows call agents to record customer 'pain points' in order to improve the customer experience.

The goal of Insight Relay is to identify any process or approach that could potentially impact a customer experience negatively. To roll out the tool, we actively engaged with our colleagues on the frontline who have first-hand insight into the customer experience. Our call agents welcomed the opportunity to provide feedback, and valuable insights were captured relating to how we can enhance our services and improve on those rare occasions that we fall short.

Getting closer to our customers and understanding their evolving needs will help us ensure that we continue to deliver high-quality products and fair propositions that all our customers find valuable.

Our strategy **continued**

Part 3: Evolution of Motor

Competencies:

Evolve Our Proposition

Understand Changes in Mobility

Develop Competencies for the Future

Innovate in Product Design

Overview

The third pillar of Admiral's strategy focuses on evolving our proposition for changes in mobility.

The way people move around is changing, with exponential growth in disruptive mobility technology over the last few years. Different views exist on future mobility trends and where the greatest future impact will be. Admiral stays close to these trends, with an approach to continue with our test and learn philosophy, looking at emerging propositions and further developing competencies that are relevant for the future.

One example is our Veygo business, which has continued to grow, in line with its ambition to be a market leader of flexible, temporary, insurance cover in the UK. In 2021, we also launched Koaalys, a new digital product in France offering green insurance policies for professional drivers and fleets.

> "Measure everything that moves."

Veygo: from Start Up to Scale Up

The journey of Veygo began in 2017, with a vision to anticipate future trends in the short-term insurance marketplace.

The temporary cover Veygo offers helps thousands of customers to borrow a car from friends or family and allows new cars to be bought and driven home. In just a few minutes, customers can be assured that they are fully covered for as short or as long a time as they need[1].

Our learner driver insurance helps future drivers, by enabling them to practice their driving skills, without the risk of impacting the no-claims bonus of the vehicle's owner.

Over the last 12 months, Veygo has seen a 56% uptick in customer numbers, an achievement that reflects the provision of quick and easy policies, and a growing brand profile.[2]

The culture of continuous improvement, whilst retaining an innovative core, is an example of the Group's test-and-learn approach in action. An element of the Veygo secret sauce is most certainly a focus on data. The team motto is to '*...measure everything that moves*' and data provides the business with valuable insights into customer acquisition, marketing spend, success of various subscription-based models, channels and partnerships.

1 Up to two months. 2 Refer to Introducing pandemic products case study on page 39.

Hanging out on TikTok@VEYGOUK

As a company operating exclusively online, Veygo is well versed in digital engagement and engaging a new generation of drivers.

In 2021 Veygo also successfully launched on the social media platform TikTok with a profile designed to engage with a younger audience. The platform was used to publish short videos shot by learner drivers putting learner plates on their car as onscreen text explains how Veygo insurance cover works. In addition to driving brand awareness and attracting 14,000 new followers, the Veygo TikTok platform has been used to drive down the cost per customer quote by 96%.

In response to using TikTok and the success generated, group marketing has increased their budget for spending on this channel. This is another example of how we test-and-learn, and evolve.

14,000
new followers for Veygo on TikTok

Launching small insurance fleet in France with Kooalys

The way people move around is changing.

Growth in disruptive mobility technology has been exponential in the last few years and the trend is expected to continue. Admiral is working hard to stay close to these trends and apply our test-and-learn philosophy to adapt as customer preferences and expectations mature.

With disruption in mind, we began launching trials in 2021 to understand where potential could exist to create viable business models. Using Admiral Pioneer as an innovation hub and initial incubation platform, we successfully launched a new French business in the second quarter of the year, called Kooalys.

Kooalys is a Paris-based insurtech with a fully digital insurance service proposition for the car rental and business fleet sectors. The fleet insurance offering provides cover across a fleet of business vehicles, under one policy. The niche offering of Kooalys is the ability to provide customers with premium discounts based on how eco-friendly the vehicle chosen is. Another benefit of the product provided by Kooalys is that fleet companies can insure all drivers to all vehicles, or assign named drivers depending on their preference, without having to take separate products.

As 2021 progressed Kooalys focused on building and developing products using customer feedback and market trends. In the background, their innovative operational team were busy integrating group expertise, relating to underwriting skills and pricing accuracy.

During the second half of the year, the team signed its first partnership to insure the car rental company Virtuo in France. Virtuo aims to make renting a car at airports and train stations hassle free for customers, via a 100% digital self-service app. Customers that use Virtuo in France are provided with insured vehicles, allowing them to skip the counter and hit the road within minutes.

This strategic partnership is just part of our ambition to disrupt the commercial insurance market in France, and to diversify our distribution by leveraging our experience in delivering high-quality motor insurance propositions.

Our strategy **Motor evolution continued**

BlaBlaCar partnership with L'olivier and Swiss Re

L'olivier, our motor insurance business based in France, entered a partnership with Swiss Re and BlaBlaCar in 2021 to launch a digital motor product in the French market called BlaBlaCar Coach.

BlaBlaCar is a leading community-based travel platform that connects drivers and passengers looking to carpool and share the costs of travel journeys.

Together with Swiss Re and L'olivier, BlaBlaCar has created the smartphone app BlaBlaCar Coach to offer personalised driver coaching and tips for road users. The app monitors driver behaviour such as speed, braking and phone usage without the need for any additional equipment in the car. At the end of each ride, recommendations are passed onto drivers to help them adopt better and safer driving styles. The app is available with co-branded annual car insurance cover with L'olivier to enable savings for customers with careful driving habits.

The initiative forms part of the Group's ongoing diversification strategy where active steps are taken to build stronger propositions for our customers and increase our engagement capabilities. These opportunities build on our core strengths and enable efficient learning into new and attractive market opportunities.

Electric Vehicle trends

At Admiral we want to support more customers make the move to electric and in doing so become a leading insurer for electric vehicles in the UK.

We want to give customers the assurance that if they choose to go electric, they will continue to find the right level of cover with us.

2021 was another year of increasing consumer demand for electric cars, and government policies aimed at tackling climate change continued to spur growth in new electric vehicle sales.

Over the course of the year, we maintained our approach to providing competitive prices, leveraging our underwriting capabilities to grow and accelerating growth. As a result, electric vehicle customers on our UK Motor book grew by double digits. We estimate, that our share of the electric car insurance market is one of, if not the, biggest in the UK motor market.[1]

Whilst the proportion of electric vehicles on cover remains very small relative to the total book, the increasing number of policies are delivering valuable insights for our future product propositions. For example, when developing products, we will need to consider the fact that electric cars offer slightly different claims profiles to traditional vehicles, and that there are new challenges around costs and repair.

The growth in demand for this product has created opportunities to better understand the needs of our customers and prompted discussions relating to how Admiral can best support the wider adoption of electric vehicles going forwards.

We continue to actively engage with our supply chain to ensure appropriate capabilities are in place to manage increases in electric vehicles, whilst exploring innovative new approaches to working to support growth in electric vehicles, and we plan to investigate how we may support our communities seeking accessible charging infrastructure in the future.

1 Based on management insights.

2021 Awards

Great Place to Work UK

Great Places to Work UK Best Workplaces, 5th

Best Workplace for Women, 2nd

Best Companies

Best Companies To Work For Special Award 2021

Best Big Companies to Work For in the UK, 5th

Best Big Company for Wellbeing, 1st

Insurances 10 Best Companies To Work For, 2nd

Great Place to Work International

Great Place to Work Best Multinational Workplace in Europe, 17th

Great Place to Work Best Workplaces (France) 2021 – 6th – L'Olivier

Great Place to Work Best Workplaces (Spain) 2021 – 1st – Admiral Seguros

Great Place to Work Best Workplaces (Canada) 2021 – 5th

Canada's Best Workplaces for Today's Youth

Other Awards

Diversity Leader, Financial Times, 26th

Financial Wellbeing Award, Credit Unions of Wales

Health and Wellbeing Gold Award, Public Health Wales

Best Personal Loan Provider, Moneyfacts

Best Car Finance Provider of the Year, Moneyfacts

Welsh Contact Centre of the Year, Customer Assurance, Welsh Contact Centre Awards

Armed Forces Employer Recognition Scheme Silver Award

Best People Focused CEO 2021, HR Magazine

Europe's most inclusive companies as ranked by employees, Financial Times, #105th

Our Sustainability Approach

Our purpose as a business is to help more people to look after their future; always striving for better, together. Our purpose has been further enhanced and embedded by the purpose framework introduced in 2021.

People

Be one of the best places to work in the world.

Great Place to Work in Europe	Great Place to Work for Women in the UK	% of colleagues feel treated fairly regardless of race, gender or sexual orientation
#17	#2	>95%

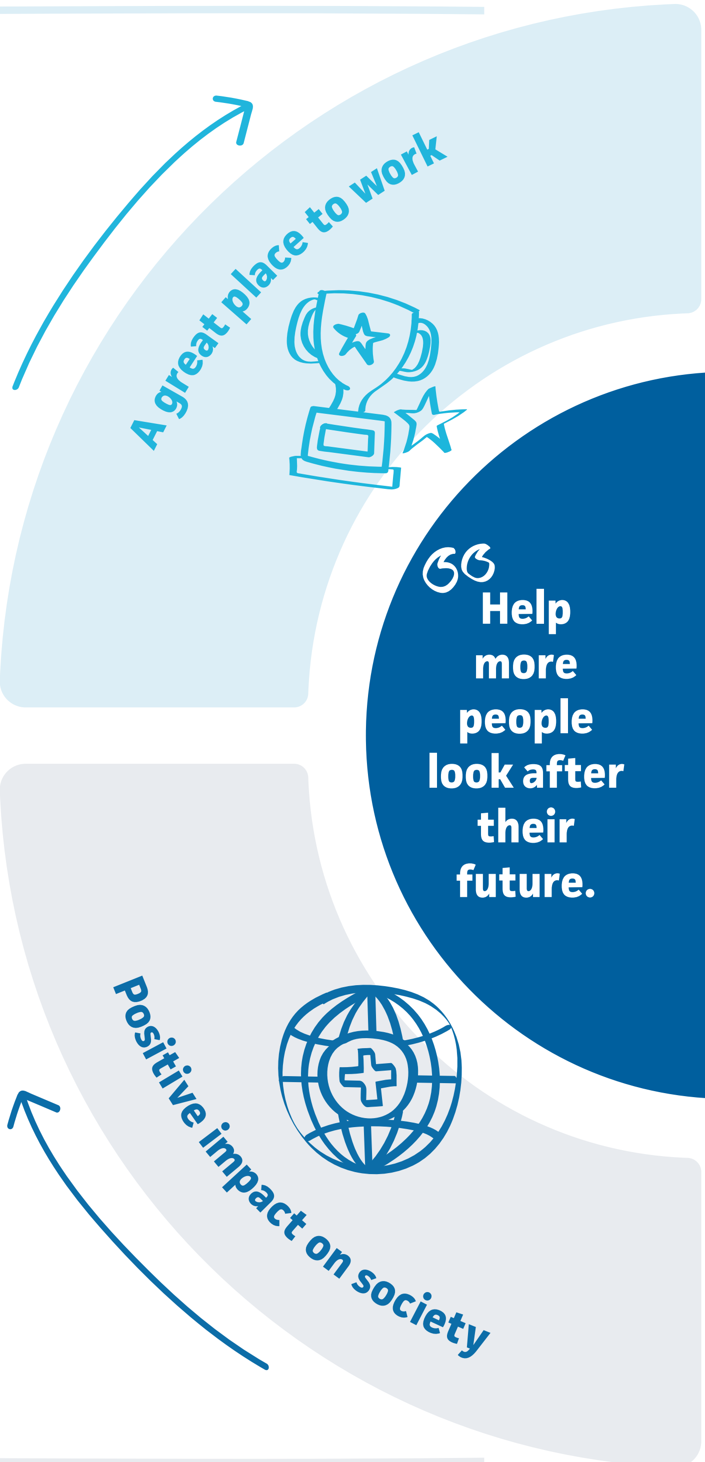
Achieve top #25 ranking in the Great Place to Work awards, across our businesses

Society

Make a difference through positive impact on society.

Covid fund to support local communities	Organisations supported as part of the Admiral Support Fund
£6m	350+

Achieve Net Zero by 2040



Download the PDF of the Sustainability Report at **admiralgroup.co.uk**

Great customer experiences

Always striving for better together.

Successful business

Customer

Provide great customer experiences.

Excess fees waived for key workers	UK Motor customers likely to renew after a claim[1]
£5m+	>90%

To improve NPS scores across the Group

Business

Build our businesses with operational resilience.

Average Group ROE in past 5 years	MSCI ESG rating	% of investment portfolio asset managers are signatories to the PRI[2]
55%	A	100%

Consistently strong business performance and shareholder return

1 UK Car (excludes UK Van). 2 Principles of Responsible Investment.

Our sustainability approach **continued**

Sustainability approach

Our approach to sustainability underpins our corporate strategy and helps translate our purpose into action. To help communicate how our approach drives long-term stakeholder value we launched a sustainability project in 2021. The aim of this project was to refine key Environmental, Social and Governance (ESG) focus areas and outline tangible ESG ambitions for each of our key stakeholder groups.

We wanted to ensure that our approach would capture and address the ESG issues that matter most to:

- Our People
- Our Customers
- Our Society (Communities, and the Environment)
- Our Business (Partners and Suppliers, and Shareholders.)

To do this, we decided to run a materiality project across the group.

> We were able to outline what our immediate priorities were, based on their materiality weighting.

Materiality assessment

A materiality survey was designed internally with questions relating to the perceived strategic importance to the business, as well as the opportunity to have a positive impact in these areas.

We interviewed over 500 managers, over 2,000 customers and over 2,000 people in our communities. Participants were asked to rank pre-identified and defined focus areas, that had been pre-qualified by the project team and deemed to be in alignment with Admiral culture.

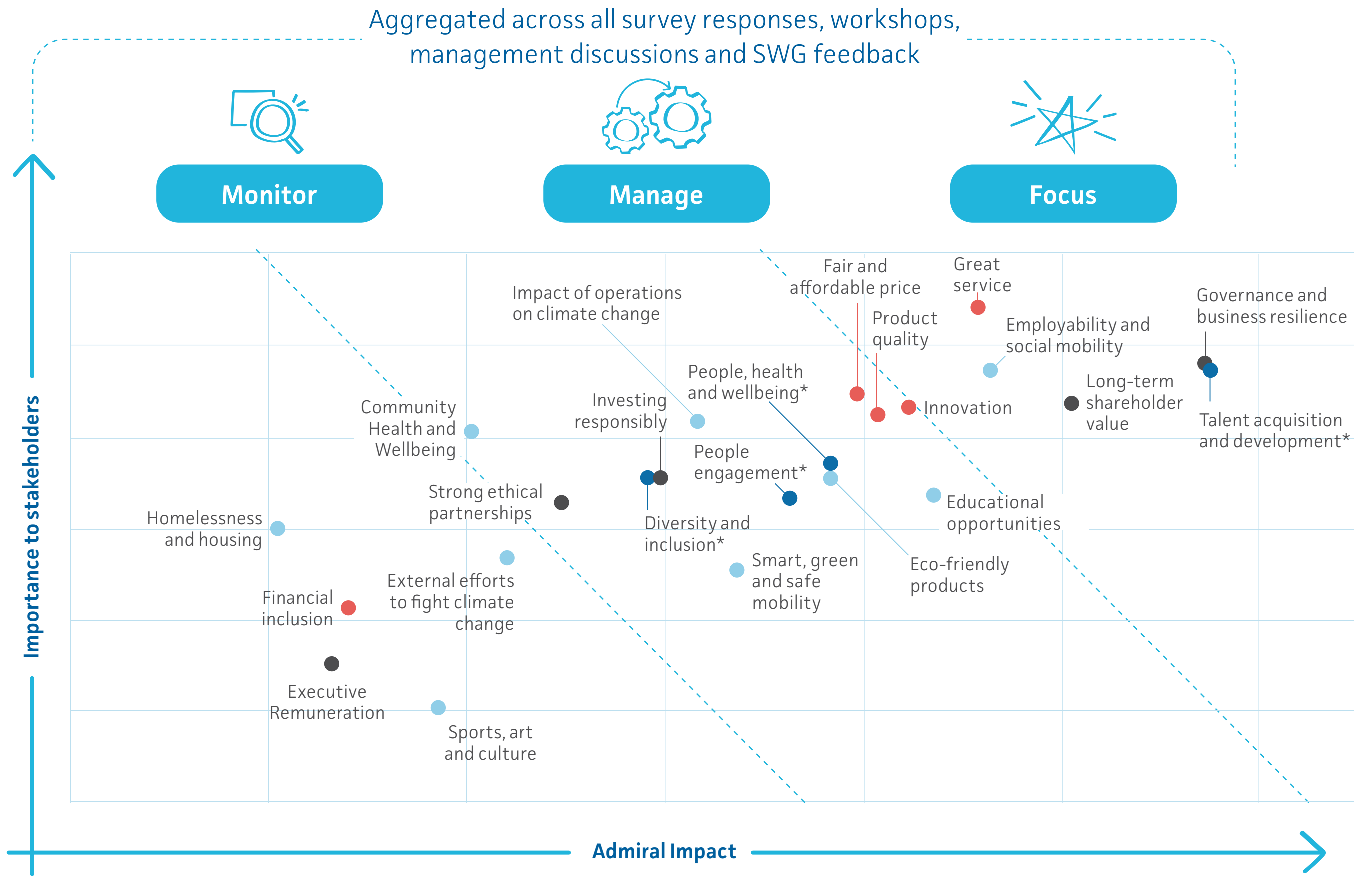
Survey results were sense checked at various forums and subsequently allocated across three areas based on the feedback received.

Once the sustainability-related initiatives were categorised, we were able to outline what our immediate priorities were, based on their materiality weighting.

Our approach is likely to evolve over time, and we will look to conduct further materiality assessments in future which will continue to engage with various stakeholders for input, including our people, customers, partners and suppliers, shareholders and wider community.

Materiality matrix

The matrix presents an overview of the materiality analysis conducted in 2021 to rank Environmental, Social and Governance (ESG) priorities of Admiral Group Plc.



Stakeholder key

- People*
- Customer
- Society (Community and Environment)
- Business

* Actively monitored and maintained as part of our culture.

Our sustainability approach **continued**

> The market will be informed of our commitments via investor materials, and employees will be encouraged to learn more about our purpose-led approach via an embedding purpose project that will roll out in 2022.

> We commit to Net Zero by 2040.

Definitions

Monitor: Topics that fall into the 'Monitor' section will be added to an ESG tracker and maintained / updated by the Sustainability Working Group. The aim is to record information and developments relating to these topics, with the view that they may progress to an area that will be actively managed in time.

Manage: Topics that fall into the 'Manage' section will be prioritised in the ESG tracker, as an ambition for the business to develop and build on. Topics in this category are also viewed as things that we do well, and will be managed and maintained. All ambitions will have an assigned owner, and initiatives will be underway across the business to maintain and / or enhance these focus areas.

Focus: The topics that fall into this 'Focus' section are the areas that the sustainability approach will focus on in the short term (18–24 months). It is expected that our ambitions in this section will evolve over time.

The Sustainability Working group will review these areas regularly, and refresh the tracker and matrix as required. The Board will also be updated on these during the year. The market will be informed of our commitments via investor materials, and employees will be encouraged to learn more about our purpose-led approach via an embedding purpose project that will roll out in 2022.

The below table includes the main areas that together with our stakeholders we will focus on for maximum impact.

Focus area	Stakeholder	How we address
Governance of managing risk and business resilience	Business	Turn to page 90
Talent Acquisition & Development	People	Turn to page 89
Great Service	Customer	Turn to page 87
Product Quality	Customer	Turn to page 87
Employability and social mobility	Society (Communities)	Turn to page 96
Long-term shareholder value	Business	Turn to page 93

Read more in our section 172 overview (starting on page 87). To see how these priorities feed into our strategy and reinforce our purpose.

Download the PDF of the Sustainability Report at **admiralgroup.co.uk**

Admiral's alignment with the United Nations' Sustainable Development Goals

The Sustainable Development Goals (SDGs) are a set of 17 global goals developed by the United Nations, which define global priorities and aspirations for 2030. The goals aim to address major societal and environmental concerns. The most relevant goals where we believe Admiral contributes are listed below:

SDGs	Priority targets	Examples of our contributions
4 QUALITY EDUCATION	(4.4) Increase the number of youths and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.	· Long-standing graduate trainee programme · Launched Internal Career Service to support colleagues in career development and to reach their goals · Recognised as one of Canada's Best Workplaces for youth
5 GENDER EQUALITY	(5.5) Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision making in political, economic, and public life.	· Fully gender balanced Group Board · Achieved our target to increase women at senior management level to 40% by 2023 · Provided training on unconscious bias for all international executives and key recruiters · Launched an international mentoring programme to support and empower high potential women across the Group
8 DECENT WORK AND ECONOMIC GROWTH	(8.6) Substantially reduce the proportion of youth not in employment, education, or training.	· £120,000 donated to Jesus College, Oxford to help reach and support under-represented young people at Oxford and other leading universities.
10 REDUCED INEQUALITIES	(10.2) Empower and promote the social, economic, and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.	· Held our first UK-wide Diversity & Inclusion Week focusing on breaking down barriers to progression · Partnered with Cardiff University Aspire program: an eight-week internship for Black, Asian and Minority Ethnic students and females in science, technology, engineering, and mathematics · Partnered with the Multiple Sclerosis Society to host a national event called Open the Door · Partnered with Disability Sport Wales, the leading organisation for the development of disability sport in Wales
11 SUSTAINABLE CITIES AND COMMUNITIES	(11.2) Provide access to safe, affordable, accessible and sustainable transport systems for all.	· Provide insurance cover to both fully electric and hybrid vehicles
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	(12.6) Encourage companies, especially large and transnational companies, to adopt sustainable practices and integrate sustainability information into their reporting cycle.	· Actively engaged with ESG[1] rating providers – integrating feedback into sustainability disclosure · Sustainability Accounting Standards Board (SASB) standards integrated into the reporting cycle · Aligned disclosure with all recommendations under the Task Force on Climate-Related Financial Disclosures (TCFD) framework · Received external verification of carbon emissions data

Our contributions to the above SDGs align with our Sustainability approach and our commitments to the future.

1 Environmental, Social, Governance.

Our sustainability approach **continued**

> The principal Committees of the Board – Audit, Remuneration, Group Risk, and Nomination and Governance play an important role in the Group's sustainability-related decision-making processes.

To see the **Group Governance Structure,** and all **Board Committees** please turn to **page 108**

Sustainability Governance

Group Board: The Admiral Group Board is responsible for promoting the long-term sustainable success of the Group and is its principal decision-making forum. It is the principal governing body for sustainability-related issues and takes ownership of sustainability and climate-related topics and associated stakeholder engagement. The Board approves the Group's sustainability approach and objectives, including any related Environmental, Social and Governance (ESG) ambitions which can have a material impact on Admiral. Milena Mondini, Group CEO, is the appointed Sustainability representative on the Group Board.

Board Committees: The Board has delegated authority to several permanent Committees that deal with sustainability-related matters where relevant and written Terms of Reference. The Committees of the Board – Audit, Remuneration, Group Risk, and Nomination and Governance – play an important role in the Group's sustainability-related decision-making processes. For example, the Group Risk Committee oversees the management of climate-related risk and ensures appropriate oversight is in place.

Sustainability Working Group: A Sustainability Working Group was established in 2020 to help identify, monitor and facilitate the implementation of sustainability ambitions across Group operations.

The working group supports the Group Board and Admiral's executive leadership team to ensure adequate oversight is in place around sustainability-related decision-making. This includes monitoring the latest market developments around ESG, supporting subsidiary entities with their sustainability commitments, and sharing best practice ESG management.

In 2021, sustainability champions were appointed from across the business to own the newly outlined ESG ambitions disclosed in this report. Each champion is required to report progress against outlined ambitions directly to the sustainability working group on a quarterly basis. Read more about this on page 104.

Climate Change Steering Group: Given the impact of climate change and the increased focus the area has received in recent years, a subcommittee dedicated to climate change was created in 2021. The Climate Change Steering Group reports directly to the sustainability working group. Read more about this on page 108.

Forums & Ministries: Several internal forums and Ministries exist across the business to uphold the pillars of our culture and monitor areas related to sustainability such as employee diversity, happiness, and wellbeing. For example, the Diversity & Inclusion forum consists of six working groups and drives diversity and inclusion initiatives across the Group. Several Ministries such as the Ministry of Fun and the Ministry of Health organise regular events to keep colleagues happy and engaged.

Percentage of customer calls (Kudos calls) scoring a 9/10 or 10/10

49%

(2020: 45%, 2019: 41.5%)

First Notification of Loss call answer rate

92%

(2020: 93%)

Customers likely to renew after a claim (UK)

>90%

Growth in UK electric vehicle customers in 2021

150%

Our Great Customer Experiences

Satisfied customers

As part of our efforts to integrate customers at the heart of our products and processes, we regularly measure customer satisfaction across several benchmarks. Obtaining regular customer feedback is core to the way we do business. It allows us to understand what we are doing well and enables us to identify the priority areas for improvement and where we should implement change.

Across our UK and international insurance operations, the Net Promoter Score (NPS) forms a key part of our business strategy and vision. In 2021, we confirmed our ambition to improve our NPS score across all businesses – in line with our sustainability commitment to 'provide great customer experiences'.

Fair and transparent claims outcomes

As an insurer, we are committed to providing appropriate claims practices that deliver fair and just outcomes for customers in a timely manner. We communicate with customers about claims through a range of different channels, including via telephone, on the website via webchat, through the MyAccount portal, via email, SMS message, and by letter.

As part of the claims handling process, colleagues inform customers about the scope and limits of their coverage. These details are explained when customers take out an insurance policy and are included in the customer's policy booklet or documentation.

This process allows us to continually assess and challenge our knowledge of the product, and the customers understanding of what they are buying, to achieve outcomes that are fair for our customers.

Looking to the future (Responsible products)

At Admiral we are actively evolving our customer proposition to meet the needs of our customers, and this includes the promotion of responsible products. We currently provide several insurance solutions related to energy efficiency and low carbon technology as part of our core motor book. These include insurance cover for both electric and hybrid vehicles, telematics insurance, flexible insurance under the Veygo brand, and more recently as part of our new Kooalys small fleet venture in France.

Veygo also offers temporary car insurance cover and learner driver insurance to customers. Temporary insurance solutions are increasingly playing an important role in the transition to the low carbon economy as customers choose to reduce their use of personal vehicles or move away from vehicle ownership completely. Read more about our UK-based business Veygo on page 42.

At Admiral we want to support more customers to make the move to electric and in doing so become a leading insurer for electric vehicles in the UK. We want to give customers the assurance that if they choose to go electric, they will continue to find the right level of cover with us. Read more about our developing electric vehicle proposition on page 44.

Our sustainability approach **continued**

Percentage of our group employees completed the Great Place to Work Survey

78%

Percentage of colleagues believe that Admiral is a great place to work

88%

Percentage of colleagues feel encouraged by Admiral's commitment to Smart Working

90%

Read more about our **Great Place to Work** accolades on **page 45**

> Admiral Group respects and values the individuality and diversity of every employee. The Group's Equality, Diversity and Dignity at Work policy ensures that every employee is treated equally and fairly and that all employees are aware of their obligations.

A great place to work

Engaging our employees

The Great Place To Work (GPTW) survey acts as our annual formal people survey and is an important mechanism for the business to understand how employees are feeling and which areas they would like to see improvement. The survey forms part of our ongoing commitment to create an environment where our people feel valued, respected, and listened to, and we encourage everyone to give honest feedback.

As part of our 2021 sustainability commitment to 'be one of the best places to work in the world', we've set out the ambition to achieve top 25 rankings in the GPTW surveys across all businesses and geographies.

Diversity, ethics and human rights

Admiral Group respects and values the individuality and diversity of every employee. The Group's Equality, Diversity and Dignity at Work policy ensures that every employee is treated equally and fairly and that all employees are aware of their obligations. The Group is fully committed to the health and safety and the human rights of its employees regardless of their background. In addition, the Group maintains a number of employee codes of conduct regarding appropriate ethical standards in the workplace.

The Group's principles of respect for human rights, diversity, health and safety and workplace ethical standards not only apply to employees directly employed by Admiral, but also to colleagues employed by the Group's outsourced partner in Bangalore, India. To meet this commitment, Admiral Group maintains regular contact with its outsourcer's management team and the Group's senior managers visit the outsourcer on a regular basis, whilst the Group also provides training and development to ensure that the team uphold these principles. In addition, Admiral Group has appointed a manager based permanently at the outsourced operation, who is responsible for ensuring that the Group's principles are adhered to by the outsourced partner, and that the wellbeing of outsourced employees is monitored.

Diversity & Inclusion

To monitor and strengthen diversity in the UK, a Diversity & Inclusion Forum was created in 2018. The forum has made great progress, and in 2021 launched Admiral's five-year Diversity and Inclusion strategy. This forum is headed up by the Head of Diversity and Inclusion for the UK, and consists of six working groups, all of which consider and implement ways we can better support a diverse working culture. Cristina Nestares, CEO of UK Insurance, is our Diversity and Inclusion executive sponsor.

Below are some highlights from the UK over the last year:

- Compulsory Diversity and Inclusion training for all colleagues
- Diversity and Inclusion awareness week focusing on breaking down barriers to progression
- Increasing the number of women at senior management level from 34% in 2020 to 44%
- Partnered with Cardiff University Aspire programme: an eight-week internship for Black, Asian and Minority Ethnic students and women in science, technology, engineering, and mathematics
- Delivered LGBTQ+ Allyship training in partnership with Pride Cymru, including a session for our senior leaders
- Relaunched the Age Diversity Forum and put together a new steering group to take our initiatives forward

To monitor and strengthen diversity across the Group, our International Diversity and Inclusion Forum is hosted by People Services to connect Diversity and Inclusion sponsors from across the Group. The forum is tasked with discussing how we can support diversity and inclusion across training and development; communication and sharing; recruitment; fun and celebrating success. In 2021 our International Diversity and Inclusion forum established:

- An international mentoring programme to support and empower high potential women

- Training on unconscious bias for all international executives and key recruiters
- Introduction of international Diversity & Inclusion awards (to recognise achievements at a company and individual level)
- A review of our recruitment processes to help attract and retain diverse candidates

Gender diversity

The table below provides a breakdown of the gender of Company Directors and employees at the end of the 2021 financial year[1]:

	Male	Female
Company Directors[1]	6	6
Other senior managers[2]	4	3
All employees[3]	5,722	5,595

1 Company Directors consists of the Board of Directors, as detailed on pages 134 – 139.

2 Other senior managers is as defined in the Companies Act 2006 (Strategic Report and Directors' Report) and includes persons responsible for planning, directing or controlling the activities of the Company, or a strategically significant part of the Company, other than the Company Directors defined in note 1 above. Any other Directors of undertakings included in the consolidated accounts that are not considered strategically significant have not been included.

3 All employees totalled 11,403 people. Of which 5,722 identify as male, 5,595 identify as female, 22 identify as other and 64 preferred not to say.

Promoting race equality at Admiral

One of Admiral's founding pillars is equality. We are committed to ensuring race equality at Admiral and in June 2021 we re-signed up to the Business in the Community's Race at Work charter and its seven key actions.

- Appoint an executive sponsor for race
- Capture ethnicity data and publicise progress
- Commit at Board level to zero tolerance of harassment and bullying
- Make equity, diversity and inclusion the responsibility of all leaders and managers
- Take action that supports Black, Asian, Mixed Race and other ethnically diverse employee career progression
- Support race inclusion allies in the workplace
- Include Black, Asian, Mixed Race and other ethnically diverse-led enterprise owners in supply chains

We have a zero-tolerance approach to harassment and bullying. Our People services function also tracks our ethnicity data to ensure that our colleagues represent and reflect the communities in which we operate. We will be providing an update on how we are progressing with each of the key actions in 2022.

We use our strength in analytics and data to look at diversity and identify opportunities to improve. Diversity data is collected from information questionnaires on the intranet which employees are asked to fill out annually.

Disabled employees

Admiral Group's UK businesses are Disability Confident Employers. This means they are recognised as going the extra mile to make sure disabled people get a fair chance, full and fair consideration to applications for employment made by those with disabilities, having regard to their particular aptitudes and abilities.

Admiral has a Disability Forum to help promote inclusivity in the Group for those with a disability.

In 2019, the Company was awarded Level 2 status of the Disability Confident Award and is now aspiring to achieve the Disability Leader Award. There is also a Workplace Support Team to provide support for those with physical disabilities, neurodiversity and short-term mental health problems. Training sessions to help better employees understand those with neurodiversity are also available.

The Admiral Group will support any employee who is disabled or has a life-threatening illness and help them to contribute to the Group as long as their health allows. Managers in the Group are sensitive to health concerns and special needs and will not knowingly allow any employee with a disabling or life-threatening illness to suffer from discrimination at work.

In June 2021, we ran a Learning Disabilities week for all colleagues with a number of workshops, podcasts and drop-in sessions with help from an expert in Dyspraxia and Neurodiversity. The Group also provides employees with access to the Employee Assistance Programme Care First confidential helpline which offers advice and support on a range of health issues.

Health and wellness across our operations

We encourage colleagues to actively communicate how they're feeling, especially during the recent periods of homeworking, and we provide managers with the appropriate tools to support colleague needs. All colleagues have the right to request flexible working solutions for any reason, whether that be an adjustment in an individual's workload, or changes to working hours due to caring responsibilities.

Diversity partnerships and signatory commitments

Our sustainability approach **continued**

All colleagues have access to our Employee Assistance Programmes which provide free and confidential support. In cases where colleagues may have been identified as potentially vulnerable, we take additional steps to put them in touch with assigned People Services colleagues who ensure they receive the appropriate level of support.

In 2021 we began establishing several community groups for parents and carers to help share best practice and tips and build internal networks to support their return to work and ensure they can integrate back into the workforce effectively.

In the UK, Admiral has achieved a gold status in the annual Healthy Working Wales awards every year since 2013 – a testament to the work we have done to prioritise communication of health and wellbeing in the business.

Maintaining a diverse talent pipeline

As a signatory of the Women in Finance Charter, we are committed to supporting the progression of women into senior roles in the financial services industry by focusing on the Executive and mid-tier talent pipeline. In 2021 we reached our 2023 gender diversity target, achieving 44% female representation at a senior management level across our core UK functions.

To ensure that we maintain a high proportion of women in senior leadership positions, in 2021 we created a leadership training course designed to support the development of future female leaders. The 18-month training and mentoring programme, Get Discovered, opened for applications in January 2022 and will begin in May 2022. The programme, which is open to every woman who is a permanent employee of the Group and aspires to be a leader, has been developed to run alongside a candidate's current role. Get Discovered is just one of the ways that we are delivering on our promise to ensure our female colleagues can reach their full potential at Admiral.

Our approach to talent development

The Central Learning and Development department, formerly known as Admiral Academy, is Admiral's central training hub and offers support, learning opportunities and career advice to all employees. Additionally, trainers from across the Group are available to offer a prospectus of training programmes and standalone courses tailored to individual and department needs.

In 2021, a new Head of Learning and Development was hired within our UK operations to refresh the wider employee development team's purpose and offerings – expanding our training content to better cater to the needs of the wider business.

A new suite of content aligned with our new Smart Working environment was rolled out during the year and will continue to expand in 2022.

In 2021,

- Over 450 online courses available to colleagues (UK operations)
- Colleagues completed over 187,000 online courses in 2021 (UK operations)
- All International CEOs were given additional training and resources to open career conversations with their direct reports, to better understand employee aspirations, strengths, and motivations.
- We established an International Governance Academy for the European businesses
- We designed a framework to facilitate, support and increase effectiveness of international talent mobility across the Group

In 2021 we also launched a new Internal Careers Office which incorporates several different initiatives designed to help colleagues develop and achieve their goals. Some of the services offered focus on career advice, others with writing applications and interview prep.

We've seen positive results since it was launched and will continued to build on learnings in 2022. Since it was set up in January, we've held 494 career advice sessions, answered over 800 queries and held 128 interview coaching sessions.

41%
(2020: 36%)
UK positions filled by internal candidates

Recruiting for diverse talent

Good recruitment practices underpin our ability to attract the diverse talent we need at Admiral. We want our online Careers pages to be fully inclusive and are continually considering ways to support all website visitors. In October 2021, our Recruitment team implemented the use of ReciteMe, a website accessibility tool which allows visitors to our online Careers pages to adjust the format of the pages, in accordance with their individual requirements, to make the information more accessible.

We also encourage prospective candidates to disclose whether they would require any adjustments to be made in advance of their interview, (such as providing an application form in braille, or making changes to the location of an interview) so they can be appropriately supported during both the recruitment process and throughout their career with us.

These initiatives mean that we will be able to attract more job seekers who have disabilities, learning difficulties and those for whom English is a second language, and makes searching for a job at Admiral an inclusive experience for potential colleagues.

Recognition and Reward

Over 10,000 employees working at Admiral for more than one year receive shares through our Approved Free Share Plan (SIP) or the equivalent thereof. In addition, more than 3,000 managers across the business receive additional shares through the Discretionary Free Share Scheme, which is designed to ensure that decisions are made by management to support long-term value growth, reward the right behaviours, and to ensure that our people's interests are aligned with those of our shareholders.

Our core belief is that, over the long term, share appreciation depends on achieving great outcomes for our customers. Management feels strongly that by having involvement in share ownership and receiving regular updates on business performance from senior management, employees are provided with a good understanding of the financial and economic factors that could affect the Company's performance. Our share schemes recognise the need to keep our employees both highly skilled and motivated.

For information on how the Directors have engaged with employees during the financial year and how Directors have considered our employees' interests when making strategic decisions, please refer to the Strategic Report on pages 91 – 92.

"Many of our community support initiatives in 2021 centred around enabling education, whilst supporting social mobility."

Read more about our **TCFD** on **page 107** and **SECR** on **page 114**

Positive Impact on society

Our net zero commitments

Admiral Group has formally committed to achieving net zero greenhouse gas emissions by 2040 at the latest across all three scopes of emissions and to cut these emissions in half by 2030. We have additionally committed to achieving net zero in directly controlled operational emissions by 2030.

Greenhouse Gas Emissions

The annual level of greenhouse gas emissions, resulting from activities for which the Group is responsible, was 3,454 CO_2e (2020: 2,044 CO_2e)[1], equivalent to 0.32 tonnes (2019: 0.21 tonnes) per employee[2]. In accordance with Green House Gas (GHG) Protocol Scope 2 guidance released 20 Jan 2015, Admiral is exempt from reporting greenhouse gas emissions from electricity supply to the three largest UK offices which meets the GHG Protocol Corporate Standard.

There are no material exclusions from this data. The figures for air conditioning exclude certain sites because the information was not available from the managing agents of the Group's multiple office locations.

Detailed information on the Group's environmental performance and the methodology for the measurement of greenhouse gas emissions is available in the SECR on page 114.

Responsible Investing

In order to manage Environmental, Social and Governance (ESG) risks across Admiral's proprietary investments – which stem primarily from the premiums collected across our insurance operations – a responsible investment policy was established in 2019. The policy requires ESG considerations to be integrated into each step of investment decision-making, for ESG risks to be monitored, and for active engagement with our asset managers.

In total, we invest £3.86 billion across a variety of asset classes, with systematic ESG integration across the entire investment portfolio[3].

Admiral's investment portfolio weighted average ESG score has an MSCI 'A' rating (6.85 ESG score).

We actively collaborate and engage with our asset managers to address ESG risks and opportunities. We conduct regular reviews and ensure all our asset managers are signatories to the UN Principles for Responsible Investments (UN PRI). In 2021, 100% of our assets continued to be managed by UN PRI signatories. This year our focus has been on refining and strengthening the portfolio's climate data set to enable better decision-making towards our net-zero commitments. To support our efforts, Admiral Group became a member of the Institutional Investors Group on Climate Change in 2020. Together with the other signatories, we are working to enable better investments in solutions that drive tangible progress towards a more resilient future.

For further information, refer to our 'Sustainability Report' on our website www.admiralgroup.co.uk/our-community/environmental-social-governance

Giving back to our communities

As a large employer with offices across a number of countries, we firmly believe it is our responsibility to invest in the communities around us. In 2021 we focused on generating meaningful impacts and reviewing the Group's approach to community engagement.

An Admiral Support Fund was set up in 2020 to provide community support to those most impacted by the pandemic. A combined £6 million was set aside and, as of the end of 2021, over 350 organisations have received support from the fund. From this £6 million commitment, Admiral donated £2 million to the ABI Covid Support Fund and £1 million to UNICEF in March 2021 to help support our colleagues and local communities in India.

1 Better data collection and reporting of this data from our Group entities has allowed us to report more accurately on our GHG figures in this reporting period.

2 Average employee number excludes employees from offices for which data could not be collected. The data has been prepared with reference to the WRI/WBCSD Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition) and in accordance with the guidance for corporate reporting issued by the Department for Environment, Food and Rural Affairs (DEFRA).

3 The responsible investment policy covers all assets under management.

Our sustainability approach **continued**

Of the remaining £3 million, an additional £1.8 million went to supporting local UK organisations. This included a £350,000 super-donation in December 2021 to ten organisations across Wales. One of the charities benefitting from the donation is Tŷ Hafan, a leading Welsh children's charity which provides comfort, care, and support to children with life-limiting conditions. The remaining £1.2 million was allocated to our international operations. International community initiatives focused primarily on support for Covid protective equipment as well as organisations that are close to our colleagues in areas such as social injustice and natural disaster relief.

One of the focuses of our community support initiatives in 2021 centred around enabling education, whilst supporting social mobility.

In 2021, Admiral also donated £120,000 in support of Oxford University's Jesus College's outreach programmes across Wales. This will enable the University's Access and Outreach team to develop new access activities, enhance existing programmes and reach more academically gifted young people in Wales. People who are currently under-represented at Oxford and other leading universities in the UK.

Employee support: One of the other ways our employees can give back is through Admiral's 'Give a Day' scheme. The scheme was launched in 2021 and exists to help our colleagues support local communities. As part of the scheme, each member of the Group's UK operations are allocated two paid days off annually to go out and help a local charity or other organisations of their choice.

Social Mobility PLEDGE

Business Disability Forum

IIGCC The Institutional Investors Group on Climate Change

The Cardiff Commitment Addewid Caerdydd

FINTECH PLEDGE

Arts & Business Cymru

> To ensure that we maintain a high proportion of women in senior leadership positions, in 2021 we created a leadership training course designed to support the development of future female leaders.

Download the PDF of the Annual Report and Sustainability Report at **admiralgroup.co.uk**

Our Business

Data privacy and cyber security

Admiral's Data Protection Policy outlines the Group's commitment and obligations regarding the processing of personal data. The policy applies to all Admiral Group users that have access to personal data and data processing systems, and applies equally to management, permanent and temporary employees, contractors, partners, and suppliers.

In line with the General Data Protection Regulation, we work to ensure the correct, lawful and transparent handling of personal data and we ensure colleagues stay informed via regular compliance training of our commitments under the Data Protection Policy. Privacy by design is fundamental within product and process design, and all developments are subject to robust Privacy Impact Assessments (PIAs), and continued compliance is monitored through regular reviews and audit activities carried out by the Data Protection and Privacy Team and the Internal Audit function.

Information security

Admiral's Group information security team, Infosec, aligns its practices to internationally recognised information security and cyber risk management frameworks and infosec risks are managed in line with the Group Enterprise Risk Management Policy. Information security policies are in place to ensure that all employees understand their responsibilities when it comes to information security, and we provide all employees and contractors with regular training.

In 2021, Infosec teams regularly engaged with colleagues to strengthen the Group's information security practices and build a resilient cyber risk culture in the new world of hybrid working. Information security risk assessments were carried out regularly across the Group and the results are monitored, managed, and reported via the appropriate governance forum, based upon the materiality of the risk.

Investor conferences attended by management in 2021

14

Investor activities hosted by the Investor Relations team in 2021

150+

For further insights into the principal risks and uncertainties Admiral has identified through its Enterprise Risk Management framework, the impact of those risks and actions to mitigate them, please refer to the Principal Risks and Uncertainties section.

Shareholder Engagement

The Investor Relations team oversees engagement with the Group's shareholders and provides regular updates to the Group Board, as well as organises meetings between Board members and management and investors. In 2021, all meetings were held online as the impact of the Covid pandemic continued to impact face-to-face communication. Despite this, the Group was able to continue its regular shareholder engagement.

Relationship with suppliers

In 2021, we continued to embed sustainable practices across all our procurement engagements. Our approach is guided by the Group's Procurement and Outsourcing Policy, which provides the framework and policy guidelines for all procurement activity[1]. As part of these guidelines, employees who engage in procurement activity are required to maintain the highest standard of integrity at all times and to fully comply with laws and regulations. During any tender process, potential suppliers are asked to complete a due diligence questionnaire which focuses on areas such as financial crime, data protection, modern slavery, and environmental accreditation.

Suppliers are grouped into supplier types based on their strategic importance and risk profile. Where risks are identified, we actively engage to understand the cause and take appropriate action based on the response received. We maintain a zero-tolerance approach towards modern slavery and regularly risk assess suppliers within our supply chain to ensure modern slavery is not a feature. Detailed information about the Group's approach to mitigate modern slavery risks can be found in our annual modern slavery statement on the Admiral website.

We've also taken steps to improve technology and automation solutions within our Group Procurement function to increase governance oversight and strengthen relationships with suppliers. Looking ahead, we are working to fully embed these procurement controls in 2022. This will help ensure we can continue to effectively assess our supply chain, engage with suppliers on the most important and relevant topics, and give appropriate consideration to any rising modern slavery and environmental risks in the future.

Co-insurance and reinsurance partners

We consider our co-insurance and reinsurance contracts to be important to the running of the Group's business. As such, we were pleased in the first half of 2021 to conclude negotiations with our reinsurance partner Munich Re, to extend our risk sharing partnership in the UK car insurance business[2]. These renewed agreements form part of our commitment to mitigate any large claims losses by ensuring that a diverse range of financially secure reinsurance partners, including a long-term relationship with Munich Re, are in place.

1 This excludes the placement of reinsurance (which is governed by the Reinsurance Policy).

2 Further detail on the Group's co-insurance and reinsurance arrangements can be found on page 85 of this report.

Our sustainability approach **continued**

ESG Ratings

Admiral began actively engaging with a number of key ESG rating providers in 2020. In 2021 we continued our active engagement, to provide investors with substantive ESG data that supports transparent decision-making. Following our engagement we saw improved ESG risk rating performances in the ISS ESG tracker, the Dow Jones Sustainability Index, and in our annual CDP disclosure.

We also continuously look at ways in which we can integrate the feedback received from rating providers, shareholders, regulators, ESG-related experts and more to ensure our reporting aligns with best practice expectations.

ESG Ratings

MSCI ESG rating assessment[1]
- 2021: A

CDP Climate Score[2]
- 2021: C

Sustainalytics ESG Risk Rating[3]
- 2021: 21.0[4]
- 8th percentile industry ranking[5]

ISS ESG performance
- 2021: C-
- 4th industry decile ranking[6]

Dow Jones Sustainability Index
- 2021: 37/100
- 53rd percentile industry ranking[7]

Tortoise Responsability100 index
- 2021: 21st out of 100

1 The use by Admiral Group of any MSCI ESG research LLC or its affiliates ('MSCI') data, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendation, or promotion of Admiral Group by MSCI. MSCI services and data re the property of MSCI or its information providers, and are provided 'as-is' and without warranty. MSCI names and logos are trademarks or service marks of MSCI.

2 Average industry score for the financial services industry of B, Admiral continues to enhance disclosures to improve rating and has since made a public commitment to net zero ambitions and begun our pathway to decarbonisation.

3 Copyright ©2022 Sustainalytics. All rights reserved. This report contains information developed by Sustainalytics (www.sustainalytics.com). Such information and data are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data) and are provided for informational purposes only. They do not constitute an endorsement of any product or project, nor an investment advice and are not warranted to be complete, timely, accurate or suitable for a particular purpose. Their use is subject to conditions available at https://www.sustainalytics.com/legal-disclaimers.

4 In September 2021, Admiral Group received an ESG Risk Rating of 21.0 and was assessed by Sustainalytics to be at Medium Risk of experiencing material financial impacts from ESG factors.

5 8th percentile score in the property and casualty insurance sub-industry rankings (7th out of 82).

6 A decile rank of 1 indicates high relative performance versus a decile rank of 10 which indicates poor relative performance.

7 Improved result. Average industry score: 40/100, composed of 127 companies.

Key performance indicators

In order to implement, develop and measure the Group's strategic performance, we monitor several financial and non-financial key performance indicators ('KPIs') in addition to the Group's income statement results.

Financial measures

Group Profit
+26%
Growth in Group share of profit before tax

Growth
+9%
Growth in Group customer numbers

International Growth
+13%
Growth in International customers

Diversification
+14%
Growth in UK Household customers

Shareholder Returns
+24%
Earnings per share[1]

Capital Position
+4%
Solvency ratio

Non-financial measures

Customer satisfaction
>90%
of customers would renew after a claim

Customer service
>50% across all businesses
Net Promoter score

Digital strides
23% increase in MyAccount uptake year-on-year
Customer engagement

Great place to work
5th in the UK
GPTW rankings

Positive impact on society
£6m+ donated
Financially supporting our communities in 2021

Net Zero by
2040
Pathway to Net Zero

1 Alternative performance measure (APM) – refer to the glossary for definition and explanation.

Chief Financial Officer's statement

I closed my 2020 review hoping for a more cheerful 2021, and whilst the pandemic again put paid to that and Wales didn't win the Euros, Admiral's financial performance was strong, with all our businesses growing customer numbers year-on-year along with a very positive bottom-line outcome for the Group.

Let me start by giving a brief overview of the results:

£m	2021	2020	Change
UK Insurance	894	698	+196
International Insurance	(12)	9	(21)
Admiral Loans	(6)	(14)	+8
Share scheme cost	(63)	(51)	(12)
Other	(44)	(34)	(10)
Continuing operations pre-tax profit*	769	608	+161
Restructure cost	(56)	–	(56)
Continuing operations profit after restructure cost	713	608	+105

* Continuing operations = excluding results and gain on disposal of the Comparison businesses sold by the Group in 2021.

The standout positive is clearly the big increase in UK Insurance profit – even more pronounced than in 2020 when the impact of Covid on the results was first seen. The UK Household business contributed another decent profit (£21m, up from £15m), though the Motor business profit was nearly £190m higher than 2020 and was the driver of the year-on-year increase.

The main reason for the step-up v 2020 is very positive development of back year claims costs, leading to large releases of reserves and increased profit commission revenue. Both the 2020 and 2021 financial years also benefited from current period loss ratios that were notably lower than previous years, meaning profit for both financial years was clearly elevated compared to the recent past.

It is important to note that profit in the second half of 2021 was lower than the first half (~£290m v ~£480m) as both the prior year claims movements and Covid frequency benefits were much more pronounced in the first six months. With frequency heading closer to normal levels during H2 (apart from the very end of the year) and premium rates having been discounted beforehand, a lower level of profit was to be expected. We expect that Group profit in 2022 will be lower than 2021 and 2020.

You'll note a £56 million restructure charge in the 2021 numbers which reflects the cost of exiting leases on a number of the Group's South Wales offices, impairment of some technology assets and costs relating to a voluntary redundancy programme carried out in late 2021.

> **We have already started to return £400m of the proceeds to shareholders in the form of special dividends, split equally over the interim 2021, final 2021 and interim 2022 dividends.**

The move to smart working (reducing our office space need) and ongoing shift of technology to the cloud and other system upgrades (meaning some older systems required writing down) were the key reasons behind the charge. The total cost of the restructure is around £66 million – £56 million was recognised in 2021 with the balance to flow through in subsequent years. A large majority of the total is not an in-year cash outflow, and the restructure will result in cost savings in 2022 and beyond. The strong Group solvency position at the end of 2021 means we can 'look through' this charge when proposing the final dividend.

The next biggest change in segment results year-on-year was the loss from the International Insurance business following the profit in 2020. Whilst we budgeted a loss for 2021, the actual result was a little worse than plan. A number of things contributed to the outturn, not least quite a big unwind of the lower Covid-related frequency seen in the 2020 loss ratios and highly competitive conditions in most markets which led to reduced average premium per customer. Consistent with our objective to continue to scale, our business continued to grow quite nicely, adding over 200,000 customers and increasing turnover by 6%. We also continued to invest in the technology and capabilities that we believe set the businesses up well for the future.

Other points of note from the results include:

- The Admiral Loans result improved year-on-year, mainly due to a much lower credit loss charge resulting from reduced economic uncertainty. The business progressed very nicely and grew its balances to £607 million from £402 million. We're planning for further strong growth in 2022 and hoping for a further improvement in the bottom line
- Share schemes costs moved higher due to an unusually positive combination of increased share price, higher assumed share plan vesting due to strong financial performance and also higher staff bonuses resulting from higher shareholder dividends. To us this is a good illustration of the alignment between reward for our people and outcomes for shareholders. In the absence of a material increase in the share price during 2022, we don't expect as high a cost in 2022
- And finally other costs (which include the results from the Admiral Pioneer businesses plus central overheads and finance costs) were also higher, mainly driven by Admiral Pioneer, where as well as the results from the existing Veygo business we started to invest in new ventures in SME insurance in the UK and mobility insurance in France

Penguin Portals disposal

Moving away from the results, we completed the sale of Penguin Portal Comparison businesses (confused.com in the UK being the largest member) at the end of April 2021. Cash proceeds were approximately £470 million, whilst the gain recorded in the Group income statement in 2021 was around £400 million.

We have already started to return £400 million of the proceeds to shareholders in the form of special dividends, split equally over the interim 2021, final 2021 and interim 2022 dividends. 46 pence per share of the total final 2021 dividend (of 118 pence per share) is in respect of the Penguin sale and the final 45 pence per share will follow in October 2022.

Very best wishes to our former colleagues and friends in their new home.

Co-insurance and reinsurance

We were pleased in the first half of 2021 to conclude important negotiations with our largest reinsurer, Munich Re, to extend our risk-sharing partnership in the UK car insurance business covering 40% of the total premium. The co-insurance contract which expires at the close of the 2021 underwriting year has been in effect in some form for nearly two decades and we're delighted to be renewing the long-term arrangement.

Munich will underwrite 20% of the business via a new co-insurance contract due to expire at the end of 2029 and a further 10% via a new quota share reinsurance contract expiring at the end of 2026. The existing 10% quota share contract will also remain in effect until at least the end of 2023. The changes should result in higher profit commission income for Admiral from 2022 onwards compared to the expiring arrangements.

Thank you

It's been said by my colleagues already in the report, but it can't be said enough – my most sincere thanks to everyone across Admiral Group for their huge efforts – always, but especially over the past couple of pandemic-impacted years. I'm very much looking forward to getting back to the office and meeting colleagues more regularly, asap!

Geraint Jones
Group Chief Financial Officer
3 March 2022

Chief Financial Officer's statement **continued**

2021 Group Overview

£m	2021	2020	2019
Group Turnover (£bn) *1*2*3	3.51	3.37	3.30
Continuing operations			
Underwriting profit including investment income*2	347.0	333.1	238.0
Profit commission	304.5	134.0	114.9
Net other revenue and expenses *2	129.4	153.4	164.7
Operating profit, excluding restructure cost	780.9	620.5	517.6
Group profit before tax, excluding restructure cost	769.0	608.2	505.1
Group profit before tax, including restructure cost	713.5	608.2	505.1
Statutory Group profit before tax, including discontinued operations and gain on disposal	1,129.2	637.6	522.6
Analysis of profit from continuing operations:			
UK Insurance	894.0	698.3	597.9
International Insurance	(11.6)	8.8	(0.9)
Loans	(5.5)	(13.8)	(8.4)
Other	(107.9)	(85.1)	(83.5)
Group profit before tax, excluding restructure cost	769.0	608.2	505.1
Key metrics:			
Group loss ratio*2*4	58.5%	54.4%	64.9%
Group expense ratio*2*4	26.7%	26.8%	23.7%
Group combined ratio*2*4	85.2%	81.2%	88.6%
Customer numbers (million)	8.36	7.66	6.98
Earnings per share*3 continuing operations excluding restructure cost	212.2p	170.7p	143.7p
Earnings per share, continuing operations including restructure cost	196.7p	170.7p	143.7p
Dividends per share*5	187.0p	156.5p	140.0p
Special dividends from sale of Penguin Portals	92.0p	–	–
Return on Equity*2*3	56%	52%	52%
Solvency Ratio*2	195%	187%	190%

*1 Group Turnover in 2020 includes the impact of the Stay at Home premium refund issued to UK Motor insurance customers, of £97 million. Refer to note 14 to the financial statements for a reconciliation to the net insurance premium impact of £21 million.

*2 Alternative Performance Measures – refer to the end of this report for definition and explanation.

*3 Group Turnover, Earnings per share, Return on equity presented on a continuing operations basis. 2021 Earnings per share and Return on equity exclude the impact of the UK Insurance Restructure cost .

*4 See note 14 for a reconciliation of Turnover and reported loss and expense ratios to the financial statements. Ratios exclude the impact of the UK Insurance Restructure cost.

*5 The 2019 dividend of 140.0 pence per share includes the deferred special element of the 2019 final dividend of 20.7 pence per share that was paid alongside the interim 2020 dividend.

Key highlights of the Group's results for 2021 are as follows:

- All parts of the Group grew in 2021 with turnover up 4% and customer numbers up 9% year-on-year:
  - The UK Motor business reported strong growth in the first half of the year, though was broadly flat in the second half as the market became more competitive and Admiral increased prices, whilst the UK Household and International Insurance businesses both continued to grow customer numbers strongly (at +14% and +13% respectively)
  - Turnover outside the UK increased at a lower rate (+6%) than customer numbers due to the impact of very competitive markets on average premiums in those businesses
- Group profit before tax (continuing operations, before restructure cost) increased significantly to £769 million (+26%):
  - The main driver was a near £190 million increase in the UK Motor Insurance result, mainly due to improved prior year claims releases and profit commission

- The UK Household result (£21 million, +£6 million) benefited from growth in the business and higher profit commission as well as reduced levels of extreme weather in 2021 than 2020
- Outside the UK, the International Insurance business combined result was around £20 million worse than 2020 resulting from a higher combined ratio (mainly due to the unwind of the Covid claims frequency benefits seen in 2020 but also due to expenses-related to growth)
- Admiral Loans reported an improved result (2021: £6 million loss v 2020: £14 million loss) as the charge for expected credit losses reduced materially with the improved economic outlook; the business also grew its gross loans balances significantly (£607 million in 2021 from £402 million in 2020)
- Other Group items increased to £108 million (2020: £85 million) driven by investment in potential new ventures, primarily within Admiral Pioneer, and an increase in share schemes costs related to a higher share price and higher share scheme bonuses linked to the strong dividend

Covid impact

The Covid ('Covid') pandemic continued to impact the 2021 results across the Group. In most markets, whilst road traffic levels started to return towards normal levels, this was slower than expected as lockdown restrictions persisted for longer, particularly in the first half of the year. This resulted in continued lower claims frequency relative to pre-pandemic levels in most markets, although the US saw a more rapid increase in frequency which has now returned to pre-pandemic levels.

In light of an improved economic outlook, Admiral Loans grew more rapidly in 2021 and reported a lower charge for expected credit losses than in 2020. Provisions remain prudent, though reflect the reduced likelihood of a severe economic downturn. No significant increase in the level of defaults has been experienced to date.

Admiral remained committed to supporting its customers, people and local communities throughout the pandemic. Measures in 2021 have included continued assistance for customers needing support, continue to prioritise the safety and wellbeing of our people and numerous community initiatives to support charities in the areas in which the Group operates.

Earnings per share

Earnings per share from continuing operations and excluding the impact of the UK Insurance restructure costs, increased by 24% to 212.2 pence (2020: 170.7 pence), in line with the growth in pre-tax profit. Earnings per share including the impact of the restructure cost is 196.7 pence, up 15% on 2020.

Dividends

The Group's dividend policy is to pay 65% of post-tax profits as a normal dividend and to pay a further special dividend comprising earnings not required to be held in the Group for solvency capital requirements, including appropriate headroom above the regulatory minimum in line with internal risk appetite.

The Board has proposed a final dividend of 72.0 pence per share (approximately £211 million), split as follows:

- 42.2 pence per share normal dividend, based on the dividend policy of distributing 65% of post-tax profits (continuing operations, including the impact of the restructure costs); plus
- A special dividend of 29.8 pence per share

This final dividend (excluding the further special dividend referred to below) reflects a pay-out ratio of 91% for H2 2021, based on earnings per share from continuing operations, excluding the impact of the restructure cost (113% including the impact of the restructure costs). It is 16% below the 2020 final dividend in line with the lower second half earnings.

The total dividend from continuing operations for the 2021 financial year is 187.0 pence per share (approximately £547 million), 19% higher than 2020 (156.5 pence per share), and is equal to 88% of earnings per share for the year (95% of earnings per share net of restructure cost).

The Group also confirmed with its half year results announcement in August 2021 that the net proceeds of £400 million from the disposal of the Penguin Portals Comparison businesses will be returned to shareholders in the form of special dividends phased equally over the interim 2021, final 2021 and interim 2022 dividends. The Board has consequently declared a further special dividend of 46.0 pence per share to reflect the second of these payments.

Including the dividend from the Penguin Portals disposal, this brings the total final 2021 dividend to 118.0 pence per share, split 42.2 pence per share normal element and 75.8 pence per share special element.

The total 2021 full year dividend, including from the Penguin Portals capital returned to date, is 279.0 pence per share, approximately £816.0 million.

The final dividend payment is due on 6 June 2022, ex-dividend date 5 May 2022 and record date 6 May 2022.

Return on equity

The Group's return on equity was 56% in 2021, increasing from 52% in 2020. The Group's share of total post-tax profits from continuing operations grew by 26%, with this growth higher than the 11% growth in the Group's share of average equity. The significant dividend payments in the year (2020 final and 2021 interim dividends) largely offset the strong 2021 profits and led to the lower growth in the Group's share of average equity.

The Group's results are presented in the following sections as:

- **UK Insurance – including UK Motor (Car and Van), Household, Travel**
- **International Insurance – including L'olivier (France), Admiral Seguros (Spain), ConTe (Italy), Elephant (US)**
- **Admiral Loans**
- **Other – including compare.com (US comparison) and Admiral Pioneer**
- **Discontinued operations – Penguin Portals Group and Preminen Price Comparison Holdings Limited Group (disposal of which completed in April 2021)**
- **Group Capital Structure and Financial Position**

UK Insurance review

“Admiral’s unique culture is one of the fundamental cornerstones to our success over the last 29 years, so it’s a topic we talk about a lot internally...and in fact, with anyone else that’s happy to listen too.”

Without doubt, the last couple of years have been quite different to what we’ve been used to. But reflecting on them now, it feels (within Admiral at least) that the important things have stayed exactly the same. And it’s the sameness in our core values and our approach to our people, customers and products that has contributed to yet another strong year, and which positions us well for any challenges of 2022.

Focus on the right things, test-and-learn, make incremental improvements, care about people…all those little things add up and drive the right outcomes, as they always have done.

A consistent theme in Admiral’s history has been the underwriting performance of the UK Car insurance business and knowing how to balance the desire to grow with the discipline and judgement to do so at the right time. The changing face of the pandemic has made it harder than ever to make the right call, where lockdowns and varying restrictions have impacted mobility and claims frequency to make pricing decisions more complex than usual. We took a more cautious approach than most in the second half of the year as the backdrop of increasing inflation and the anticipated rebound in claims frequency made growth a little less attractive, and therefore maintained a stable book size in the final six months of the year.

It’s this sensible approach to underwriting, along with the effectiveness of our claims teams (whether working from home, in the office or in face-to-face meetings with claimants) that has continually led to strong current year results, and the consistent stream of back-year releases. In 2021, the result has of course benefitted from the exceptional tailwind of favourable frequency, particularly in the first half of the year, but at the same time demonstrated the exact same positive underlying themes as previous years.

Another constant, and a cornerstone of Admiral’s values, is to focus on *the customer, the customer, the customer*… It’s very pleasing therefore that we’ve expanded our tiered proposition, that was previously only available for Household insurance.

Supplier of the Year Award

Working closely with our suppliers and partners means that we build long lasting business relationships that ultimately feed into getting the very best in service provisions for our customers.

At Admirals 'Manager Awards 2021' Auxillis, FMG and FMG Repair Services – Redde Northgate group companies, were collectively awarded a top honour. The three businesses received the Admiral Supplier of the Year award having demonstrated their commitment in working together and enhancing the services that Admiral offers to customers, ultimately making our customers lives easier following an incident.

Our business relationship with Auxillis spans over 20-years and supports our ability to provide first-class replacement vehicle solutions and non-fault vehicle repair services. More recently, we've established newer relationships with FMG, which sees us deliver specialist roadside support as part of Admiral's accident breakdown recovery provision, and with FMG Repair Services, which sees us guarantee capability and capacity for all automotive repair solutions.

We recognise the integral work that Auxillis, FMG and FMG Repair Services each deliver in supporting the partnership and we look forward to continuing the seamless ways of working we have adopted to bring our services together.

We now provide four distinct options for motor customers, ranging from an Essentials tier aimed at price-sensitive customers to the Platinum proposition that provides increased customer benefits. Whilst continuing to improve our products and streamlining our sales process is important, what's even more satisfying is that our customer-centric approach throughout the life cycle is valued. A key output of that is a customer satisfaction that places our retention rate significantly above market norms, including for customers that have made a claim in the year.

We continue to enhance our customer proposition, and the increasing investment in new products together with improvements in our IT platforms and pricing capability has resulted in an increase in costs in the year, which is more apparent given the reduction in average premiums since the start of the pandemic. However, we've also taken the opportunity to restructure some of our cost base by exiting some buildings and writing off some of our IT estate.

We expect to continue to invest over the next several years to maintain strong foundations for our future, and to allow us to continue to provide a market-leading service to customers and market-leading results for our investors.

A key part of that future is our UK Household business, which will enter its tenth year in 2022. The business has grown by almost 14%, with UK Household customers reaching 1.3 million by the end of the year. We achieved this whilst delivering an increased profit of £21.3 million (up 38% vs. 2020) which is a great result.

It would be remiss to mention the future without referencing the FCA pricing reforms that came into force on 1 January 2022. There remains a good deal of uncertainty around the market's response to what is one of the biggest pricing changes in recent years, but we're confident that the foundation we've laid, and particularly our pricing excellence and customer focus, leaves us very well placed to meet the challenges and take advantage of the opportunities this brings.

Finally, I'll come back to another topic that we hope will never change. The way we work has altered dramatically since the start of the pandemic and will continue to evolve in 2022 as we continue to embrace smart working. However, Admiral's culture and the engagement of our team is central to our success and very close to our heart. We are therefore delighted to feature in the Best Companies to Work For awards for the 21st year in a row, making the top-5 for the fifth consecutive year. It was also very rewarding to appear 2nd in the list of Best Companies to Work for Women, another indication of Admiral's ongoing commitment to its culture.

Cristina Nestares
CEO UK Insurance
3 March 2021

Read more about our outlook in **Our Q&A** on **page 32**

Read more about **Our Awards** on **page 45**

UK Insurance review **continued**

UK Insurance highlights

Group share of UK Insurance profit before tax*[1]

£840.0m

2020: £698.3m

UK motor insurance profit before tax*[1]

£871.7m

2020: £683.6m

UK household insurance profit before tax

£21.3m

2020: £15.4m

UK Insurance financial performance

£m	2021	2020[2]	2019[2]
Turnover[1]	2,751.7	2,672.0	2,635.0
Total premiums written	2,453.2	2,373.3	2,321.7
Net insurance premium revenue	612.6	539.7	533.2
Underwriting profit including investment income[1]	394.9	346.5	257.4
Profit commission and other income	499.1	351.8	340.5
UK Insurance profit before tax, excluding restructure cost	894.0	698.3	597.9
Restructure cost	(54.0)	–	–
UK Insurance profit before tax, including restructure cost	840.0	698.3	597.9

1 Alternative Performance Measures – refer to note 14 at the end of this report for definition and explanation.
2 Re-presented to statutory profit before tax from Group share of profit before tax.

Split of UK Insurance profit before tax

£m	2021	2020[1]	2019[1]
Motor	871.7	683.6	592.0
Household	21.3	15.4	7.5
Travel	1.0	(0.7)	(1.6)
UK Insurance profit before tax, excluding Strategic Expense Review	894.0	698.3	597.9

1 Re-presented to statutory profit before tax from Group share of profit before tax.

Key performance indicators

	2021	2020	2019
Vehicles insured at year end[1]	4.97m	4.75m	4.37m
Households insured at year end[1]	1.32m	1.16m	1.01m
Travel policies insured at year end[1]	0.15m	0.07m	0.09m
Total UK Insurance customers[1]	6.44m	5.98m	5.47m

1 Alternative Performance Measures – refer to the end of the report for definition and explanation.

Key highlights for the UK insurance business for 2021 include:

- Overall growth in UK Insurance business customer numbers of 7% to 6.4 million. The Motor business grew 5% year-on-year – mainly in the first half of the year – as Admiral moved prices up ahead of the market in the second half in response to increasing claims frequency
- The Household business reported strong growth in customers, reflecting competitive pricing and growth in Admiral's MultiCover offering
- A 27% increase in UK Motor profit to £871.7 million (2020: £683.6 million) driven by positive development of prior period claims resulting in significantly higher reserve releases and profit commission, especially in the first half of the year
- A strong increase in Household profit to £21.3 million (2020: £15.4 million profit) as a result of growth in the business, higher profit commission and more benign weather than in 2020

In addition, a review of the UK Insurance cost base was carried out in the second half of 2021. The outcome was a one-off restructure cost of £66.0 million, of which £55.5 million is reflected in the 2021 accounts (£54 million within UK Insurance and £1.5 million of share scheme expenses) and the remaining amount will flow through in future years. The cost is primarily related to the impairment of technology assets and the cost of exiting a number of buildings in South Wales as a result of the shift to hybrid working, as well as the cost of a voluntary redundancy programme offered to employees in late 2021.

The majority of the cost is not a cash outflow and Admiral expects the impact of future benefits to be reflected in the combined ratio in the long term as a result of this restructure. The UK Insurance financial narrative below is focused on the results excluding the impact of this restructure cost.

The business continued to invest in technology and digital capabilities as part of the Admiral 2.0 strategy to strengthen our core competencies and increase the speed of delivery on customer expectations. Investments included the implementation of a new claims management system and continued digital development and modern technology enhancements such as cloud technology and data analytics, and are expected to have positive combined ratio benefits in the long term.

UK Motor Insurance financial review

£m	2021	2020*5	2019*5
Turnover*1	2,522.5	2,473.8	2,455.3
Total premiums written*1	2,244.3	2,193.0	2,158.5
Net insurance premium revenue	496.5	451.4	452.6
Investment income*2	40.8	50.8	30.4
Net insurance claims	(86.1)	(97.1)	(164.7)
Net insurance expenses	(95.6)	(77.2)	(74.7)
Underwriting profit including investment income*3	355.6	327.9	243.6
Profit commission	290.6	124.7	112.2
Underwriting profit and profit commission	646.2	452.6	355.8
Net other revenue*4	225.5	231.0	236.2
UK Motor Insurance profit before tax	871.7	683.6	592.0
Restructure cost	(49.6)	–	–
UK Motor insurance profit including restructure cost	822.1	683.6	592.0

*1 Alternative Performance Measures – refer to the end of this report for definition and explanation.
*2 Investment income includes £2.7 million of intra-group interest (2020: £2.9 million; 2019: £2.8 million).
*3 Underwriting profit excludes contribution from underwritten ancillaries (included in net other revenue).
*4 Net other revenue includes instalment income and contribution from underwritten ancillaries and is analysed later in the report.
*5 Re-presented to statutory profit before tax from Group share of profit before tax.

UK Insurance review **continued**

Key performance indicators

£m	2021	2020	2019
Reported Motor loss ratio*1,*2	53.0%	49.2%	60.7%
Reported Motor expense ratio*1,*3	19.7%	19.8%	19.1%
Reported Motor combined ratio	72.7%	69.0%	79.8%
Written basis Motor expense ratio	19.9%	18.8%	18.5%
Reported loss ratio before releases	78.8%	72.3%	87.6%
Claims reserve releases – original net share*1,*4	£128.1m	£104.3m	£121.7m
Claims reserve releases – commuted reinsurance*1,*5	£189.2m	£137.3m	£121.7m
Total claims reserve releases	£317.3m	£241.6m	£243.4m
Other Revenue per vehicle	£59	£61	£66
Vehicles insured at year end	4.97m	4.75m	4.37m

*1 Alternative Performance Measures – refer to the end of this report for definition and explanation.

*2 Motor loss ratio adjusted to exclude impact of reserve releases on commuted reinsurance contracts. Reconciliation in note 14b.

*3 Motor expense ratio is calculated by including claims handling expenses that are reported within claims costs in the income statement. The impact of reinsurer caps is excluded. Reconciliation in note 14c.

*4 Original net share shows reserve releases on the proportion of the portfolio that Admiral wrote on a net basis at the start of the underwriting year in question.

*5 Commuted reinsurance shows releases, net of loss on commutation, on the proportion of the account that was originally ceded under quota share reinsurance contracts but has since been commuted and hence reported in underwriting profit rather than profit commission.

UK Motor profit increased by 27% during 2021 to £871.7 million (2020: £683.6 million) with the reported combined ratio increasing to 72.7% (2020: 69.0%).

Market prices remained depressed throughout 2021. Admiral increased rates ahead of the market in the second half of the year to reflect claims frequency returning towards more normal pre-pandemic levels as well as increasing claims inflation. The customer base grew by 5% year-on-year to 4.97 million (2020: 4.75 million) as reduced new business growth was partly offset by strong retention. Turnover growth was more muted at 2% (£2.52 billion v £2.47 billion) as a result of lower average premiums in the Car insurance business in particular.

The results were impacted by a number of factors:

- Net insurance premium revenue increased by 10% to £496.5 million (2020: £451.4 million), with the Stay at Home premium rebate reducing net insurance premium in 2020 by £21.3 million. Excluding this impact, net insurance premium increased by 5% reflecting the growth in both Car and Van books in 2021. The majority of this growth came in the first half of the year.
- Investment income was lower than 2020 at £40.8 million (2020: £50.8 million). The prior period benefitted by £12.9 million from additional investment income on cash held by Admiral relating to the portion of the portfolio reinsured under quota share contracts (income that was initially allocated as due to reinsurers in 2019, but subsequently released and recognised in the 2020 income statement).
- Excluding movements on reinsurer allocations and movements in provisions for asset impairments (£2.6 million charge in the year, reflecting the growing asset base), underlying investment income was broadly consistent with 2020.
- The 2021 reported loss ratio was higher than the 2020 reported loss ratio at 53% (2020: 49%), the result of a higher current financial period loss ratio, partially offset by more favourable prior period releases.

Reported Motor Loss Ratio

	Reported loss ratio before releases	Impact of claims reserve releases – original net share	Reported Loss Ratio
2020	72.3%	-23.1%	49.2%
Change in current period loss ratio	+6.5%	–	+6.5%
Change in claims reserve releases – original net share	–	-2.7%	-2.7%
2021	78.8%	-25.8%	53.0%

- The current accident period loss ratio was just over 6 points worse than 2020 as a result of increased claims frequency as road usage continued to move closer to pre-pandemic levels, with the trend increasing throughout the year
- The higher current period loss ratio was partially offset by higher reserve releases on Admirals' original net share of the business, which improved the reported loss ratio by close to 26 percentage points in 2021, 3 percentage points higher than in 2020. This reflects the strong positive development of claims reserves, in particular during the first half of the year
- The margin held above ultimate outcomes in the financial statement reserves remains both significant and prudent. In relative terms, it is slightly lower than that held at the end of 2020, reflecting the assessment of a modest reduction in the level of uncertainty in the claims reserves than in recent periods
- Reserve releases from commuted reinsurance and profit commission were significantly higher in 2021 than in 2020, with a combined total of £479.8 million (2020: £262.0 million), as follows:

£m	Reserve releases – commuted reinsurance	Profit commission	Total
2020	137.3	124.7	262.0
Change in commuted releases	+51.9	–	+51.9
Change in profit commission	–	+165.9	+165.9
2021	189.2	290.6	479.8

- Releases on reserves originally reinsured but since commuted were higher at £189.2 million (v £137.3 million in 2020), with underwriting years 2017 – 2019 making a more significant contribution than equivalent years at the same stage of development in 2020. This is consistent with the more favourable releases on the original net share and reflects the larger than usual movements in loss ratios on those underwriting years in H1.
- Profit commission was significantly higher at £290.6 million (2020: £124.7 million). This increase is positively impacted by profit commission recognised on the 2020 underwriting year. 2020 is more profitable than previous underwriting years at the same stage of development as a result of the Covid-related claims frequency trends.
- The reported expense ratio was broadly consistent at 19.7% in 2021 (2020: 19.8%) with the written basis ratio showing a modest increase to 19.9% (2020: 18.8%) as a result of lower average premiums and continued investment in technology and other assets as noted above
- Other revenue (including ancillary products underwritten by Admiral) and instalment income decreased to £225.5 million (2020: £231.0 million) primarily resulting from lower contribution from optional ancillaries. Further detail is set out in the Other Revenue and Instalment Income section below.

Claims and reserves

As noted above, the Covid pandemic and resulting lockdowns led to fewer miles driven, resulting in significantly lower Motor claims frequency. The lockdown impact was less severe in 2021 compared to 2020, but remained below pre-Covid levels.

Claims inflation continued, in particular driven by higher accidental damage claims due to a substantial increase in second-hand car residual values which was in turn due to a shortage in the supply of new vehicles. Large bodily injury and small bodily injury claims experience remained benign, with frequency increasing in line with overall road usage trends. As expected the first projection of the 2021 accident period loss ratio is higher than 2020 at the same point as a result of these factors.

The Group continues to reserve conservatively, setting claims reserves in the financial statements well above actuarial best estimates to create a margin held to allow for unforeseen adverse development.

UK Insurance review **continued**

Other Revenue and Instalment Income

UK Motor Insurance Other Revenue – analysis of contribution:

£m	2021	2020*1	2019*1
Contribution from additional products & fees, including those underwritten by Admiral*2	200.8	203.4	217.6
Instalment income	100.2	100.9	83.9
Other revenue	301.0	304.3	301.5
Internal costs*3	(75.5)	(73.3)	(65.3)
Net other revenue	225.5	231.0	236.2
Other revenue per vehicle*4	£59	£61	£66
Other revenue per vehicle net of internal costs	£47	£50	£56

*1 Re-presented to statutory profit before tax from Group share of profit before tax.
*2 Additional products underwritten by Admiral included in underwriting profit in income statement but re-allocated to Other Revenue for purpose of KPIs.
*3 Internal costs reflect an allocation of insurance expenses incurred in generating other revenue.
*4 Other revenue (before internal costs) divided by average active vehicles, rolling 12-month basis.

Admiral generates Other Revenue from a portfolio of insurance products that complement the core car insurance product, and also fees generated over the life of the policy.

The most material contributors to net Other revenue continue to be:

- Profit earned from Motor policy upgrade products underwritten by Admiral, including breakdown, car hire and personal injury covers
- Revenue from other insurance products, not underwritten by Admiral
- Fees such as administration and cancellation fees
- Interest charged to customers paying for cover in instalments

Overall contribution (other revenue net of costs plus instalment income) decreased to £225.5 million (2020: £231.0 million), reflecting lower revenue due to the impact of whiplash reforms on the Motor Legal Protection ancillary.

Other revenue per vehicle was lower at £59 (gross of costs; 2020: £61), as a result of the factors mentioned above. Net Other Revenue (after deducting costs) per vehicle was £47 (2020: £50).

UK Household Insurance financial performance

£m	2021	2020	2019
Turnover*1	218.8	193.8	171.3
Total premiums written*1	198.5	175.9	154.9
Net insurance premium revenue	49.1	43.2	37.2
Underwriting profit*1*2	3.9	2.5	0.7
Profit commission and other income	17.4	12.9	6.8
UK Household insurance profit/(loss) excluding restructure cost	21.3	15.4	7.5
Restructure cost	(4.4)	–	–
UK Household insurance profit/(loss) including restructure cost	16.9	15.4	7.5

*1 Alternative Performance Measures – refer to the end of this report for definition and explanation.
*2 Underwriting profit/(loss) excluding contribution from underwritten ancillaries.

Key performance indicators

	2021	2020	2019
Reported Household loss ratio*1	63.3%	64.8%	69.1%
Reported Household expense ratio*1	30.3%	29.4%	28.9%
Reported Household combined ratio*1	93.6%	94.2%	98.0%
Impact of extreme weather and subsidence*1	2.2%	5.3%	–
Households insured at year end*1	1.32m	1.16m	1.01m

*1 Alternative Performance Measures – refer to the end of this report for definition and explanation.

The number of households insured increased by 14% to 1.32 million (2020: 1.16 million). Turnover increased by 13% to £218.8 million (2020: £193.8 million). The Household business grew strongly in 2021 within a competitive market with premium pressure in the second half of the year ahead of the introduction of the FCA pricing reforms. The continued increase in MultiCover sales supported this growth, particularly as a result of strong retention.

The business continued to improve pricing capabilities in the year, improving loss ratio performance and expanding digital capabilities to support future growth. Over the year, the impact of weather was relatively benign with some weather impact from storm Arwen in the final quarter (2 point impact on the loss ratio vs much higher 5 point loss ratio weather impact in 2020). Claims trends associated with the impact of Covid remained largely unchanged, with favourable experience on escape of water and theft. The business continued to strengthen its claims capabilities, including the upgrade of its claims management system which offers improved digital servicing and advanced data capabilities. The reported loss ratio for the period improved to 63.3% and included 4 percentage points of favourable development on prior accident years.

A combined ratio of 93.6% (2020: 94.2%) resulted in a net underwriting profit of £3.9 million (2020: £2.5 million), which was supplemented by profit commission and other income of £17.4 million (2020: £12.9 million). This led to a 38% increase in profit to £21.3 million (2020: £15.4 million), before the impact of the restructure cost. After the restructure costs of £4.4 million are included, the profit for the year is £16.9 million, a 10% improvement on 2020.

The increase in profit commission and other income in the year is attributable to quota share reinsurance and has increased primarily due to favourable loss ratio performance in the recent underwriting years. Other income is broadly consistent year on year.

UK Insurance Regulatory environment

The UK Insurance business operates predominantly under the regulation of:

- the UK Financial Conduct Authority (FCA) and Prudential Regulatory Authority (PRA) which regulate the Group's UK registered subsidiaries, including EUI Limited (an insurance intermediary) and Admiral Insurance Company Limited (AICL; an insurer); and
- the Financial Services Commission (FSC), which regulates the Group's Gibraltar-based insurance company (Admiral Insurance (Gibraltar) Limited, AIGL), in that territory.

The Group is required to maintain capital at a level prescribed by the lead regulator for Solvency II purposes, the PRA, and has processes in place to ensure it maintains a surplus above that required level at all times.

International insurance review

We are proud of our performance and look forward to an even stronger 2022 as we work towards our strategy of building sustainable, scaled, and profitable businesses in the long term.

Costantino Moretti
CEO, International Insurance

International Insurance

In 2021 our international operations made strong progress in building sustainable, long-term businesses in the context of sophisticated and complex markets. Despite a challenging year with negative average premium development in Europe pressuring margins, competition in the US increasing direct acquisition costs, and rising frequency trends in all markets, we are proud of the response of our businesses which exhibit an adaptability we are confident will propel them to further success.

Turning first to the US, Elephant made strong headway in its channel diversification efforts in response to high cost per sale in direct acquisition. The team's focus on the agency channel, in particular, has paid dividends, and this channel now represents almost 20% of Elephant's new business sales, up from about 12% last year.

This combined with other efforts on new business sales has enabled Elephant's vehicle base to increase year-on-year by 10% while keeping expense ratio flat. Though increasing frequency impacted loss ratios in H2, the Elephant team took action in line with the market to address this impact.

In Europe, our businesses performed well despite difficult market conditions. Each business continued to grow the customer base despite continued headwinds from the pandemic, stagnant aggregator volumes and strong competition. Distribution diversification has paid off in all three of our European businesses: for ConTe and Admiral Seguros brokers accounted for more new business sales than ever, and for L'olivier focus on direct channels has enabled very strong growth, with turnover up 26%.

Across the International Group our businesses made further investments in Admiral 2.0. While ConTe adopted scaled agile in 2020 and saw material benefit in 2021, Admiral Seguros and L'oliver laid the framework for this methodology in 2021 and are poised to implement it across all departments in 2022. Further digitisation of customer touchpoints across all four International Businesses generated record percentages of transactions completed online.

2021 was a successful-but-challenging year in which our International businesses continued to adapt to the unusual circumstances of the Covid pandemic. We are proud of our performance and look forward to an even stronger 2022 as we work towards our strategy of building sustainable, scaled, and profitable businesses in the long term.

> Distribution diversification has paid off in all three of our European businesses: for ConTe and Admiral Seguros brokers accounted for more new business sales than ever, and for L'olivier focus on direct channels has enabled very strong growth, with turnover up 26%.

Pascal Gonzalvez
CEO, L'olivier

France

2021, bis repetita: a very strong performance despite market adversity.

L'olivier grew turnover by 26% in 2021, in the context of a challenging market where price comparison quotes decreased by 7%. We managed to double our customer base in less than 2.5 years, to end the year with over 360,000 customers.

Our growth was coupled with a high quality of service as we maintained an excellent Net Promoter Score and we won an important award for Best Customer Service of the Year in the non-life insurance category.

To achieve this level of growth, L'olivier started to diversify its acquisition channels and products.

One such example is a new partnership with BlaBlaCar, the leading online carpooling marketplace and app in France. In 2021 we launched a co-branded motor insurance product with an innovative telematics offering, for which we are seeing early signs of good growth.

Also, we accelerated our multi-product journey with further investment in our Household insurance book and the launch of electric scooter insurance.

In parallel, we continued to make progress on our mantra to reach our 2023 vision: #3D, Data & Digital to Double.

I strongly believe we are on the right path – with a strong team and clear strategy – to make it happen!

Antonio Bagetta
CEO, ConTe

Italy

Without a doubt 2021 will be remembered as a very tough and challenging year, yet one where the team continued to work together to build the business and serve our customers well.

Despite fierce competition in the market and significant price decreases during the pandemic, ConTe ended 2021 with a profit for the eighth year in a row and with a 10% increase in our active customer base.

These results have been possible thanks to optimising our distribution channel sales and a significant improvement in our customers' digital journey.

Our business size, cost-conscious culture, and tech and digital investments have driven our expense ratio improvement in a market where premiums are shrinking.

We always aim for sustainable growth. That's why we evolved our risk selection towards a stronger tech-data-driven approach, digitising underwriting and antifraud procedures, and whilst continuing to grow in our largest channel, price comparison, we also focused more on broker channel profitability than ever before.

ConTe continued to strengthen its brand in the Italian market with presence on TV and with a partnership with the national football team. These strategic marketing investments resulted in ConTe being one of the most recognised and appreciated brands among direct insurance companies.

Our people always come first. In 2021, we worked hard to improve our work-life balance in a post-Covid world to retain, attract and develop the best talent. The new Smartworking4Future team, following close engagement with staff, launched our new Hybrid Model testing various new initiatives such as Short Friday (shorter work day!). The ConTe team remains highly engaged and motivated, continuing to prioritise our customers and build a stronger business into 2022.

International insurance review **continued**

Sarah Harris
CEO, Admiral Seguros

Spain

Admiral Seguros grew active policies in 2021 by 13% against the backdrop of a challenging market, and at the same time our people remained highly engaged and we were ranked #1 Best Workplace by the Great Place to Work Institute. This is a testament to the strong culture of teamwork across Admiral Seguros, especially evident during the uncertainties of Covid. In addition, we increased our digital capabilities, allowing an acceleration towards a truly omnichannel offering for our customers.

From a market perspective, car insurance shopping continued to be significantly below 2019 levels, particularly affecting the aggregator market.

Claims driving frequency remained depressed in the first half of the year, picking up over the summer months closer to pre-Covid levels. Not so for prices, where aggressive repositioning by several players led to a soft market throughout 2021. In this context we maintained a disciplined approach to pricing. Policy growth was mostly driven by good renewal performance, together with continued expansion into the broker channel, where we continue to see opportunity. We made good progress against our digital objectives, seeing more than a 40% uplift in customer logins to our digital portal. The number of claims registered online doubled over the course of the year. We increased our investment in digital capabilities and started a transformation to agile working across the organisation, which we expect to bear fruit during 2022. Loss ratio remained under control across all channels, with positive development on back years.

And what of the future? In 2022 we will continue to adapt the way we work together, fully implementing a hybrid working model. We have ambitious plans to continue improving in digital and data capabilities, and to offer an even better service to our customers.

Alberto Schiavon
CEO, Elephant

US

2021 was a mixed year for Elephant – on the one hand, we returned to growth, entered new states (Ohio, Georgia), and improved our loss ratio compared to the market; yet at the same time we reported a higher loss as claims costs increased across the market. Our continued effort in improving Elephant's ease of doing business, superior technology stack, advanced risk selection, and competitive prices is showing some promising results, yet the market remains quite volatile and still challenging.

By year end, vehicles in force had grown by 10%, with stronger sales particularly in our agency distribution channel. Elephant is continuing to learn how to deploy our competitive advantages in this new channel, while we benefit from the endorsement of bigger, more familiar brands that attract customers we haven't traditionally seen.

From a loss experience perspective, the beginning of the year continued to see frequency-related benefits from 2020. By H2, however, Elephant and industry peers saw these benefits disappear as driving levels returned to normal. The intensity and speed of this 'return-to-normality' was quite sudden, resulting in higher overall losses this year. In response, we increased rates in line with other carriers, in addition to a stronger internal focus on data analytics and technology, risk selection and anti-fraud. While Elephant closed the historical loss ratio gap with the rest of the market, we remain prudent on the 2022 outlook, especially in anticipation of inflationary trends.

I am incredibly proud and grateful to all our Elephant 'Herd' members for their hard work and dedication in 2021 and look forward to the many exciting projects planned for 2022.

International insurance review

International Insurance financial performance

£m	2021	2020	2019
Turnover*1	690.3	648.8	623.6
Total premiums written*1	623.8	584.0	562.6
Net insurance premium revenue	221.0	204.2	168.6
Investment income	0.5	–	1.5
Net insurance claims	(170.8)	(139.3)	(137.2)
Net insurance expenses	(91.7)	(78.8)	(53.0)
Underwriting result including investment income*1	(41.0)	(13.9)	(20.1)
Net other revenue	29.4	22.7	19.2
International Insurance result	(11.6)	8.8	(0.9)

Key performance indicators

£m	2021	2020	2019
Reported Loss ratio*2	73.7%	64.3%	76.8%
Expense ratio*2	44.8%	43.9%	37.6%
Combined ratio*3	118.5%	108.2%	114.4%
Combined ratio, net of Other Revenue*4	106.3%	97.9%	103.7%
Vehicles insured at period end	1.81m	1.60m	1.42m

*1 Alternative Performance Measures – refer to the end of this report for definition and explanation.
*2 Loss ratios and expense ratios have been adjusted to remove the impact of reinsurer caps so the underlying performance of the business is transparent.
*3 Combined ratio is calculated on Admiral's net share of premiums and excludes other revenue. It excludes the impact of reinsurer caps. Including the impact of reinsurer caps the reported combined ratio would be 2021: 119%; 2020: 107%; 2019: 113%.
*4 Combined ratio, net of other revenue is calculated on Admiral's net share of premiums and includes Other Revenue. Including the impact of reinsurer caps the reported combined ratio, net of other revenue would be 2021: 107%; 2020: 96%; 2019: 102%.

International Motor Insurance – Geographical analysis

2021	Spain	Italy	France	US	Total
Vehicles insured at period end (m)	0.37	0.85	0.36	0.23	1.81
Turnover*1 (£m)	88.5	212.7	175.7	213.4	690.3

2020	Spain	Italy	France	US	Total
Vehicles insured at period end (m)	0.33	0.77	0.29	0.21	1.60
Turnover*1 (£m)	83.9	213.0	139.3	212.6	648.8

*1 Alternative Performance Measures – refer to the end of this report for definition and explanation.

Split of International Insurance result

£m	2021	2020	2019
European Motor	4.8	15.3	9.0
US Motor	(13.0)	(4.8)	(9.6)
Other	(3.4)	(1.7)	(0.3)
International Insurance result	(11.6)	8.8	(0.9)

International insurance review **continued**

Admiral has several insurance businesses outside the UK: Spain (Admiral Seguros), Italy (ConTe), US (Elephant Auto) and France (L'olivier).

The key features of the International Insurance results are:

- Positive growth trajectory continued in 2021 within competitive markets, with customer numbers increasing by 13% to 1.81 million (2020: 1.60 million) and combined turnover rising by 6% to £690.3 million (2020: £648.8 million)
- An aggregate loss of £11.6 million (2020: £8.8 million profit), consisting of profit in the European Motor insurance businesses at £4.8 million (2020: £15.3 million) and a deterioration in Elephant Auto's result (increased loss from £4.8 million to £13.0 million year-on-year)
- A higher combined ratio (net of other revenue) of 106% (2020: 98%), primarily the result of a higher reported loss ratio across the European and US motor businesses, with the Covid-related frequency benefits experienced in 2020 almost fully unwinding by the end of 2021
- An increased investment of £3.4 million for new product development primarily related to the new French home insurance business
- Increase in the combined expense ratio to 44.8% (2020: 43.9%). In addition to investments in strengthening business fundamentals to further build scale towards long-term sustainable businesses, the operations invested in some short-term growth opportunities. Continued premium pressure in both the Spanish and Italian markets also impacted the ratio.

European Motor Insurance

The European insurance operations in Spain, Italy and France insured 1.58 million vehicles at 31 December 2021 – 14% higher than a year earlier (31 December 2020: 1.39 million), whilst turnover was up 9% at £476.9 million (2020: £436.2 million). The aggregate motor insurance profit of £4.8 million was a result of continued profitability in Italy, which was offset by losses in France and Spain.

The European combined ratio net of other revenue (excluding the impact of reinsurer caps) increased to 99% from 89%, primarily the result of loss ratio trends noted above. During the year, all businesses maintained a focus on improving core fundamentals, whilst cautiously expanding into new distribution channels to enhance future growth prospects and exploring new diversification opportunities.

Admiral Seguros (Spain) grew customers by 13% to 368,900 (31 December 2020: 327,500). The growth was supported by good progress in the broker distribution channel and was achieved despite strong market competition and pressure on premiums.

ConTe (Italy) faced similar challenging markets conditions seen in Spain with some competitors aggressively discounting premium rates. Despite market conditions, ConTe still performed strongly, increasing vehicles insured by 10% to 853,300 (31 December 2020: 776,300).

L'olivier assurance (France) experienced near record growth in 2021. The customer base increased by 25% to 362,600 at year end (31 December 2020: 291,000). Investments to strengthen L'olivier's market presence drove strong direct channel growth.

US Motor Insurance

In the US, Admiral underwrites motor insurance in eight states (Virginia, Maryland, Illinois, Texas, Indiana, Tennessee, Ohio, Georgia) through its Elephant Auto business. Elephant insured 228,700 vehicles at the end of 2021, 10% higher than 2020, and also saw higher turnover of £213.4 million (2020: £212.6 million).

Elephant reported a higher loss for the period of £13.0 million (2020 loss of £4.8 million), impacted by challenging market conditions as the US saw a more rapid return to pre-Covid claims frequency levels than the European markets together with increasing claims inflation, particularly in the second half of the year. The market responded by increasing premiums, and Elephant responded similarly with base rate increases. Competition in the market remained strong, with large players increasing investment in advertising which led to higher acquisition costs. The business continued to focus on improving fundamentals such as risk selection and the digital customer offering, whilst improving persistency and more efficient acquisition.

International Car Insurance Regulatory environment

Admiral's European insurance operations are primarily regulated by the Spanish insurance regulator, the Direccion General de Seguros (DGS).

The Group's US insurer, Elephant Insurance Company, is regulated by the Virginia State Corporation Commission's Bureau of Insurance.

Both insurers are required to maintain capital at levels prescribed by the regulator and hold a surplus above these requirements at all times.

Admiral Loans review

2021 has been a fantastic year for Admiral Loans. Strong growth, customer payments performing better than expected and exciting improvements in our capabilities.

Scott Cargill
CEO, Admiral Financial Services Limited

2021 has been a fantastic year for Admiral Loans – strong growth, customer payments performing better than expected and exciting improvements in our capabilities.

Admiral Loans is now a relevant participant in what is a large market in the UK and we've issued over 175,000 loans to date. Our loans book now stands at over £600 million, 50% growth year on year whilst retaining a focus on prime lending, proof that UK customers are ready for a guaranteed rate proposition, and they value the certainty and transparency it offers.

Progress in 2021 was particularly pleasing. The adoption of open banking drove up new business conversion. Distribution expansion allowed us to access more customers. Enhancing our self-service functionality allowed 75% of transactions to be processed digitally, enabling future expense efficiency. A new cloud-based data platform allows us to remain focused on analytics.

We also made pleasing progress on integrating more closely with the UK insurance business to offer loans to these customers. In addition, we were winners of the Moneyfacts Consumer Awards in both categories of best personal loans provider and best car finance provider.

Looking to 2022, we enter with strong momentum. Monthly revenue increased 50% through 2021 and we enter 2022 at an all-time record level. We expect to benefit from our strong position in a growing market as we see a continued shift to comparison and credit score marketplaces. I expect to see continued growth in our loan balances towards the £800–950 million range during 2022 assuming current economic conditions. Combined with a tightly controlled cost base, we should see improved economics in the coming years. I am optimistic for 2022 and am confident in the team's ability to execute on our business plan. Admiral built successful businesses by doing the common things uncommonly well and Admiral Loans enters 2022 in good shape to achieve the same in UK lending.

I'd like to finish by thanking our customers and all of my colleagues and wish everyone the best for 2022.

Loans Financial Review

£m	2021	2020	2019
Total interest income	36.6	36.8	30.8
Interest expense*1	(8.8)	(10.1)	(9.1)
Net interest income	27.8	26.7	21.7
Other fee income	1.1	2.1	1.9
Total income	28.9	28.8	23.6
Movement in expected credit loss provision and write-off of Loans	(10.7)	(25.8)	(14.3)
Expenses	(23.7)	(16.8)	(17.7)
Admiral Loans result	(5.5)	(13.8)	(8.4)

*1 Includes £2.7 million intra-group interest expense (2020: £2.9 million; 2019: £2.8 million).

Admiral Loans review **continued**

Gross loans balances

£607.0m

2020: £401.8m

Net loans balances

£556.8m

2020: £359.8m

Admiral Loans offers a range of unsecured personal loans and car finance products through comparison channels and also direct to consumers via the Admiral website.

Gross loan balances totalled £607.0 million (2020: £401.8 million), with a £50.2 million (2020: £42.0 million) provision, leading to a net loans balance of £556.8 million (2020: £359.8 million). Admiral Loans updated its expected credit loss models with the latest economic assumptions and management overlays to reflect the expectations of performance. This update reflects an improved economic outlook compared to the prior year, but still retaining caution with uncertainty remaining in the economy. This update led to an £8.2 million net additional impairment provision (2020: £18.0 million), with provision to loan balance coverage ratio falling to 8.2% (2020: 10.4%). The total expected credit loss charge including write-offs was £10.7 million (2020: £25.8 million). For further information, refer to note 7 in the financial statements.

Admiral Loans recorded a pre-tax loss of £5.5 million in 2021 (improved from £13.8 million in 2020). The improved loss predominantly reflects the reduction in credit loss charge recognised in the period as noted above.

Expenses have increased to £23.7 million (2020 £16.8 million) as investment was made ahead of scale, coupled with higher loan acquisition costs expensed as incurred on increased new loan origination.

Admiral Loans is currently funded through a combination of internal and external funding. The external funding is secured against certain loans via transfer of the rights to the cash-flows to two special purpose entities (SPEs), the second of which was incorporated in October 2021. The securitisation and subsequent issue of notes via SPEs does not result in a significant transfer of risk from the Group.

Other Group Items

Other Group items financial review

£m	2021	2020	2019
Share scheme charges, excluding restructure costs	(63.3)	(50.9)	(49.0)
Other central overheads	(19.8)	(22.9)	(20.0)
Finance charges	(11.4)	(12.1)	(11.3)
Admiral Pioneer	(10.2)	(0.8)	–
Other business development costs	*(3.7)*	*(1.0)*	*(2.1)*
Compare.com loss before tax	*(3.5)*	*(2.3)*	*(7.2)*
Other interest and investment return	4.0	4.9	6.1
Other Group items	(107.9)	(85.1)	(83.5)

Share scheme charges relate to the Group's two employee share schemes (refer to note 9 to the financial statements). Charges increased by £12.4 million (excluding discontinued operations) in 2021, to £63.3 million. The increase in the charge is driven by a combination of the expected increase of the proportion of shares that will eventually vest following strong Group results, as well as a higher share price and higher bonuses linked to the Group's dividend.

Finance charges of £11.4 million (2020: £12.1 million) primarily represent interest on the £200 million subordinated notes issued in July 2014.

Other central overheads totalled £19.8 million and include the cost of a number of major Group projects, such as preparation for the significant new insurance accounting standard, IFRS 17 and the development of the internal model. Excluding the £6 million cost of the Covid relief fund in the prior year, the overheads are approximately £3 million higher as a result of these regulatory projects and other matters that are unlikely to be repeating.

As part of the investment in product diversification, Admiral launched the Admiral Pioneer business in 2020 to focus on new product diversification opportunities. This currently operates the Veygo short-term car insurance business, as well as investment in new products such as tool insurance in the UK and small fleet insurance in France. The business made a loss of £10.2 million in 2021.

Compare.com reported a higher loss of £3.5 million as a result of increased investment in marketing and acquisition in a challenging market environment in the US.

Other interest and investment income decreased to £4.0 million in 2021 (2020: £4.9 million).

Discontinued Operations (Comparison)

£m	2021	2020	2019
Profit before tax in period	11.3	29.4	21.8
Gain on disposal	404.4	–	–
Total profit before tax from discontinued operations	415.7	29.4	21.8

On the 30 April 2021, the Group announced that, following regulatory and competition authority approvals, RVU had completed the purchase of the Penguin Portals Group and Admiral's 50% share of Preminen. MAPFRE also sold its 25% holding in Rastreator and 50% holding in Preminen to RVU. The total transaction value was settled in cash on completion.

The cash proceeds from the disposal amount to £471.8 million; with the gain on disposal being £404.4 million.

The Group has confirmed plans for the use of the net proceeds from the disposal and will return £400 million to shareholders in the form of special dividends phased equally over the interim 2021, final 2021 and interim 2022 dividends.

Group Capital Structure and Financial Position

The Group will return

£400m

to shareholders in the form of special dividends phased equally over the interim 2021, final 2021 and interim 2022 dividends

The Group's 2021 solvency ratio

195%

The Group continues to manage its capital to ensure that all entities are able to continue as going concerns and that regulated entities comfortably meet regulatory capital requirements. Surplus capital within subsidiaries is paid up to the Group holding company in the form of dividends.

The Group's regulatory capital is based on the Solvency II Standard Formula, with a capital add-on to reflect recognised limitations in the Standard Formula with respect to Admiral's business (predominantly in respect of profit commission arrangements in co- and reinsurance agreements and risks arising from claims including Periodic Payment Order (PPO) claims).

The Group continues to develop its partial internal model to form the basis of future capital requirements. The expected timescale for formal application has been extended beyond 2021 as a result of a decision by the Admiral Group Board to review certain aspects of the model. In the interim period before submission, the current capital add-on basis will continue to be used to calculate the regulatory capital requirement.

The estimated and unaudited regulatory Solvency II position for the Group at the date of this report is as follows:

Group capital position (estimated and unaudited)

Group	2021 £bn	2020 £bn
Eligible Own Funds (post dividend)*1	1.36	1.47
Solvency II capital requirement*2	0.70	0.79
Surplus over regulatory capital requirement	0.66	0.68
Solvency ratio (post dividend)*3	195%	187%

*1 2021 Own Funds includes a deduction for the third tranche of Penguin Portals dividend which is expected to be paid alongside the 2022 interim dividend in October 2022.

*2 Solvency capital requirement includes updated capital add-on which is subject to regulatory approval.

*3 Solvency ratio calculated on a volatility adjusted basis.

The Group's 2021 solvency ratio is strong at 195%. The solvency ratio has increased by eight percentage points from the end of 2020, with surplus capital remaining at a consistent level. Both Own Funds and the Solvency Capital Requirement have returned to a more typical level after increasing at the end of 2020 as a result of the strong underwriting profitability of the Covid-impacted periods.

The Solvency Capital Requirement includes an updated capital add-on which remains subject to regulatory approval. The solvency ratio based on the previously approved capital add-on, that is calculated at the balance sheet date rather than the date of this report, and will be submitted to the regulator within the Q4 Quantitative Reporting Template (QRT) is as follows:

Regulatory solvency ratio (estimated and unaudited)	2021	2020
Solvency ratio as reported above	195%	187%
Change in valuation date	(5%)	(5%)
Other (including impact of updated, unapproved capital add-on)	(9%)	24%
Solvency ratio (QRT basis)	181%	206%

The Group's capital includes £200 million ten-year dated subordinated bonds. The rate of interest is fixed at 5.5% and the bonds mature in July 2024. The bonds qualify as tier two capital under the Solvency II regulatory regime.

Solvency ratio sensitivities (estimated and unaudited)

Estimated sensitivities to the current Group solvency ratio are presented in the table below. These sensitivities cover the two most material risk types, insurance risk and market risk, and within these risks cover the most significant elements of the risk profile. Aside from the catastrophe events, estimated sensitivities have not been calibrated to individual return periods.

	2021	2020
UK Motor – incurred loss ratio +5%	-9%	-10%
UK Motor – 1 in 200 catastrophe event	-1%	-1%
UK Household – 1 in 200 catastrophe event	-3%	-2%
Interest rate – yield curve down 50 bps	-3%	-4%
Credit spreads widen 100 bps	-9%	-6%
Currency – 25% movement in euro and US dollar	-3%	-3%
ASHE – long-term inflation assumption up 0.5%	-5%	-3%
Loans – severe peak unemployment scenario	-1%	-1%

Taxation

The tax charge from continuing operations reported in the consolidated income statement is £130.2 million (2020: £106.2 million), equating to 18.2% of pre-tax profit (2020: 17.5%). The increase in the effective tax charge is the result of lower non-taxable investment income recognised in the year, and a higher level of unrecognised deferred tax.

Investments and cash

Investment strategy

Admiral Group's investment strategy remains the same – the focus is on capital preservation and low volatility of returns. Admiral has an asset liability matching strategy to control interest rate, inflation and currency risk, holds a prudent level of liquidity and has a high-quality credit profile. All objectives continue to be met. The Group's Investment Committee performs regular reviews of the strategy to ensure it remains appropriate.

In 2021, the strategy has continued to focus on delivering efficient and low volatility returns by widening the opportunity set of investments without material change in market risk capital allocated to investments. Additional inflation protection was bought towards the start of the year. It holds a range of government bonds, corporate bonds, alternative and private credit assets, alongside liquid holdings in cash and money markets.

Admiral has a responsible investment strategy to reduce Environmental, Social and Governance (ESG) related risks, whilst achieving sustainable long-term returns. Importantly, ESG criteria are considered within investment decision making and ensures all our asset managers are signatories of the UN Principles for Responsible Investment and have strong and credible practices. The average ESG score in the portfolio is 'A' from MSCI.

Admiral is a member of the Institutional Investors Group for Climate Change and has used the Net Zero Investment Framework to implement a Net Zero strategy. The weighted average carbon intensity of the corporate bonds is below benchmark and there's a target in place to reduce this by 50% by 2030. Admiral also ensures the asset managers have suitable engagement practices and are engaging with climate laggards.

Group Capital Structure and Financial Position **continued**

Cash and investments analysis

£m	2021	2020	2019
Fixed income and debt securities	2,594.3	2,101.3	1,957.8
Money market funds and other fair value instruments	1,063.0	1,339.3	1,160.2
Cash deposits	85.3	65.4	116.5
Cash	372.7	351.7	281.7
Total[*1]	4,115.3	3,857.7	3,516.2

*1 Total Cash and Investments include £147.2 million (2020: £74.8 million; 2019: £58.9 million) of Level 3 investments. Refer to note 6f in the financial statements for further information.

Investment and interest income in 2021 (net of impairment charges) was £42.6 million, a decrease of £10.3 million on 2020 (£52.9 million). 2020 investment and interest income was impacted by adjustments related to investment income on cash held by Admiral relating to the portion of the motor insurance business reinsured under quota share contracts. £12.9 million of income earned in 2019 was recognised in the 2020 income statement as the projection of the result of the 2019 underwriting year improved to a profitable level.

The underlying rate of return for the year (excluding changes in investment income allocated to reinsurers) on the Group's cash and investments was 1.1% (2020: 1.3%).

The Group continues to generate significant amounts of cash and its capital-efficient business model enables the distribution of the majority of post-tax profits as dividends.

Cash flow

£m	2021	2020	2019
Operating cash flow, before movements in investments	637.8	959.8	518.1
Transfers to financial investments	(266.5)	(176.0)	(188.7)
Operating cash flow	371.3	783.8	329.4
Tax payments	(126.7)	(175.0)	(92.8)
Investing cash flows (capital expenditure)	(69.2)	(43.1)	(33.6)
Financing cash flows	(750.7)	(454.3)	(392.4)
Loans funding through special purpose entity	185.9	(46.2)	85.9
Net contributions from non-controlling interests	–	2.4	1.6
Foreign currency translation impact	(5.3)	2.4	6.8
Net proceeds from sale of Comparison entities	457.0	–	–
Cash included in the disposal of Comparison entities	(41.3)	–	–
Net cash movement	21.0	70.0	(95.1)
Movement in unrealised gains on investments	(47.3)	40.7	34.6
Movement in accrued interest	17.4	54.8	41.5
Net increase in cash and financial investments	257.6	341.5	169.7

The main items contributing to the operating cash inflow are as follows:

£m	2021	2020	2019
Profit after tax	996.7	527.8	428.4
Change in net insurance liabilities	40.8	94.8	50.4
Net change in trade receivables and liabilities	(65.3)	65.3	27.4
Change in loans and advances to customers	(205.2)	77.3	(168.7)
Non-cash income statement items	(261.7)	84.8	86.4
Taxation expense	132.5	109.8	94.2
Operating cash flow, before movements in investments	637.8	959.8	518.1

The net increase in cash and investments in the year is lower at £257.6 million (2020: £341.5 million). The main drivers include an increase in the funding requirements for the Admiral Loans business and financing cash flows which include the increased dividend.

Co-insurance and reinsurance

Admiral makes significant use of proportional risk-sharing agreements, where insurers outside the Group underwrite a majority of the risk generated, either through co-insurance or quota share reinsurance contracts. These arrangements include profit commission terms which allow Admiral to retain a significant portion of the profit generated.

Although the primary focus and disclosure is in relation to the UK Motor insurance book, similar longer-term arrangements are in place in the Group's international insurance operations and the UK Household and Van businesses.

UK Motor Insurance

Munich Re and its subsidiary entity, Great Lakes, currently underwrites 40% of the UK Motor business. In 2021, 30% of this total is on a co-insurance basis, with the remaining 10% being under a quota share reinsurance agreement. Admiral has agreed terms for the extension of its contractual arrangements with Munich Re and its subsidiary Great Lakes from 2022. The current 10% quota share contract remains in place until at least 2023. For the remaining 30% share, 20% of this total will be on a co-insurance basis (via Great Lakes) and will extend to 2029. The remaining 10% will be on a quota share reinsurance basis and these arrangements extend to 2026. These changes should result in higher profit commission income for Admiral from 2022 onwards compared to the expiring arrangements.

The Group also has other quota share reinsurance arrangements confirmed to the end of at least 2023, covering 38% of the business written.

The nature of the co-insurance proportion underwritten by Munich Re (via Great Lakes) in the UK is such that 30% of all Motor premium and claims for the 2021 year accrue directly to Great Lakes and are not reflected in the Group's financial statements. Similarly, Great Lakes reimburses the Group for its proportional share of expenses incurred in acquiring and administering this business. Based on the above-mentioned change in contractual agreements, this will change to 20% from 2022.

The quota share reinsurance arrangements result in all Motor premiums and claims that are ceded to reinsurers being included in the Group's financial statements.

Admiral tends to commute its UK Car Insurance quota share reinsurance contracts 24 – 36 months after inception of an underwriting year, assuming there is sufficient confidence in the profitability of the business covered by the reinsurance contract.

After an underwriting year is commuted, movements in financial statement loss ratios result in reserve releases (or strengthening if the loss ratios were to increase) rather than reduced or increased profit commission.

During the first half of 2021, the majority of the 2019 quota share contracts were commuted. At 31 December 2021, quota share reinsurance contracts remained in place for a small portion of 2017, 2018 and 2019, and the full 2020 underwriting year. No further contracts were commuted in the second half of 2021 (as is usual).

Refer to note 5d(v) of the financial statements for further analysis of reserve releases on business originally reinsured but subsequently commuted.

UK Household Insurance

The Group's Household business is supported by long-term proportional reinsurance arrangements covering 70% of the risk. The initial contract terms for these arrangements are coming to an end and analysis is ongoing in relation to future quota share arrangements. In addition, the Group has non-proportional reinsurance to cover the risk of catastrophes stemming from weather events.

International Car Insurance

In 2021 Admiral retained 35% (Italy), 32.5% (France) and 30% (Spain) of the underwriting risk respectively (2020: 35%, 30% and 30% respectively). In the USA, 45% (2020: 50%) of the risk was retained within the Group.

Excess of loss reinsurance

The Group also purchases excess of loss reinsurance to provide protection against large claims and reviews this cover annually. The excess of loss cover remained similar to prior years with a marginal increase in rates in the context of a hardening market.

Profit commission

Admiral is potentially able to earn material amounts of profit commission revenue from co- and reinsurance partners, depending on the profitability of the insurance business underwritten by the partner. Revenue is recognised in the income statement in line with the financial statement loss ratios on Admiral's retained underwriting.

Note 5c to the financial statements analyses profit commission income by business, type of contract and by underwriting year.

Non-financial information statement

The non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006 are addressed within this section by means of cross reference, to indicate where they are located within the strategic narrative and to avoid duplication.

KPIs See page 61	We are aware that our customers, shareholders and employees care about our goals and objectives. We take pride in sharing both financial and non-financial KPIs, all of which help us to build a strong business for the future.
Financial stability See page 82	Admiral focuses on building sustainable, profitable businesses for the long term. The business follows a prudent reserving philosophy. Admiral also has a strong capital position, supported by substantial co-insurance and re-insurance agreements.
Responsible Investments See page 57	In order to manage Environmental, Social and Governance (ESG) risks across Admiral's proprietary investments – which stem primarily from the premiums collected across our insurance operations – a responsible investment policy was established in 2019.
Culture & Values See page 12	Prioritising our people is part of Admiral's DNA. It's the foundation of our Company belief that happy employees = happy customers = happy shareholders. We're determined to always remain a great place to work.
Strategy See page 35	Our strategy remains highly focused on building customer-focused sustainable businesses for the long term. We strive to keep doing what we're doing and do it better year after year for continuous improvement.
Business Model See page 04	We build on our core competencies to create value for our stakeholders, focusing on profitable growth, strong risk selection capabilities, a controlled test-and-learn approach, the strength of our culture and the depth of our business relationships.
Sustainability See page 46	We integrate environmental considerations across our operations. By taking actions to mitigate our impact on the environment, we develop sustainable solutions for the long term.
Community Engagement See page 57	Our community objectives are focused on supporting the local communities in which we are based and supporting the charities and organisations directly connected with our employees. These objectives are achieved through long-term community initiatives such as the Community Chest and the Ministry of Giving.
Risk See page 116	Our Risk Committee supports the Board in its oversight of risk across the Group including reviewing the Group risk strategy and risk appetite. Admiral's principal risks and uncertainties are outlined within the strategic section.
Governance See page 140	We are aware that our customers, shareholders and employees care about our goals and objectives. We take pride in sharing both financial and non-financial KPIs, all of which are indicators as to progress against strategic goals.
Task Force on Climate-related Financial Disclosures See page 107	Admiral recognises and acknowledges the risks and opportunities presented by rising temperatures, climate-related policy, and emerging technologies in our changing world. We report against the Task Force on Climate-related Financial Disclosures (TCFD) to improve and increase reporting of climate-related financial information.
Streamlined Energy and Carbon Reporting See page 114	We report energy and carbon emissions in their annual report in line with SECR to make carbon reporting more transparent and to aid the goal of achieving a carbon net-zero target.
Employees Diversity and Inclusion See page 54 for information on our Diversity and Inclusion Forums	Our Equality, Diversity and Dignity at Work Policy outlines that Admiral is committed to ensuring that any type of discrimination is not accepted. This policy outlines the standards of behaviour that are expected from all members of employees, to ensure that everyone at Admiral is treated with dignity and respect. This policy explains that all managers should be alert to potential discrimination and harassment and actively prevent them from occurring, communicate this policy to all employees, and be responsive and supportive to anyone who makes a complaint.

More information on the following policies can be found in our Sustainability Report, located here on our website at www.admiralgroup.co.uk for further information

General Standards of Conduct	Our General Standards of Conduct outline the conduct standards that all colleagues must adhere to regardless of their role.
Health and Safety	Our Health and Safety Policy outlines our commitment to ensuring the health and safety of employees and anyone affected by our business activities, and our commitment to providing a safe environment for those attending our premises.
Procurement and Outsourcing	Our Group Procurement and Outsourcing Policy confirms that all employees who engage in procurement activity are expected to enhance and protect the standing of the business, maintain the highest standard of integrity in all business relationships, promote the eradication of unethical business practices, and ensure full compliance with laws and regulations.
Anti-Bribery	Our Anti-Bribery Policy strictly prohibits the solicitation or acceptance of any bribe, to or from any person or company, by an individual employee, Board member, agent or other person or body on Admiral's behalf, in order to gain any commercial, contractual, or regulatory advantage for Admiral in an unethical way or to gain any personal advantage for the individual or anyone connected with the individual.
Gifts and Gratuities	Our Gifts and Gratuities Policy recognises that sometimes customers, suppliers or business associates offer gifts or gratuities to employees and confirms that all such gifts must be made and received openly and fairly.
Whistleblowing	Our Whistleblowing Policy encourages and enables employees to raise any concerns they have about serious malpractice or wrongdoing. The policy is designed to ensure that an employee can raise their concerns without fear of victimisation, subsequent discrimination, disadvantage, or dismissal. This policy details internal and external reporting lines for any employee concerns.
Financial Crime	Our Financial Crime Policy ensures that robust systems and controls are in place to detect, prevent and deter financial crime across the Group and ensures we remain compliant with applicable laws and regulations in our operational jurisdictions. All areas of financial crime are captured by this policy, including money laundering, market abuse & insider trading, sanctions regime, modern slavery, tax evasion and Bribery & Corruption.

The below policies can be located here on our website at www.admiralgroup.co.uk:

Modern Slavery	Our Anti-Slavery, Exploitation and Human Trafficking Policy confirms Admiral's zero tolerance approach to modern slavery, outlines our ongoing commitment to eliminating unethical working practices, and provides guidance to employees on reporting any problems identified at work or in the community. We release an annual Modern Slavery Statement in line with the Modern Slavery Act 2015.
Tax	Our Tax Strategy Policy documents our approach to taxation. The policy confirms that the Group's primary objective is to be compliant with all tax legislation requirements in all the territories in which we operate.

Section 172: Stakeholder engagement

Our customers

Why they matter to us strategically and how they influence the operation of the business

'Help more people to look after their future'

Customers are at the heart of our business, and everything that we do. As a customer-centric organisation, we seek to create products that provide more people with the opportunity to access good financial services products. The needs of our customers drive the type of products we deliver and the way we in which we do so.

What matters to them and encourages them to maintain a relationship with Admiral

Taking into account a number of influences, including Admiral's materiality matrix, key areas identified by our stakeholders important for customers include

- Great service and business resilience which continue to be our focus in 2022.
- Fair, affordable pricing and product quality which we will continue to actively manage in 2022.

See our materiality matrix on **page 49**

How we engage to confirm what matters to our customers

There are opportunities for us to communicate and engage with our customers, and vice versa, throughout the different points in the customer life cycle. Some of these mechanisms include:

- Discussions with our customer service teams, new business and renewals teams, our claims teams and our complaints teams
- Customer feedback – comment forms, surveys, SMS
- Customer focus groups
- Perception studies
- Online customer portals
- Social media

Enabling and improving the engagement mechanisms throughout our customer journeys, particularly in the digital customer journey, will help us to understand what matters most to them.

Board oversight, training and escalation

The Board continues to receive updates from management on the treatment of existing customers and on ensuring fair outcomes throughout the customer journey. Customer and employee feedback is fed into Board discussions which ultimately shapes strategic decision making, such as plans related to digital investment and future diversification. The Board also receives annual feedback on the Conduct Risk framework through the Group Risk Committee.

During 2021, the Board spent significant time on understanding the likely market response and operational impact of the implementation of the FCA's pricing remedies, which aims to:

- Ensure that renewing home and motor insurance consumers are quoted prices that are no more than they would be quoted as a new customer through the same channel.
- Make it simpler for customers to stop automatic renewals if they wish to do so.
- Enhance the FCA's product governance rules to ensure that insurers deliver fair value on all their insurance products.

The Board also received updates on (i) the progress to deliver the technology and digital strategies, which have a direct impact on the improvements made to customer journeys, and (ii) information security and cyber risk, including crisis management, both from a customer and reputational impact perspective.

Section 172: Stakeholder engagement **continued**

What value is created by us for them?

In 2021, Admiral delivered change impacting customers for the better. Some examples of the value delivered to our customers include:

Continued to deliver fair and affordable pricing

During 2021, Admiral has continued to offer fair and affordable pricing, and has continued to apply its understanding of customers' needs to product design (e.g. Admiral Essentials).

Admiral virtual assistant (car insurance)

The Admiral virtual assistant (AVA) was delivered by the team earlier than expected, to help direct customers to the best option for their query or change. This change was brought forward as a result of the escalating Covid pandemic. The aim of the launch of the AVA was to better enable customers to use self-service for convenience and thus reduce the need for customers to contact us via our call centres. At the time of the launch, Admiral saw:

- An increase of 15% in customers going to MyAccount from the Help & Support page.
- A reduction of 15% of human contact in respect of Elephant brand customers.
- A reduction of 47% in customers contacting us via webchat.

Launch of household claims digital journey

Having worked towards this goal for the last couple of years, our household customers can now choose to register and track all types of household claims online, or continue to be supported by our colleagues on the phone.

Launch of carriage of goods for hire and reward cover (car insurance)

Due to the increasing trend in people working as couriers or delivery drivers due to the Covid lockdowns, Admiral made this level of cover available to our car insurance customers in October 2021 via the call centres. This ensured customers had the correct class of cover to receive payment for delivering parcels and packages on behalf of third parties.

Launch of Admiral Essential on price comparison

In November, we launched Admiral Essential on price comparison website, Confused.com. Admiral Essential is our lowest Tier (3* Defaqto rated) and, therefore, provides more price sensitive customers with good cover at a competitive price via the price comparison website channel.

Increased focus on Net Promoter Score (NPS)

Although NPS was already a key metric for Admiral, the opportunity was taken during 2021 to provide an introductory training video to explain why the metric is important to Admiral, which all our colleagues were encouraged to watch. It was recognised that NPS performance needed to be integrated at every level in order to improve it and that the training was the first step to achieving this goal.

Modernising operations

Earlier in 2021, the customer operations teams were restructured to organise our people around value and service. This allows the teams to (i) take advantage of new technology to identify customer groups and get to the root cause of any customer issues, (ii) increase the value generated, and (iii) increase specialisation leading to greater consistency and customers outcomes.

What are the risks and opportunities that could affect the relationship and, therefore, Admiral's success?

The implementation of the FCA's pricing remedies will affect general insurance customers on a market-wide basis. Management and the Board have continued to closely monitor the market position throughout the year, as well as progress its strategy for its own implementation of the remedies.

There are opportunities that Admiral continues to explore to diversify the product offering by launching products in complementary markets, to help more people look after their future. Further information is located on pages 38 to 41 of the Strategic Report.

How we monitor the impact of our actions and the strength of our relationship

The following metrics are some of the main tools we use to assess the impact of our actions and the strength of our relationship with our customer:

- NPS scores
- Customer satisfaction scores
- Complaint rates
- Policy acquisition and renewal rates
- Activity levels on the MyAccount Portal
- Call volumes
- Feedback and insight relating to products and services from all customer-facing teams across the business
- Ombudsman feedback
- Social media

Our people

Why they matter to us strategically and how they influence the operation of the business

'Help more people to look after their future. Always striving for better, together.'

We believe that people who like what they do, do it better. We strive to do better every day because we like what we do. This attitude enables our test-and-learn culture, operational excellence, happier and more productive employees, and ultimately better outcomes for our customers and other stakeholders.

What matters to them and encourages them to maintain a relationship with Admiral

Our people want a friendly, fun and productive workplace where they are engaged, and where their views are heard and considered. During the Covid pandemic, flexible working and health and wellbeing have continued to be key priorities for colleagues around the Group.

According to a number of influences, including Admiral's materiality matrix, our stakeholders viewed areas important to our people as:

- Talent acquisition and development, long-term shareholder value (given the employee share scheme) and providing great service to customers, which each continuing to be key areas of focus for 2022.
- Diversity and inclusion, people engagement, and innovation, as well as health and wellbeing, which are areas that we will continue to actively manage in 2022.

See our materiality matrix on **page 49**

How we engage to confirm what matters to our people

Our people are encouraged to engage across multiple channels, including website chats and face-to-face, where possible. We also engage via:

- 1:1 meetings with managers
- Employee Consultation Group (ECG) meetings

See more on **pages 91 – 92**

- Colleague surveys
- Feedback schemes such as Ask Milena and Speak Up
- Participation in the Great Place to Work survey
- Exit interviews
- Grievances
- Whistleblowing channels
- Friendly Forums

Section 172: Stakeholder engagement **continued**

Board oversight, training and escalation

The Board receives updates on diversity and inclusion, people and culture, particularly in light of the more permanent move to a hybrid working model, ECG meetings in the UK and international businesses, Group health and safety and whistleblowing throughout the year.

The Group CEO and CFO host our Staff General Meeting (which allows for questions to be raised to them as representatives of the Board), and also host numerous forums with our people. These have been able to proceed virtually during 2021.

Non-Executive Directors attend ECG meetings on a rotational basis and report back to Board. The Board Chair and other Non-Executive Directors have also made virtual and in-person visits to different business departments and overseas locations.

What value is created by us for them?

Reward, career development and wellbeing (Great Place To Work and Best Companies survey feedback)

Following feedback received via the two external annual colleague surveys, three project workstreams were created to identify what we can do better in the areas of reward, career development and wellbeing. Since then:

- The UK reward team has embarked on a comprehensive review of pay, working hours and share awards. This work is ongoing with recommendations expected in 2022.
- The learning and development team have created training playlists based on departmental needs, offered training to support smart working and launched an internal careers office.
- A wellbeing portal has been launched to enable colleagues to more easily locate information on the wellbeing support available, new training and coaching courses have been launched, and counselling sessions and wellbeing champions have been introduced.
- The Group encourages involvement in the performance of the business through the participation by the majority of the Group's employees in the Group's Share Incentive Plan SIP under which they are given shares in the Company. Further information on the SIP is located in the Remuneration Report on page 185.

Fun culture (pulse survey feedback)

During 2021, feedback was received from our people that the fun culture had diminished as a result of remote working. Since them, managers have been encouraged to ensure that teams make time to have fun and the Ministry of Fun has also held monthly competitions with prizes for all to enter.

Clarity on returning to the office (pulse survey feedback)

Our people suggested that more clarity was needed on the return to office process and the future of smart working. Therefore, we provided further updates and assurance about:

- The government guidance for many continuing to be to work from home, if possible.
- The fact that the impact of any changes on colleagues' working routines was being considered.
- The fact that there would be a 12-month period, once working from home guidance was lifted, to fully understand and test the impact that smart working would have on our people.
- Frequently asked questions.

Diversity and inclusion (Great Place to Work survey scores)

Admiral provides a working environment in which diversity and inclusion is embraced. In 2021, our people scored Admiral highly on the Great Place to Work survey statements relating to diversity and inclusion. Further information on our diversity and inclusion activities is located on pages 54 – 56 and 159 – 161.

What are the risks and opportunities that could affect the relationship and, therefore, Admiral's success?

Hybrid working provides both risks and opportunities in respect of our people. We are able to reach different pools of talent for critical roles but we risk losing talent, as geography becomes less of a constraint in a hybrid working world. The protection of Admiral's unique culture is critical to ensuring that we continue to attract and retain talent. More information about how we monitor and assess culture, and talent management can be found on pages 145 to 147 (for culture) and pages 56 and 162 (for talent management).

How we monitor the impact of our actions and the strength of our relationship

As well as monitoring the impact of our actions and the strength of our relationships qualitatively through our engagement mechanisms, we also monitor the following key performance indicators:

- Accolades (see page 45)
- Employee feedback
- Pay gaps
- Health and safety incidents
- Culture Dashboard metrics, including:
  - Satisfaction scores from Great Place To Work survey
  - Diversity targets
  - Training & development (courses completed)
  - Attrition
  - Sickness
  - Recruitment (e.g. applications per vacancy)

Employee Consultation Group

Purpose

The Board recognises the importance of engaging with its workforce and does so through a combination of informal and formal channels. In order to ensure a two-way communication platform and an effective means by which the views of the workforce can be heard, the Board established a UK Employee Consultation Group (ECG) in 2019 with the aim of enhancing and formalising its pre-existing employee engagement arrangements. For the purposes of Provision 5 of the UK Corporate Governance Code, the ECG is a formal workforce advisory panel.

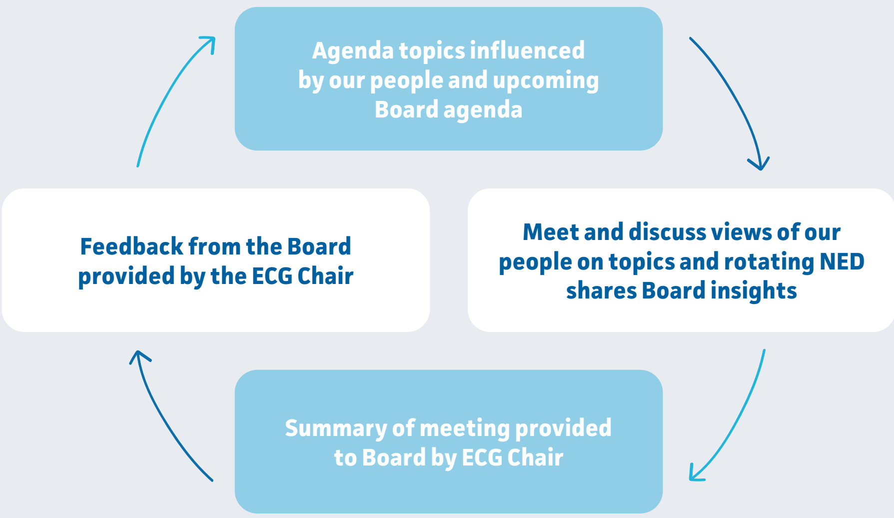
Membership and attendance

Membership of the UK ECG comprises elected colleague representatives and the remit of the ECG is to act as a forum for employee consultation, gathering colleague opinion and fostering a safe environment to raise matters of interest and generate ideas. There is a democratic member election process and members are provided with an induction to ensure that there is clarity about the role and remit of the ECG, as well as their role as members.

Non-Executive Directors are invited to attend ECG meetings on a rotational basis and report back to the Board on matters discussed, as well as actions agreed at the ECG meeting.

Taking this approach ensures that each of the Non-Executive Directors has the opportunity to engage with the workforce directly and to hear first-hand the issues and matters that are affecting the workforce.

In order to ensure that the meetings remain a two-way mechanism, Non-Executive Directors are also asked to comment on any insights from the ECG meetings at the following Board meeting and the Chair of the UK ECG is regularly invited to attend Board meetings to report on matters discussed by the ECG and any areas of concern. Minutes of the ECG meetings are also published on the intranet for all to view. Non-Executive Directors also provide an update at ECG meetings on recent matters discussed by the Board.



Section 172: Stakeholder engagement **continued**

There were four ECG meetings during 2021 with a range of topics discussed, including the common themes of pay, benefits, IT and workplace services, and mental wellbeing. Presentations on the following topics were also given to the ECG before they were discussed by the Board:

Meeting	Presentations and topics discussed	Outcome / impact
February 2021	The new ways of working	Please see the new way of working section under principal decisions on page 101.
	Admiral's approach to ESG	The importance of the internal communications strategy in respect of the work on ESG factors was emphasised, as was the need to help the community and other businesses. Please see the sustainability approach section under principal decisions on page 104 for further information.
	Sale of the Penguin Portals businesses (as reported in the 2020 Annual Report)	Colleague views of the announcement of the sale of the Penguin Portals businesses were heard from the Confused.com ECG representative, noting that further clarity was needed in respect of how profits from the sale would be distributed. This was followed up by management after the meeting. This was raised as a specific topic for discussion at the Board during the year, at which it was reconfirmed that the majority of the sale proceeds would be returned to shareholders, with a proportion being retained by the Group to develop other areas of the business.
May 2021	UK motor insurance strategy update	The ECG asked questions about the different aspects of the UK motor insurance strategy, including the impact of autonomous driving and liability, the impact on the garage network during the lockdowns, tiered products and the rationale given this had not been a success historically, and the impact of the FCA's market pricing reforms.
	Technology strategy update	The ECG noted that colleagues had raised the fact that there was an increasing reliance on personal mobile phones to provide two factor authentication in order to access their laptops. ECG members were reassured that there were ways of enabling the two-factor authentication required, without impacting their phone storage.
September 2021	Diversity and inclusion update	The ECG was updated on the diversity and inclusion strategy, as well as the activity of the well-established network groups which promote gender, age, LGBTQ+, disability, Black, Asian and Minority Ethnic and social mobility diversity (see pages 54 – 56). The importance of data collection from colleagues was noted in order to track progress. ECG members challenged the communication of the strategy and updates, which was noted as a future focus, and agreed to encourage their business areas to complete the diversity and inclusion questionnaire.
	Admiral Loans strategy update	Having received an update on the Admiral Loans strategy, ECG members asked questions about the car finance market, including current market dynamics, and the cultural impact of onboarding people remotely.
	Pay and benefits update	Following previous updates on pay and benefits, a more comprehensive update was provided on the pay and benefits review.
December 2021	Group strategy and embedding purpose update	The ECG received a recap of the Group's strategy and discussed the priorities for 2022, which include embedding the Group's purpose and protecting Admiral's culture given the transition to hybrid working, amongst other things. The ECG also discussed ways it could help communicate.
	Admiral's impact on the environment	The ECG debated the impact Admiral's operations had on the environment and the ways in which employees could help reduce its carbon footprint.

The Board continues to believe that, whilst recognising that the mechanism will evolve over time, the operation of the ECG has been and continues to be an effective means of engaging with the workforce, to help the Board understand the matters that concern the workforce and their specific interests, whilst having regard to these in the decisions that are made at Board level.

During the year, it was noted that the membership of the ECG had not been refreshed as a result of the Covid lockdowns. The Board challenged this and recognised that there was an opportunity to introduce a staggered retirement by rotation mechanism to ensure that there was an element of continuity of membership, whilst balancing the need for fresh membership. The Board will ensure that the ECG continues to develop and embed as an effective, formal workforce advisory panel and that regular interaction between the Board and the ECG is maintained.

Our Business

Partners and Suppliers

Why they matter to us strategically and how they influence the operation of the business

Our partners and suppliers are considered strategically important to us either because (i) the supplier or partner is integral to achieving future strategic goals, (ii) there are particularly preferential rates or terms in place, or (iii) another factor which makes the relationship hard to replicate or replace.

Our strategic partners and suppliers comprise a mix of financial partners, reinsurance partners, IT hosting, distribution and claims management and claims services partners. Therefore, it is crucial that the Group fosters these relationships effectively in order to mitigate the associated risks in the supply chain.

What matters to them and encourages them to maintain a relationship with Admiral

The matters of most importance to our partners and suppliers are:

- Strong ethical partnerships, which we will continue to actively manage in 2022.
- Receiving great service and engagement through our supplier sourcing, supplier management, including payment practices which has been of increasing focus to us in 2021, and the governance of managing risk and business resilience which will always be important in respect of the way we deliver our strategy.

See our materiality matrix on **page 49**

How we engage to confirm what matters to our partners and suppliers

To ensure strong third-party engagement, there are dedicated processes around the Group to govern end-to-end relationships. Key parties have internal relationship managers responsible for ongoing dialogue, for example with co- and reinsurance partners, and strategic partners.

To monitor and support the governance of procurement, a software application is used to provide tender management, contract management, supplier management and due diligence under a single platform. This information is reported to the Admiral risk management committee monthly and helps inform our engagement with our suppliers.

The Group's dedicated Regulatory Relationship teams maintain channels of communication with the FCA and PRA in the UK, and all our international regulated intermediaries and insurers.

Board oversight, training and escalation

The Board receives updates on:

- All proportional risk-sharing agreements, including co-insurance and reinsurance contracts.
- Matters relating to partnerships and opportunities
- Relationships with key partners and procurement, including our payment policies and practices.
- Regulatory, technological and consumer trends.
- Modern slavery risks in the supply chain.

The Board takes all updates into account when considering the long-term consequences of its strategies and business plan. The CFO provides updates on the activities related to the renewal of the Group's reinsurance and quota share contracts, including maintaining the ongoing strategic relationship with Munich Re.

Section 172: Stakeholder engagement **continued**

What value is created by us for them?

As part of the tender process, each supplier completes an extensive due diligence questionnaire to ensure they comply with Group standards. Our procurement team also manages contract renewal, including an updated due diligence assessment and commercial negotiation.

The selection of suppliers must follow a documented evaluation process, considering at a minimum the tender submission, the business requirements, the due diligence carried out, commercial and contractual terms.

Managing relationships with our partners and suppliers in this way enables us to maintain business resilience and therefore reduce risk, ensures that there is a consistent process and that they are treated fairly and paid promptly.

What are the risks and opportunities that could affect the relationships and, therefore, Admiral's success?

Partner and supplier risk refers to the degree of risk to the business arising from the potential loss of the supplier or partner, the contract, the criticality of the service, the size of the supply market and the complexity to move or switch suppliers. Each supplier is given a risk score based on these matters which is regularly reported to the risk management committee.

Some of the highest risks in respect of partners and suppliers arise from IT hosting. The loss or outage of cloud providers could have a significant impact on core operations and present a business interruption risk. To mitigate the impacts of supplier loss, Admiral engages with other IT hosting suppliers who could potentially provide capacity if required.

There are opportunities to improve the way we manage our partner and supplier relationship risks which we intend to progress in 2022. Some of the opportunities include reviewing our procurement framework applicable to the Group, building additional capabilities to monitor, rate and improve ESG performance of partners and suppliers, enhanced monitoring for our 10–15 critical suppliers and enhanced supplier risk controls to meet the FCA's operational resilience requirements, amongst other things.

How we monitor the impact of our actions and the strength of our relationship

- Successful renewal of risk-sharing agreements and contracts.
- Engagement with co-insurance and reinsurance partners.
- Feedback from strategic suppliers and partners.
- Compliance and audit activities.
- Efficiency/savings and decreased risk in procurement activities.
- Supplier performance against agreed service levels. If service levels are outside an agreed tolerance, fees are refunded from suppliers and the relationship is reviewed.

> There are opportunities to improve the way we manage our partner and supplier relationship risks which we intend to progress in 2022.

Our Business

Shareholders

Why they matter to us strategically and how they influence the operation of the business

Shareholder engagement fosters understanding of Admiral's strategy and investment case. It allows us to explain the business and strategic decisions and rationale, whilst providing opportunities for shareholders to provide feedback on the business and priorities.

What matters to them and encourages them to maintain a relationship with Admiral

Our stakeholders deem that the key areas of importance related to our shareholders include:

- The financial performance of the business, including products and services that are fit for purpose and provide solid financial returns.
- Business strategy and viability of long-term success.

The Group also recognises the growing importance of ESG factors in investment decision making. Admiral has always focused on doing the right thing based on building long-term sustainable businesses for the future. In 2021, we have taken further action and improved communication through enhanced disclosures and engaging with indices to improve index ratings. We have also clarified our sustainability approach (see pages 46 – 60), supported by a materiality matrix and Group-wide people engagement (see pages 49 – 50). The Group has also taken further action in our approach to climate change and the environment (see pages 19, 52, 57, 60, 98 – 99, 107 – 113, and 114 – 115).

How we engage to confirm what matters to our shareholders

The Group engages regularly with shareholders through frequent and open dialogue and our Investor Relations calendar consists of various activities.

- Results announcements and presentations
- Annual Report
- Roadshows (in person where possible, and remotely)
- Conferences
- Analyst and Investor phone calls
- 1:1 meetings
- Group meetings
- On-site investor visits (where possible)
- Annual General Meeting
- Employee General Meetings
- Corporate Governance shareholder meetings (with Chair and Senior Independent Director)
- Also see employee engagement section on pages 89 and 90 in respect of employees who participate in the share scheme

Board oversight, training and escalation

The Board receives regular updates on the activities of the Investor Relations team, as well as on meetings held between Board members and/or management and investors. The Board also receives investor feedback (post roadshows/results/conferences) and uses it to shape its approach to corporate governance, ensuring that any issues or concerns raised are considered and addressed. The Board also receives regular updates on the key elements of ESG.

What value is created by us for them?

- Clarity and insight into operations.
- Responsible for finding out and developing best practice.
- Transparency, so that analysts and shareholders have confidence in the value of the stock / can price fairly.
- Assurance of management intentions / strategy.
- Confidence that views will be heard and considered.

Section 172: Stakeholder engagement **continued**

> What are the risks and opportunities that could affect the relationship and, therefore, Admiral's success?

Our principal risks and uncertainties section outlines the risks and opportunities that could impact our strategic objectives and affect shareholders views of the business.

No notable change to the principal risks and uncertainties were identified throughout 2021, and the principal risks and uncertainties that could impact Admiral's relationship with shareholders have remained stable over the same period.

To see how we link risks to our pillars of strategy, please turn to page 116.

> How we monitor the impact of our actions and the strength of our relationship

- Broker feedback
- Analyst feedback
- Shareholder feedback
- Investor Relations material
- Feedback from proxy advisory firms
- AGM voting results

- ESG indices
- Investor meetings
- Roadshow feedback
- Rating agency reports

Our key financial and non-financial highlights are on page 61.

Details of how we engage with ESG indices can be found on page 60.

Our website contains all Investor Relations material and AGM Voting Results.[1]

Our Society

Communities

> Why they matter to us strategically and how they influence the operation of the business

Giving back to our communities is an integral part of our company culture. Our people play a key role in how we engage with our communities, and we work collectively to drive long-term change both inside and outside of the Group.

As a large employer across several countries, we believe it is our responsibility to provide employment opportunities for those in the local areas whilst training and developing our people. We are committed to promoting and recognising diversity both within Admiral, and in the communities in which we operate. A culture of giving and a sense of responsibility for the community is shared across the whole Group.

> What matters to them and encourages them to maintain a relationship with Admiral

The material issues for our communities generally relate to support and ongoing dialogue, financial and resource-based contributions, and consistency and integrity relating to our promises.

The Admiral materiality matrix represents our stakeholders' views and highlights the following as the main areas of importance related to our communities:

- Employability, social mobility and educational opportunities, which will continue to be of focus in 2022.
- Homelessness and housing, financial inclusion, and sports, arts and culture which will continue to be actively monitored during 2022

1 www.admiralgroup.co.uk

How we engage to confirm what matters to our communities

Our employees drive our community engagement as they are involved in nominating and choosing which initiatives we support. We engage in a number of ways, including:

- Colleague volunteering
- Charity initiatives
- Partnerships with recruitment bodies
- Partnerships with educational bodies
- Sponsorship of various community events
- Fundraising
- Funding projects through our Community Chest programme
- Funding projects through our Ministry of Giving programme

Board oversight, training and escalation

The Board receives updates on the key community initiatives across the Group and provides direction on how we can continue to make a long-lasting, positive impact.

What value is created by us for them?

Admiral Covid Support Fund

The Admiral Covid Support Fund was set up at the start of the pandemic in 2020 to help local community groups that have suffered due to the Covid pandemic. This could be due to their fundraising activities being curbed due to lockdown or the services they provide coming under unprecedented strain due to the pandemic. All types of organisations have benefited from donations of personal protective equipment, as well as funds. Over £50,000 worth of fruit that would normally have been delivered to our UK offices has been donated to local groups, iPads have been provided to local care homes so that residents can keep in touch with their families, and a multitude of treats to National Health Service workers to say thank you for all their amazing work.

Overall, Admiral has donated £6 million through the Admiral Covid Support Fund since the beginning of 2020.

This included donations totalling over £1.4 million to nearly 400 good causes nominated by our colleagues, £1 million donated to the UNICEF India vaccination programme at a time when India was struggling at the height of the pandemic, and over £1 million allocated to the overseas businesses to distribute to their local causes.

Local support

We recognise that there are organisations that do great work and are very closely aligned to our Group sustainability goal of '*supporting organisations that champion social mobility and employability, support educational opportunities, promote health and wellbeing for all, provide help for the homeless and support sport, art and culture on the community*'. Therefore, during 2021, we made 'super donations' to support a small number of local organisations that work in these areas.

Partnership with Jesus College

During 2021, we launched a three-year partnership with the University of Oxford's Jesus College on their Welsh access initiative. Our support will help enable its Access and Outreach team to develop new access activities, enhance existing programmes and reach more academically gifted young people in the country, who are currently under-represented at Oxford and other leading universities in the UK. This work will include outreach partnerships with several Welsh primary and secondary schools, careers and interviews advice workshops for secondary students and bring additional support to the College's prestigious Seren Summer School programme and the University of Oxford's Oxford Cymru consortium.

What are the risks and opportunities that could affect the relationship and, therefore, Admiral's success?

Engaging with our communities provides us with opportunities to give back and actively contribute to society.

> Admiral has donated £6 million under the Admiral Covid Support Fund since the beginning of 2020.

Section 172: Stakeholder engagement **continued**

> How we monitor the impact of our actions and the strength of our relationship

- Feedback from charities, recruitment and educational bodies
- Feedback from employees
- Community feedback
- Dialogue with organisations
- Feedback from the Welsh Government

Feedback from UNICEF: 'In March 2021, India was confronted by a devastating second wave of the pandemic that put millions of people at risk and posed a historic challenge to the country.

Thanks to the support of generous donors like Admiral, UNICEF was able to leverage its presence on the ground in India to deliver lifesaving essentials in 24 states.

With Admiral's help, UNICEF was able to procure and install 15 oxygen generation plants, deliver 7,764 oxygen concentrators and 362 RT-PCR testing machines to treatment facilities and distribute 10.5 million items of PPE. The donation also helped to strengthen cold chain systems, benefitting 310 million people.'

Dr Matthew Williams, Jesus College Access Fellow: 'We are incredibly grateful to Admiral for their generous support of our Welsh access programmes. About seventy percent of the ten thousand young people we work with annually through our outreach and access activities come from Wales, and we are committed to inspiring, encouraging and enabling academically-gifted young Welsh students, regardless of background, to apply to Oxford and other leading universities in the UK.'

He adds, 'This new support will open the door for more young people across Wales to explore the opportunities available through a university education. We're excited to be working with Admiral on a range of innovative and informative access programmes that will have a hugely positive impact on the school pupils we work with.'

Our Society

Environment

> Why it matters to us strategically and how it influences the operation of the business

'Help more people to look after their future. Always striving for better, together.'

At Admiral, we care deeply about our employees, our customers, and the impact we make on the world.

Admiral is mindful that it is increasingly important to demonstrate responsible business behaviour with regards to the environment, because all of our stakeholders demand it, and because it is the right thing to do:

- Our people want to know that they work for a company which is playing its part in tackling the climate emergency.
- Our customers want to know that we are not only looking after their property and possessions, but that we're looking after their future.
- Our shareholders and regulators want to know that we are a company which is robust to the challenges and open to the opportunities that tackling the climate emergency will present.

We aim to reduce our environmental impact, including our carbon footprint, and encourage responsible behaviour in our people, customers and other stakeholders.

> How we engage to increase awareness and to confirm what matters

Colleague-directed activities include:

- Regular updates from the Green Team, an internal working group.
- Internal promotion of Green Week and Earth Day.
- Engagement with colleagues at employee forums and via CEO updates.
- Various recycling initiatives across our offices.
- Quarterly meetings of our climate steering group.

Board oversight, training and escalation

The Board regularly receives updates on climate and ESG-related topics, as well as our Responsible Investment Policy, and provides feedback and topics for consideration. During the year, a briefing session was also held on the Task Force on Climate-Related Financial Disclosures (TCFD) for the Audit Committee and the Risk Committee to provide clarity on the requirements and their respective responsibilities. Their respective terms of reference were also updated to reflect this.

The Board also had oversight of Admiral's sustainability approach. Further details on this can be found on page 104.

What value is created by us for the environment?

We recognise that environmental disclosures are increasingly requested by investors, shareholders, customers and other stakeholders. For 2021, Admiral has made disclosures consistent with the Taskforce on Climate related Disclosures (TCFDs) and against the Streamlined Energy and Carbon Reporting Framework. (SECR).

What are the risks and opportunities that could affect Admiral's impact on the environment and, therefore, Admiral's success?

The current focus is on climate change, both the impact of a changing climate on us, as well as our impact on climate change.

The former is viewed through the lens of transition risks (risks arising from a transition to a low carbon economy), physical risks (risks arising from a changing climate), and liability risks (risks arising from people or businesses seeking compensation for losses they may have suffered from climate change), in the short, medium and long term. More information is included in the 'strategy' section of the TCFD disclosure on pages 109 – 110.

While the current focus is on carbon footprint, and plans for footprint reduction, in the future, there is likely to be an increasing focus on biodiversity and other aspects of environmental degradation/regeneration.

How we monitor the impact of our actions

To monitor the impact of our actions we report energy and carbon emissions in line with SECR to make carbon reporting more transparent and to aid the goal of achieving a carbon net zero target. Read more about SECR on page 114.

We also align our reporting with the TCFD's published recommendations concerning governance, risk management, strategy, metrics and targets. Read more on page 107.

"We aim to reduce our environmental impact, including our carbon footprint, and encourage responsible behaviour in our people, customers and other stakeholders."

Section 172 Statement

The Board of Directors confirms that during the year under review, it has acted to promote the long-term success of the Company for the benefit of shareholders, whilst having due regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006, being:

(a) the likely consequences of any decision in the long term.

(b) the interests of the Company's employees.

(c) the need to foster the Company's business relationships with suppliers, customers and others.

(d) the impact of the Company's operations on the community and the environment.

(e) the desirability of the Company maintaining a reputation for high standards of business conduct.

(f) the need to act fairly between members of the Company

During 2021, the Board reviewed the Group Stakeholder Map and reaffirmed that of the six stakeholder groups, (*customers, people, suppliers and partners, shareholders, community, and the environment*), each continued to be strategically important to the long-term success of the Group's operations. As part of the review, the Board considered the current approach to corporate governance and engagement in relation to the interests of each of its stakeholders.

In preparation for the review, discussions were held with the internal relationship owners within Admiral Group, on our key information feeds, existing engagement methods, feedback processes and the activities and plans for the year.

A Board agenda planner sets out the matters to be considered by the Board during the year, and this was subsequently reviewed and updated at each Board meeting in 2021.

Board papers during the year were accompanied by a separate document outlining which stakeholders could be affected or impacted by the paper, along with an explanation of how stakeholder interests had been considered prior to the raising of the matter at the Board meeting. The accompanying papers also shared the likely consequence of any Board decision on each stakeholder group identified, and how the impact on stakeholders could be monitored.

S.172 factor	Relevant disclosure	Page
Consequences of decisions in the long term	Principal decisions	101 – 106
	Board appointments	155 and 156
	Board activity during the year	144
	Different stakeholder sections	87 – 100
In the interests of employees	Principal decisions	101 – 106
	Employee stakeholder section including employment engagement, communication	89 – 92
	Employee Consultation Group	91 – 92
	Non Financial Information Statement	86
	Diversity	54 – 56 and 159 – 161
The need to foster business relationships with suppliers, customers and others	Principal decisions	101 – 106
	Stakeholder sections	87 – 100
The impact of the Company's operations on the community and environment	Principal decisions	101 – 106
	Stakeholder sections	87 – 100
	TCFD disclosures	107 – 113
Maintaining a reputation for high standards of business conduct	Principal decisions	101 – 106
	Stakeholder sections	87 – 100
	Culture	145 – 147
	Group Minimum Standards	176
	Diversity & inclusion	54 – 56 and 159 – 161
	Health & safety	55 and 86
	Conduct risk	122
	Whistleblowing	148
	CEO statement	27
Fairness between members	Principal decisions	101 – 106

Principal/non-routine/significant decisions in 2021

New ways of working/smart working

As reported in our 2020 Annual Report, the Covid pandemic forced many companies to quickly change their ways of working as a result of the onset of national lockdowns across the world.

Following an initial phase of emergency measures to ensure that the Group could continue to serve its customers well and ensure the health and safety of our people, the senior leadership team initiated the next phase of the smart working project to consider the Group's longer-term approach to hybrid or smart working.

We expect that smart working will have a big impact on our business, our people and the evolution of our culture. How we respond and act on this continuing transformation will influence our long-term future success. This is a positive change that impacts all our Group businesses and is why we continue to take a Group-wide and collective approach to understand how we all want to work in the future with all our stakeholders in mind.

The second phase of the smart working project took the learnings from the ways of working we had adopted during the onset of the Covid pandemic in 2020 and created a set of Group-wide principles and implementation guidelines, to help ensure a level of consistency and to protect Admiral's unique culture. Alongside the different workstreams, which considered matters such as technology, communications and office facilities, a culture project was set up to look at how we could prevent culture erosion in the new hybrid working environment. The two projects eventually brought their learnings together to arrive at the final set of principles to proceed with and implement.

March 2020

Emergency response to lockdowns initiated

Different workstreams set up including Culture Project

Monthly meetings on proposed recommendations

Regular people surveys to inform preferences

International businesses collectively propose initial draft principles and guidance

January 2021

Draft principles provided to Group Board

UK ECG & International ECG consulted on smart working

All entities empowered to communicate and implement using the principles

Group Board Update

January 2022

Monitor implementation

Phase 1 Phase 2 Phase 3

Principal/non-routine/significant decisions in 2021 **continued**

The views of our colleagues were sought regularly throughout the initial phases of the projects through focus groups, one-to-one interviews and surveys, including the Great Place To Work and Best Companies external surveys. The Employee Consultation Group was also consulted on the proposals and the feedback discussed related to the importance of:

Feedback / discussion point	Outcome / impact
Protecting the family feel of Admiral's culture	The culture project looked into the protection of team time, focus on customers, the fun environment, amongst other things, which fed into the implementation principles. The cultural impact will also be monitored during the next phase of the project in 2022.
Teams being able to share a common space	Although individual allocated desks have been removed, neighbourhoods for teams have been maintained and a test-and-learn approach has been adopted by the project.
Flexibility of location of work and the majority preference for hybrid working in the future	One of the decisions agreed across the Group was that the majority of our people should spend at least 40% of their time in the office for team time, meetings and events, once local Covid restrictions allow. Communications were made to colleagues to confirm that the expectation was that people would continue to be based in their existing countries, unless on an arranged secondment.
The needs of new colleagues	The decision that colleagues should spend at least 40% of their time working from the office will help to continue to provide the opportunity to immerse new colleagues in the culture when they start at Admiral.
Focus on outcomes and productivity, rather than hours worked or presence	Management noted that this switch in focus would require a cultural shift that would evolve over time but would be encouraged through the implementation of the principles, of which this was one.

The Board received two updates on the smart working project during the year which included a discussion of the draft principles and guidelines, together with an update on Admiral's culture.

The third phase of the project will commence in 2022 and will involve monitoring the implementation of the new way of working across the Group's entities. A scorecard of key performance indicators has been developed to ensure that indicators such as satisfaction, engagement, productivity and customer satisfaction are closely monitored and discussed each quarter by a new forum and steering committee. The Board will continue to receive updates during 2022.

Changes to offices occupied in South Wales

As part of the move to smart working and following feedback from our people that the majority wanted to spend less time working from the office and more time working from home, we launched a review of our future use of our office space.

The aim being to ensure that we are using our office space effectively and that we can continue to work in a more sustainable way across various sites in line with our purpose 'always striving for better, together'

Decisions were reached during 2021 to:

- Reduce the amount of space that we occupy in Newport by 50% from January 2022, with an eventual exit of the site completely by 2023
- Exit one of our sites in Cardiff during 2022
- Exit one of our sites in Swansea

The management team considered how this would affect Admiral's stakeholders, including our people based in those locations, the impact that a more permanent move to remote working could have on our customers and the service we provide them (which had been considered as part of the wider hybrid working proposal), and our shareholders. Senior management balanced the following risks and opportunities:

On the basis that the majority of our people would be expected to spend at least 40% of their working time in the office in the future, the senior management team concluded that colleagues located in the offices to be exited would be supported through the transition to being based at an alternative office location to limit any impact so far as possible. Having successfully moved to remote working during the onset of the Covid lockdowns in 2020, the team concluded that there would be a low risk of there being a detrimental impact on customer service.

The Board reviewed management's proposals during the year, noting that the proposed office closures were in the best interests of the Company and its stakeholders in the long term and that the impact would be monitored through the engagement mechanisms highlighted in pages 89 – 92.

Risks	Opportunities
• Reputational consequences of closing Admiral office space • Employee retention in respect of those located at office sites closing • Customer service	• Become more sustainable in the way Admiral operates • Reduce associated costs through managing fewer office sites and redeploy those costs to other operational areas • Fulfil the preferences of the majority of colleagues to split their time between the office and their homes

Principal/non-routine/significant decisions in 2021 **continued**

Sustainability approach

Building a sustainable business that drives positive impacts for our stakeholders is at the core of who we are, and what we do.

Our approach to sustainability acts as a framework and reference point through which our global businesses implement appropriate and responsible practices.

Admiral's Board and management team have always been committed to building a responsible, sustainable business, and to safeguarding our long-term commitments to our customers, employees, shareholders, communities, partners, and the environment.

A Sustainability Working Group (SWG) was established in 2020 to provide additional governance support around matters related to Environmental, Social and Governance (ESG) issues. The working group consisted primarily of members of departments including Investments, Risk, Facilities, and Investor Relations. During 2021, the members of this group expanded to include senior representatives from People Services, Product teams and key people from the international businesses.

The SWG is responsible for engaging with other departments across the business, and members are present at bi-monthly meetings hosted by Group Chief Executive Officer, Milena Mondini. Milena is the appointed Sustainability Representative and provides regular updates to the Group Board.

When the SWG was formalised the focus of the group was to consider climate-change related requirements, sharing of best practice and as a forum to update the wider business on related initiatives. As 2020 progressed into 2021 the SWG and the Executive team became increasingly aware of the growing need to integrate sustainability commitments, whilst several internal and external stakeholders expressed interest in learning more about the Group's sustainability approach.

In 2021, the Board was briefed on the increasing focus on ESG metrics and topics raised relating to sustainability. Following which the scope of the SWG was expanded to set a Group-wide sustainability approach, that supported the Purpose Project, which is detailed on page 105. This approach was taken to align and prioritise ESG targets and future ambitions across the Group, which in turn could be allocated external key performance indicators for enhanced disclosure.

Throughout 2021, the Sustainability Working Group was responsible for:

- Reviewing the sustainability landscape and guiding the Group Sustainability Approach
- Monitoring developing sustainability trends to determine how best to manage them
- Reviewing other organisations' sustainability approaches (through competitor benchmarking exercises and evaluation of ESG indices performance)
- Supporting the subsidiary entities with their sustainability focus and reporting
- Supporting Group committees with their sustainability focus and reporting
- Supporting and overseeing the Climate Steering Group (more on this can be found on page 108)
- Selecting Sustainability topics and categorising them into 'commitments' and 'ambitions'

As with any Group-wide approach, there were challenges in setting the priorities of the SWG and deciding the exact metrics to use and disclose. To incorporate the view of various stakeholders, the SWG used the results of the purpose project survey and materiality matrix, which is outlined on page 49, to reflect the importance and impact of existing business initiatives relating to sustainability.

Initially the long-term targets, short-term milestones and action plans were compiled and presented to the SWG by the champion of each area, for group discussion. The inclusive and open debate at the working group level helped to facilitate priorities and supported the ability to make recommendations on which initiatives were priorities, and which projects were ambitions to track for the future. Once the priorities were agreed upon, and discussed with Milena and the Executive team, the sustainability approach was presented to Group Board.

When deciding upon the final commitments, the management team and the Board had to decide what to prioritise now versus later, without compromising the direction of travel already set in motion. The Board also needed to reach a comfort level that by creating a Group-wide approach, and sharing the approach externally, that the right long-term metrics and targets had been identified.

As we look to 2022, the scope of the SWG is likely to expand further and the SWG will play a significant part in how both the Group's purpose and sustainability approach is embedded. For example, ongoing discussions are in place with People Service departments and Product teams to align future ambitions with sustainability requirements identified. Admiral has also recruited a Head of Corporate Communications and part of their remit is to support effective external communication of progress against commitments effective sharing of emerging best practice around the Group.

We believe our approach forms a key part of the Group's long-term commercial success, and we are committed to building a sustainable business for the future that considers all stakeholders.

Group Purpose Project

Following a presentation to the Admiral Group Board in early 2021, an internal purpose project team sought to develop a Group purpose statement that would formalise existing knowledge and demonstrate insight into the values and culture that is explicitly part of Admiral's DNA.

It was clear from the outset and agreed at the Board, that this should be done via extensive listening to colleagues and other stakeholders.

At the initial project kick-off, 96 of Admiral Group's management team gathered to share ideas, with the goal to identify themes that would describe what Admiral's purpose might be.

The project team then digested the findings and created ten purpose statements to be tested for usability and popularity. Between March and July, ten focus groups were held across all Admiral Group geographies, with more than 75 participants attending and representing all functions and levels.

At the focus groups, each statement was given a score based on pre-agreed criteria chosen from research relating to corporate purpose. Participants were asked if each statement would be:

1. *Understandable* – clear and easily communicated
2. *Inspiring* – resonate with and inspires internal stakeholders
3. *Inclusive* – apply to all geographies and businesses, current and in the future
4. *Unique* – show how Admiral is different (i.e., not be generic to the industry and sector)
5. *Social value* – show commitment beyond just financial performance

Once the statements had been rated, and preferences ranked, the project team began a process of iterating the statements and themes at small workshops, supported by key stakeholder feedback and in-depth interviews. In total, a further eight workshops and 12 interviews were hosted at this stage, involving over 60 managers and executives, in addition to Non-Executive Directors from both Admiral and subsidiary boards.

Ahead of such a time-consuming and lengthy process, the potential challenges of creating a new statement to fit all businesses across the Group was acknowledged. A risk register included concerns such as:

- Encompassing Admiral's unique culture within a single sentence could miss potentially important ideas
- Without the right process, a statement might be created that felt unfamiliar or inauthentic to employees, which in turn could reduce buy-in; and
- Educating stakeholders about the statement, its meaning, and ways to use it in decision-making would take time and resource

These concerns were addressed as much as possible within the process of creating the statement. Additional campaigns to embed the statement within the organisation were implemented after the statement was approved by the Board.

By the end of 2021, the revised Purpose statement had been adopted all over the Group. It is widely considered that the project has added clarity to our communications, and that the rollout has also contributed to greater motivation and alignment in a difficult pandemic period.

Examples of the rollout are detailed below:

Top 10: The annual 'Top 10 departments contest' asks all departments of Admiral Group's entities to reflect on a question, and address in a presentation. This year's question was 'How does your department represent and demonstrate Admiral Group's new purpose statement?'

Highlights included presentations on long-term employee sustainability within the call centres, energy and innovation within new products, and adapting our physical office environments for the future.

Learning and Development: Our Learning and Development team developed an iLearn course to introduce colleagues to the background and meaning behind the purpose statement. The course also includes case studies about taking purpose-led actions at work.

Reward and Talent: Our department for Reward and Talent made purpose central to the Group's Reward policy in 2021. The new reward manifesto for 2022 states *'Focus on the future and 'togetherness' will guide the structure of our Reward practices.'*

Marketing and Communications: Our Marketing Studio created purpose imagery for Facilities, Communications, and other departments to spread the word. Communications wrote and published stories within their platforms to promote Top 10, the Learning and Development course, and Milena's monthly employee videos.

Facilities: Facilities made plans to integrate purpose while revamping the office for smart working. Purpose posters and ticker tape were installed around the UK offices, and the first purpose wall mural was painted within Tŷ Admiral.

Investor Relations: The purpose-led sustainability approach driven by Investor Relations sets commitments and prioritises ambitions relating to sustainability. The Purpose statement was also announced to our shareholders in the full-year 2020 and half-year 2021 results presentations.

As 2022 unfolds, the purpose project will also evolve to provide purpose-led education, training, and decision-making tools among stakeholder groups. There will be focus on providing decision-making incentives for management and decision-making tools for other employees.

Principal/non-routine/significant decisions in 2021 **continued**

Restricting the in-person attendance of shareholders at the 2021 Annual General Meeting

Due to the ongoing Covid pandemic and government restrictions on public gatherings of more than two people and non-essential travel, Admiral's Annual General Meeting (AGM) on 30 April 2021 was held as a closed meeting, with only one Director-shareholder and two employee-shareholders attending physically to ensure that meeting was quorate. All other Directors attended virtually.

Consideration was given as to how this would impact shareholders exercising their right to vote on the business of the meeting. Shareholders were, therefore, encouraged to:

- Vote on each of the resolutions set out in the Notice by appointing the Chair of the meeting as their proxy to act on their behalf.
- Submit questions to the Board in advance of the AGM on the basis that a written response would be provided.
- Join the meeting via the audio-only live stream, which also provided the facility to submit questions relating to the proposed AGM resolutions during the meeting.

This approach aligned with other AGMs held during this time and the learnings will inform how we approach future AGMs which need to be held in this way due to events such as the pandemic.

Task Force on Climate-related Financial Disclosures (TCFD)

11
Admiral has made disclosures consistent with all 11 of the TCFD's recommendations

Admiral follows the Institutional Investors Group on Climate Change (IIGCC) Net Zero Framework

In 2022 Admiral aims to complete verification of its scope 3 emissions, and then begin working to set Science-Based Targets, which will complement the Group's overall net zero ambitions.

In 2019, Admiral began to report in line with the Task Force on Climate-related Financial Disclosures (TCFD), in order to provide better transparency around the ways in which climate change will impact the Group now and in the future. Since then, the Group has increased its disclosure to further align reporting with the TCFD's published recommendations concerning governance, risk management, strategy, metrics and targets. Alongside increased reporting, Admiral Group has continued to address the challenges of climate change in a number of other ways, including completing the full Carbon Disclosure Project (CDP) disclosure, producing a Sustainable Accounting Standards Board report, and continuing its membership of the Institutional Investors Group on Climate Change.

On the following pages Admiral has made disclosures consistent with all 11 of the TCFD's recommendations and recommended disclosures. Further discussion and information are included in the relevant sections of the report and are signposted as such.

Compliance with LR 9.8.6R

Admiral Group plc has complied with the requirements of LR 9.8.6R by including climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures.

Disclosures can be found on the following pages:

Pillar	Disclosure	Page
Governance	a. Describe the Board's oversight of climate-related risks and opportunities	108
	b. Describe management's role in assessing and managing climate-related risks and opportunities	
Strategy	a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	109 – 111
	b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	
Risk management	a. Describe the organisation's processes for identifying and assessing climate-related risks	111 – 112
	b. Describe the organisation's processes for managing climate-related risks	
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	
Metrics and targets	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	112 – 113
	b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks	
	c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	

Further relevant disclosures are signposted within the TCFD disclosure.

Task Force on Climate-related Financial Disclosures (TCFD) **continued**

Governance

Board and Board committees

The Admiral Group Board, which is responsible for promoting the long-term, sustainable success of the Group, has ultimate oversight of climate change-related risks and opportunities. It is responsible for understanding the Group's relationship to climate change – its impact on the environment, as well as the impact of a changing climate on the Group – and agreeing how this is considered in the context of the Group's strategy, risk management and business outcomes. Climate change risks and disclosures are reviewed and discussed at Group Board and at several Group Board Committees, including the Group Risk Committee (GRC) and Investment Committee.

Whilst the Group Board maintains ultimate oversight, the GRC has primary oversight responsibility for climate change risk, as it has delegated authority from the Group Board for overseeing risk management activities. It advises the Group Board on Admiral's principal risks and uncertainties, as well as on emerging risks, and reviews the Group's management of these risks. Climate change risks are embedded within the business as usual risk management approach and are reported at least quarterly within the Consolidated Risk Report (CRR). Climate change considerations are also reported within the annual Own Risk and Solvency Assessment (ORSA) Report, which is reviewed by the GRC prior to Board approval.

Management and management committees

Senior management from across the Group have various responsibilities relating to climate change-related issues, and most sit on appropriate forum, such as the Sustainability working group (SWG) and the Climate steering group.

The Group CEO is the appointed sustainability representative for the Group, which includes climate change risk within its remit. The Sustainability working group reports directly to the Group CEO.

Working Groups	**Management Meetings**	**Board Committees**	**Boards**
Sustainability working group	Investment committee	Group Risk Committee	Admiral Group Board
Climate steering group	Executive committee	Group Audit Committee	

Figure 1 Climate-related governance

The Group CRO has designated Senior Managers and Certification Regime responsibilities in relation to climate change and is a member of the Climate steering group.

The Group CFO is responsible for investments, which includes responsible investment and climate change considerations. The CFO is a member of the Climate steering group.

The Group CEO, Group CRO and Group CFO, along with the EUI CEO, comprise an executive committee, which is regularly appraised of, and provides guidance on, climate-related initiatives across the three focus areas of operations and supply chain, investments, and products and services.

The SWG was established in 2020, reporting directly to the Group CEO, and provides updates to the Group Board.

The SWG provides oversight and challenge to the Climate steering group, which was established in 2021 to provide guidance on the overall programme of climate-related work, and to ensure a joined-up approach across all Group functions and Group entities. James Armstrong, Group CRO and SMF accountable for climate change, and Geraint Jones, Group CFO, sit on the Climate steering group, which is also attended by representatives from businesses around the Group, and by representatives from Risk, Facilities, Investments, Procurement and Investor Relations.

On a day-to-day basis the Group Risk team is responsible for the assessment of climate-related risks and opportunities. The output of this work is included in the CRR, the ORSA report, and other regular and ad hoc reports and papers that are shared with the appropriate committees. Group Risk also coordinates climate-related work across the Group.

The focus in 2021 has been on embedding climate change considerations at a Group level, though updates have been provided to entity Boards and other fora (e.g. the CRO Forum). For example, the Board and Group Risk Committee received two formal updates on climate change, whilst the Investment Committee had four updates and the Group Audit Committee had one update as well as committees receiving multiple additional updates as part of other presentations or discussions on ESG topics. In future entity Boards and executive management teams will take more direct responsibility for managing climate-related risks and exploiting any opportunities.

Further information

→ Read more about **Sustainability working group** on **page 52**

→ Read more about **Board leadership and company purpose** on **pages 142 – 152**

→ Read more about **The Group Risk Committee** on **page 171**

Strategy

In 2020 Admiral articulated its purpose as being to 'help more people look after their future. Always striving for better, together.' By setting ambitious, long-term net zero targets for all emissions across the value chain, discussed further in the 'metrics and targets' pillar below, Admiral is seeking to minimise its directly controlled emissions, and to reduce emissions over which it may have some influence, if not direct control. This consideration of the Company's impact on the environments is integral to Admiral's purpose.

Climate risk is typically disaggregated into transition, physical and liability risks. Transition risks arise from a move towards a low carbon economy, while physical risks arise from climatic changes. They are inversely correlated: physical risks can be mitigated by an aggressive shift to a low carbon economy, increasing transition risk; aiming for a low level of transition risk will increase physical risk. Liability risks come from people or businesses seeking compensation for losses they may have suffered from the physical or transition risks outlined above.

Climate change is treated as a driver of risk, not a risk in and of itself. While there is the possibility that climate change will introduce new types of risk to the Group, not currently captured within the risk universe, the working hypothesis is that it will primarily impact the Group's existing principal risks and uncertainties.

When considering the impacts from climate change, Admiral recognises that there are two components: its impact on the environment, most clearly via greenhouse gas emissions, but also via waste production and water usage; and the impact of a changing climate on the Group, on its revenues, costs and via other non-financial risks.

Admiral has defined the following time horizons for climate-related risks and opportunities: short (1–3 years); medium (3–5 years); and long term (5+ years). The short- and medium-term time horizons coincide with the business planning horizon. Both transition risks and physical risks are beginning to crystallise; however, the worst effects from changing weather and climatic patterns may materialise in the long term if a smooth transition to a low carbon economy is not achieved. Liability risks are highly uncertain, in scope and in outcome – the first cases are currently being brought against oil, gas and energy companies – therefore, timing is less certain.

Climate-related efforts are aligned to three focus areas – operations and supply chain, investments, and products and services – each of which are potentially exposed to the three components of climate change risk. This is because climate-related risks may impact all of Admiral's business lines, operations and investments, and may also impact reinsurance arrangements. While there are risks from delayed action, there are also opportunities from seriously considering the challenges, including the potential to accelerate the Group's transformation, to build resilience, to drive innovation in core insurance products, and to gain competitive advantage in new and existing markets. Being a 'green' company could help attract and retain talent.

Net zero

Admiral follows the Oxford Principles for Net Zero Aligned Carbon Offsetting (the 'Oxford Principles') definition of net zero, whereby net zero means substantially reducing emissions and balancing any residual emissions with removals on an ongoing basis. The four principles are:

1. Cut emissions, use high quality offsets, and regularly revise offsetting strategy as best practice evolves
2. Shift to carbon removal offsetting
3. Shift to long-lived storage
4. Support the development of net zero aligned offsetting

Operations and supply chain

Admiral is a global financial services provider operating in the UK, Italy, Spain, France and the US, and has offices in Canada and India. These operations are exposed to physical and transition risks. Climate change may increase the frequency and severity of weather events, as well as causing longer-term changes in weather patterns, which could directly impact employees, offices, infrastructure and the broader operations. Admiral may also be exposed to increased capital and operating expenditures, due to legal or regulatory requirements designed to reduce greenhouse gas emissions, or due to increasing climate-related expectations from shareholders, customers, people or other stakeholders.

Climate-related efforts are aligned to three focus areas – operations and supply chain, investments, and products and services – each of which are potentially exposed to the three components of climate change risk.

Task Force on Climate-related Financial Disclosures (TCFD) **continued**

Admiral has taken steps over a number of years to reduce its environmental impact, including initiatives related to energy, water, paper and waste. Consequently, the verified operational carbon footprint is low, and is offset via the purchase of Gold Standard carbon credits. To further mitigate the risk to operations, Admiral is investigating initiatives to further reduce emissions, is continuing to invest in the office estate and is working with its landlords with the ambition to be net zero across operational emissions by 2030. Further detail on the transition plan is given in the 'metrics and targets' pillar.

Admiral's supply chain partners will also, to a greater or lesser extent, be exposed to the same risks from climate change as the Group is. Admiral is reviewing and updating its procurement practices and is working with its supply chain partners to determine how well positioned they are likely to be.

Carbon removal offsetting

According to the Oxford Principles 'most offsets available today are emission reductions, which are necessary but not sufficient to achieve net zero in the long run. Carbon removals scrub carbon directly from the atmosphere.' However, consideration must still be given to how carbon is stored, and for how long.

Over several years Admiral has pursued steps to reduce its operational emissions, for example through efficiency improvements, by purchasing electricity in the UK from 100% renewable sources (since 2015), and by installing solar panels on the Cardiff office. Since 2019 Admiral has offset its remaining operational emissions (scope 1, 2 and partial scope 3) via the purchase of Gold Standard carbon offsets. In addition, Admiral supports high-quality forestation projects which provide carbon sequestration, in Wales and abroad, via charities Stump Up for Trees and Size of Wales.

Investments

Climate change may impact the Group's investment portfolio via a number of mechanisms. Some of Admiral's investments will be exposed to physical risks, as changing climatic conditions impact businesses, disrupt supply chains and cause assets to lose value prematurely. Other investments will be exposed to transition risks, as the move to a low carbon future causes products, services and entire business models to become less attractive or, indeed, obsolete. Some investments may also be exposed to liability risks. Effects may be company-specific, sector-specific, or may have an impact on the broader economy and macro environment, for example via reduced economic growth, higher unemployment or changes in inflation. While climate change poses a risk to the Group's investments, the transition to a low carbon economy should also present investment opportunities – Admiral has already invested in renewable energy infrastructure, green bonds, and other corporate bonds with credible transition plans.

To mitigate these risks, ESG considerations have been embedded into the investment approach, and Admiral is following the Institutional Investors Group on Climate Change (IIGCC) Net Zero Framework to help guide the decarbonisation of the portfolio. Admiral is also increasing its investment in climate solutions and ensuring that the portfolio invests in more Paris-aligned firms over time, where alignment is defined as having a credible plan to align emissions with a 2°C pathway, for example via Science-Based Targets. Whilst sector limits and divestment are not key methods of portfolio alignment, there is no investment in companies generating more than 10% of their revenues from coal or tar sands, and reinvestment in energy and mining assets must be Paris-aligned or subject to engagement or stewardship actions.

Products and services

The effects of climate change will be felt across all lines of business, by all products and services, and will play a part in deciding what future business opportunities to pursue. The effects will require a response across the value chain, from pricing to underwriting, and from claims management to product design.

The most obvious impact from climate change will be the physical risk to the household lines of business. Climate change is causing sea levels to rise and is also causing more frequent and heavier rainfall, increasing the risk of flooding. Changes in weather patterns may also increase the incidence and severity of storm and freeze events, and hailstorms. Together these indicate that an increase in the volume and value of household claims is likely.

Admiral is also exposed to transition risk, most clearly via the motor insurance books. Any move to reduce aggregate greenhouse gas emissions could see a concerted move away from traditional models of transport reliant on private petrol and diesel vehicles, to a model of integrated and active transport, reliant on electric and alternatively fuelled vehicles, both privately owned and shared, and public transport. Indeed, sales of new petrol and diesel vehicles will be banned in the UK from 2030. The loans business may also be affected in the longer term as reducing demand for petrol and diesel vehicles may see residual values fall, a risk factor to which Admiral is exposed via personal contract purchase loans.

Many initiatives are ongoing to address these challenges, seeking to minimise the downside risk while maximising the upside potential. For example, time and resource has been invested into Admiral's electric vehicle proposition, ensuring that the product meets customer needs, that pricing is competitive, and that claims can be handled effectively and efficiently. Consequently, the number of electric vehicles on cover is growing strongly, times top for EVs (a measure of how competitive pricing is) is positive, and loss ratios for electric vehicles have normalised to levels exhibited by petrol and diesel vehicles.

Scenario testing

While qualitative assessments of the impact from climate change are useful, it is also important to quantify the impact where possible. Stress and scenario testing is conducted as part of the annual Own Risk and Solvency Assessment (ORSA) process to understand the robustness of the Group's business model and strategy to the impact of various risks. Admiral is in the initial stages of implementing climate scenario analysis and so, in addition to the standard ORSA scenarios, three exploratory climate change scenarios were performed this year, based on guidance from EIOPA and the PRA, and linked to the Bank of England's 2021 Climate Biennial Exploratory Scenario (CBES).

The three high-level scenarios investigated were: (i) Early Action (EA), where the transition to a net-zero economy starts in 2021 and global warming is limited to 1.8°C by 2050; (ii) Late Action (LA), where the implementation of policy to drive the transition is delayed until 2031 and is then more sudden and disorderly, resulting in material short-term macroeconomic disruption, but global warming is still limited to 1.8°C by 2050; and (iii) No Additional Action (NAA), where global temperature levels continue to increase, reaching 3.3°C above pre-industrial levels.

For each of the three scenarios (EA, LA, NAA) the pathway of four categories of variables – macroeconomic, financial, physical and transitional – were employed for the modelling of assets and liabilities out to 2050, making use of fixed balance sheets outside of the business planning horizon.

The scenarios performed highlight the developing nature of climate scenario modelling and give comfort that the Group's business model and strategy should remain resilient to potential climate-related impacts. The conclusions of scenario analysis are that climate change presents a strategic risk to Admiral over the long term and may require management and mitigation in the short and medium term. The risks presented by a transition to a low-carbon economy are not currently substantial, though a disorderly transition may impact the Group's motor and household insurance businesses, as well as increasing the volatility of asset returns. Physical risks may have the greatest potential impact on the Group's household insurance business in the long term.

The scenario modelling results are highly reliant on a range of assumptions, some of which are considered very unlikely to materialise. Management and mitigating actions (e.g., annual repricing of insurance policies, greater or different use of reinsurance, changes to asset allocation in the investment portfolio) are also not considered. The output of this scenario analysis has been used in discussions about future strategic direction, including the relative attractiveness of different products and markets.

Further information

Read more about **Long-term success and our purpose-led approach** on **pages 102 – 106**

Read more about **Our environment** on **pages19, 53, 57 – 58, 60, 98 – 99, 107 and 114**

Read more about **Strategic progress** on **pages 34 – 35**

Read more about **Our strategy in action** on **pages 35 – 44**

Read more about **Responsible investment** on **pages 57**

Risk management

Emerging Risks are identified, assessed and managed via an internally developed framework, integrated into the ERMF, which evaluates the potential impact to Admiral via existing principal risks and uncertainties or via new risks. This methodology has been extended, utilising external support, to individually assess the potential impact of climate-related risk drivers – transition, physical and liability risks – across three distinct timeframes (1–3 years, 3–5 years, and 5+ years).

Identification

There is no one definitive source for climate change risks: different geographical regions, different industries, and different companies will have differing expectations of the impacts that they will face in the future. Therefore, Admiral Group's identification of the way that climate change risks may impact the business, and any resulting opportunities, follows a multi-stage process which attempts to incorporate internal viewpoints and forecasts (e.g., from departmental expertise, insight from working groups, committees, and boards) with those from external sources, both insurance-specific and more broadly.

The assessment is performed at the level of transition, physical and liability risks; however, microeconomic and macroeconomic transmissions channels – the causal chains linking climate risk drivers to the financial risks faced (as per the Bank for International Settlements) – specifically applicable to each business line are also considered. This allows the potential impact from climate change on all current and potential future lines of business, on operations and investments, as well as opportunities, to be identified. Existing and emerging regulatory requirements related to climate change are considered.

Assessment

Given the highly uncertain nature of climate change risks – the transmission mechanism of the risks, the magnitude of their impact, the certainty of their impact, the effect of their impact, and the timing of that impact – they do not sit naturally in standard risk measurement and management processes. Instead, a hybrid approach, which comprises both qualitative and quantitative approaches, must be utilised.

Task Force on Climate-related Financial Disclosures (TCFD) **continued**

Climate change risks, and any resulting opportunities, are initially evaluated qualitatively. A risk matrix approach is employed, whereby the potential impact of the risk (scored between minor and catastrophic) is considered alongside the likelihood of impact (scored between rare and almost certain) in the short, medium and long term. Where appropriate a quantitative approach to analysis and evaluation is also taken: several scenarios, leveraging the Bank of England's Climate Biennial Exploratory Scenario methodology, were included as part of the stress and scenario testing section of the Group's ORSA submission.

Key risks and opportunities are discussed above in the 'strategy' pillar.

Management and mitigation

As climate-related risks are treated as risk drivers, and as the assessment methodology is based on the existing Emerging Risk assessment methodology, integration into the ERMF is straightforward.

Therefore, climate change risks and opportunities are reported on at least quarterly to the GRC via the CRR, and annually as part of the Group's ORSA Report submission. They are also reported on to the Group Board, management committees, and to subsidiary Boards and committees. This monitoring and reporting ensures that the highest level of company management is aware of the risks, can account for them in future business planning and strategy setting, and can devise management actions to mitigate their effects or to capture any resulting opportunities.

The Regulatory Compliance team, part of Group Compliance, monitors and reviews publications and pronouncements from various regulators, supervisors and transnational bodies, including but not limited to the FCA, the PRA, the Bank of England and EIOPA. Summaries are distributed to relevant stakeholders as and when material is published, a monthly round-up is distributed more broadly across the Group, and a representative from the Regulatory Compliance team is a member of the Climate steering group.

Further information

Read more about **Principal risks and uncertainties** on **page 116**

Read more about **Emerging risks** on **page 123**

Metrics and targets

Operations

Admiral recognises that its operations contribute to climate change, and the Group takes its responsibility for reducing this impact, seriously. Therefore, as discussed above, Admiral has pursued steps to reduce its operational emissions and, since 2019, has offset its remaining scope 1, 2 and partial scope 3 emissions. However, Admiral also recognises that offsetting emissions is not enough, and therefore is working hard to reduce the absolute level of its operational emissions: in 2020 the Group's scope 1 and 2 emissions, as verified by Carbon Intelligence, were 3,454 tCO_2e, an improvement of 24% from 2019[1]. Note that scope 2 emissions have increased due to more accurate data capture from non-UK entities, while scope 3 emissions related to business travel have reduced, largely due to the effects of Covid.

Scope	2020	2019
Scope 1	1,121	1,364
Scope 2 (market-based)	1,798	1,262
Scope 3 (limited[2])	535	1,945
Total	3,454	4,572

Table 2 Verified[3] Group greenhouse gas emissions (ton CO_2e)

1 Note that 2019 carbon footprint was verified by Carbon Trust.

2 Limited scope 3 verification performed for transmission and distribution losses for electricity, business travel, waste and water.

3 2020 data has been verified by Carbon Intelligence; 2019 data has been verified by Carbon Trust.

Admiral is a financial services company, and therefore it is likely that it has a low operational footprint when compared to its complete carbon footprint, including the supply chain and investment portfolio. This is even more likely to be the case given the efforts made over the past decade to improve the efficiency of its buildings and to reduce its energy consumption. This is why, in order to make a meaningful difference in the global effort to tackle climate change, it is important to include all emissions in the Group's net zero ambitions, including all scope 3 emissions, which will be verified in 2022 by Carbon Intelligence.

Admiral Group has committed to achieve net zero targets, committing to achieving net zero greenhouse gas emissions by 2040 at the latest, across all three scopes of emissions, and to cut these emissions in half by 2030. A commitment was also made to achieving net zero in directly controlled operational emissions by 2030.

There is a high level of alignment between Admiral Group's announced targets and the Association of British Insurers (ABI)'s climate change roadmap, published in July 2021: intermediate targets of a 50% reduction in emissions by 2030 are aligned, both cover all scopes of emissions; however, Admiral is targeting net zero by 2040, ten years ahead of the ABI's roadmap.

In 2022 Admiral aims to complete verification of its scope 3 emissions, and then begin working to set Science-Based Targets, which will complement the Group's overall net zero ambitions.

Investments

As a financial services company, the majority of Admiral's emissions are likely to be so-called category 15 emissions (part of scope 3), from the investment portfolio. Therefore, when the Group set its net zero targets, it was imperative to include these emissions in the emissions reduction targets. Admiral has therefore committed to achieving a reduction in investment-related greenhouse gas emissions of 25% by 2025, and of 50% by 2030, reaching net zero greenhouse gas emissions by 2040 at the latest – aligned to the overall target.

Metric	2021
Weighted average carbon intensity	71 tCO_2e / $m sales[1] (vs. 83 tCO_2e / $m sales for benchmark[2])
Investment in holdings with confirmed SBTs	£422m
% Allocated to coal and oil sands	0%
Investment in Green bonds	£74m

Table 3 Climate-related investment metrics

1 67% portfolio coverage.
2 Benchmark is 1–5 yr GBP corporates.

To ensure that these targets are met, Admiral has developed an investment proposal to align its corporate bond mandates to the Paris Agreement, following the Net Zero Investment Framework, which is a practical blueprint for achieving net zero emissions by 2050, and which has been endorsed by the UN's Race to Zero campaign.

The proposal has several features: reducing emissions through time; increased investment in climate solutions; and ensuring that the portfolio invests in more Paris-aligned firms through time (e.g. those with Science-Based Targets), starting with the most material sectors. There will not be blanket divestment rules, but instead an approach of engagement with companies with large greenhouse gas footprints will be taken, which could possibly lead to divestment. Within Admiral's agreements with its asset managers is a requirement for managers to actively engage with high impact issuers who are not Paris-aligned, as engagement is seen to be integral in helping Admiral to achieve its portfolio climate goals.

Several challenges should be noted: sourcing reliable and consistent data; avoiding unintentional consequences such as high concentration in certain sectors or investments; and reliably determining the expected risk and return impact of such a strategy. There are also several asset types which Admiral hold where a Paris-aligned strategy has not yet been developed. However, in order to guide and review progress towards overall targets, a number of metrics are tracked, shown in Table 3.

Products and services

As discussed above, the effects of climate change may impact all of Admiral's business lines. Physical risks, which may be managed via risk selection and reinsurance protection, might be more prominent in Admiral's Household businesses. Transition risks may be felt more keenly in the motor businesses, though the creation of the Admiral Pioneer business in 2020 to focus on new business opportunities may help mitigate this impact.

Physical risks

Admiral is exposed to both acute and chronic physical risks; however, in the short to medium term the most impactful risk is likely to be increasingly severe and frequent windstorms, floods and freeze events.

To mitigate and manage these risks Admiral takes a flexible and proactive approach to risk selection and pricing, ensuring that written business is within risk appetite, and that projected loss ratios and combined ratios lead to profitability over the cycle.

Admiral participates in the UK the Flood Re scheme, which is designed to allow insurers to offer more affordable insurance for homes built before 2009 in areas most at risk of flooding. The volume and value of policies ceded to Flood Re is monitored on an ongoing basis.

Admiral also utilises quota share reinsurance arrangements extensively, including both catastrophe and aggregate cover for household lines. These are in place to provide protection against an accumulation of claims associated with a weather catastrophe event.

Admiral tracks a number of climate-related metrics, such as modelled burn cost per peril and number and value of weather-event-related claims, in order to assess its exposure to climate-related risks.

Transition risks

The move away from petrol and diesel vehicles is the most obvious transition risk faced by the Group, and is one which presents a strategic challenge to us. Considerable efforts have been made to mitigate the risk of a transition to electric vehicles (EVs) and alternatively fuelled vehicles (AFVs), both via new business such as Kooalys, and existing businesses, which have invested in developing and testing new products and product features to meet developing customer requirements.

The transition to a low carbon economy may see an erosion of Admiral's traditional competitive advantages in pricing and claims handling, as petrol and diesel cars are replaced with EVs and AFVs. Admiral monitors market-wide metrics, such as the proportion of new vehicle registrations which are EVs or AFVs, as well as internal metrics capturing the attractiveness and competitiveness of the EV proposition, the claims experience, and the customer experience more broadly, in order to ensure that the Group is developing adequate capabilities in these new technologies.

Admiral's purpose is to 'Help more people look after their future. Always striving for better, together.' By developing products and services which not only help mitigate the worst effects of climate change, but also help support a transition to a low carbon future, Admiral is doing just that.

Further information

Read more about **Group carbon emissions** on **page 19 and 114**

Read more about **Our Streamlined Energy and Carbon Reporting disclosure** on **page 114**

Read more about **Our Electric vehicle case study** on **page 44**

Streamlined Energy and Carbon Reporting

This statement has been prepared in accordance with our regulatory obligation to report greenhouse gas (GHG) emissions pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 which implement the government's policy on Streamlined Energy and Carbon Reporting.

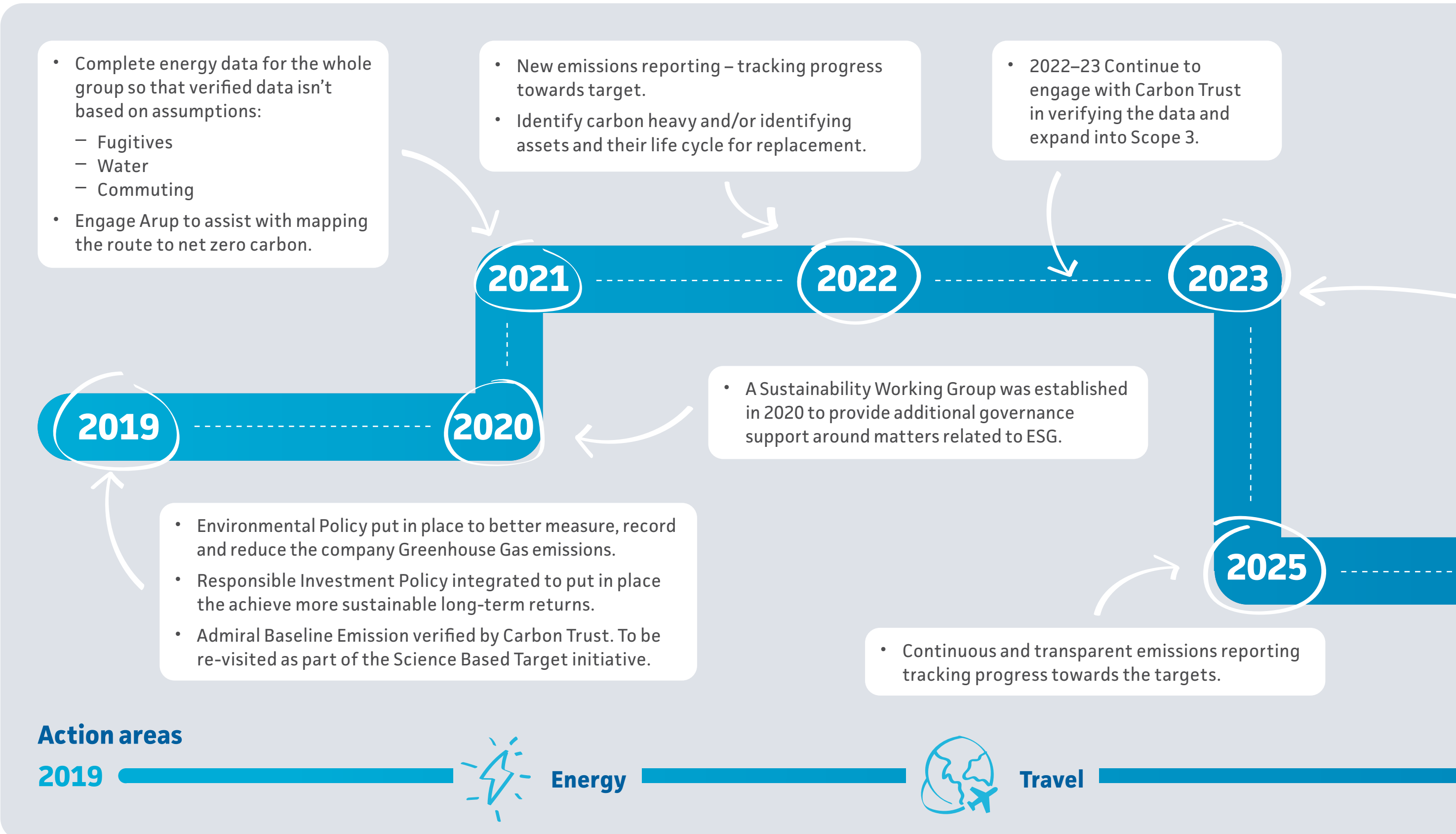
During the reporting period January 2021 to December 2021, our measured Scope 1 and 2 emissions (location-based) totalled 4,516 tCO_2e.

	FY2020			FY2021		
Scope	UK	Rest of world	Total	UK	Rest of world	Total
Scope 1			1,121	1,285	192	1,477
Scope 2 – location-based	2,074	1,712	3,786	1,768	1,272	3,039
Scope 2 – market-based	0	1,798	1,798	25	1,332	1,357
Total Scope 1 & 2 (Location-Based)	2,074	1,712	4,907	3,053	1,463	4,516
Total Scope 1 & 2 (Market-Based)	0	1,798	2,919	1,310	1,523	2,834
Scope 1 & 2 intensity per FTE (Location-Based)	*	*	0.4	0.4	0.4	0.4
Scope 3	*	*	535	435	517	952

Overall, our Scope 1 and 2 emissions have decreased by 8% against last year. This was due to improved control in our Building Management Systems in our largest locations. We purchase 64% of our electricity from renewable sources, meaning our Scope 1 and 2 market-based emissions were 2,834 tCO_2e, a decrease of 3% from last year.

The impact of Covid has resulted in working from home being adopted as the norm, with the offices being kept within statutory and regulatory compliance requirements. This has naturally resulted in a reduction of utility usage and driven a floor space reduction which has further increased the energy or utility savings.

The building management within the UK sites Newport, Cardiff and Swansea are controlled by Building Management System (BMS) which are actively monitored for performance optimisation and time schedule efficiency, and with the requirement to introduce greater amounts of fresh air into the buildings



which is achieved via the BMS systems has resulted in a marginal increase in utility consumption.

During this period, we have taken the opportunity to engage with specialist consultants to review the building operation and explore decarbonisation measures such as the removal of natural gas in Cardiff and introduction of air source heat pumps. Equipment and plant modernisation is also being planned for the next financial year and includes the upgrade of the BMS system in Cardiff and replacement of air-condition plant in Swansea.

We continue to engage our employees in energy efficiency campaigns and to explore the use of emerging technology, such as hydrogen boilers.

Our Scope 3 emission account for business travel, waste and water.

This year, we have expanded our reporting boundary to include Category 3: Fuel and Energy-Related Activities not included in Scope 1 or Scope 2 (FERA). Our measured Scope 3 emissions totalled 952 tCO_2e.

During the year, our total fuel and electricity consumption totalled 18,493 MWh, of which 72% was consumed in the UK. The split between fuel and electricity consumption is displayed below:

Energy consumption (MWh)	FY2021		
	UK	Rest of world	Total
Electricity	8,325	4,606	12,931
Fuels[1]	5,033	530	5,562

1 Natural gas and transportation fuels (petrol and diesel).

Methodology

We quantify and report our organisational GHG emissions in alignment with the World Resources Institute's Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and in alignment with the Scope 2 Guidance. We consolidate our organisational boundary according to the operational control approach, which includes all our operations and sites.

In some cases, where data is missing, values have been estimated using either extrapolation of available data or data from the previous year as a proxy.

The Scope 2 Guidance requires that we quantify and report Scope 2 emissions according to two different methodologies ('dual reporting'): (i) the location-based method, using average emissions factors for the country in which the reported operations take place; and (ii) the market-based method, which uses the actual emissions factors of the energy procured.

The GHG sources that constituted our operational boundary for the year are:

Scope 1:

Natural gas combustion

Diesel vehicle combustion

Scope 2:

Purchased electricity – standard

Purchased electricity – renewable

Scope 3:

FERA

Water

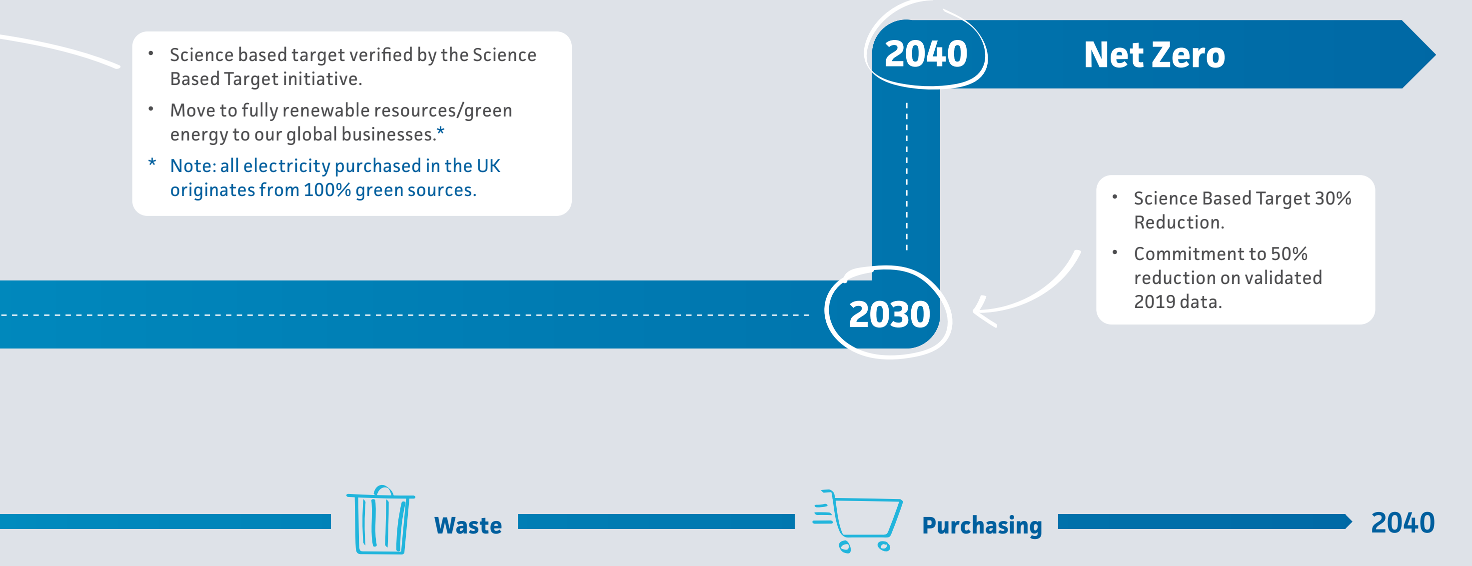
Waste

Business Travel

Positive Impact on society

Our net zero commitments

We seek to cut our current emissions by half by 2030 with a commitment to achieve net zero greenhouse gas emissions by 2040. We have additionally committed to achieving net zero in directly controlled operational emissions by 2030.



Principal risks and uncertainties

The Board, with support from the Group Risk Committee and the Group Risk function, undertakes a regular and robust assessment of the principal and emerging risks facing the Group. These risks have been summarised as those which would threaten its business model, future performance, liquidity and solvency.

The table overleaf sets out the principal risks which Admiral has identified through its Enterprise Risk Management Framework (ERMF). The impact of those risks and actions taken to mitigate them are explained below. This section also includes a description of Admiral's approach to identify, manage and govern emerging risks.

Risk Appetite: The Admiral Group risk strategy contains strategic risk statements for the relevant risks which help deliver the Group's business objectives. The Group risk appetite is owned and approved by the Admiral Group Board. The responsibility for the Group risk appetite is delegated to the Group Risk Committee who reviews all components prior to Board approval and monitors the performance of the business against the approved Group risk appetite through the consolidated risk report.

Identification of risks

Principal risks (A–K)

Insurance Risk:

- A Reserving risk in the UK and international Insurance
- B Premium risk and Catastrophe Risk
- C Reduced availability of co-insurance and reinsurance arrangements
- D Potential diminution of other revenue

Group Risk:

- E Erosion of competitive advantage in UK Car Insurance
- F Failure of geographic and / or product expansion
- G Reliance on UK Price Comparison distribution channel

Credit Risk:

- H Credit risk

Market risk:

- I Market risk

Operational Risk:

- J Legal and regulatory risk
- K Operational risk

Linking risks to our strategic objectives

1. To protect and maintain our financial stability, supporting sustainable growth and profitability
2. To invest in our core competencies as we accelerate evolution towards Admiral 2.0
3. To invest in future businesses as we build our international business and add to our product diversification offering
4. To invest and plan for the evolution of motor
5. To ensure that Admiral remains a great place to work

→ For more information refer to **pages 35 – 44**

No notable change to the principal risks and uncertainties was identified throughout 2021, and the principal risks and uncertainties have remained stable over the same period.

Insurance Risk

A. Reserving risk in the UK and international insurance

Possible impact on our strategy	Risk	Mitigating Factors
1 3	Admiral is exposed to reserving risk through its underwriting of motor, household and other insurance policies. Claims reserves in the Financial Statements may prove inadequate to cover the ultimate cost of claims which are by nature uncertain. This is a particular risk for motor insurance liabilities, where the amount payable for bodily injury claims (particularly large claims) can change significantly during the lifetime of the claim as a result of external risks such as changes in Ogden rates, impacts of increased levels of Periodical Payment Orders (PPOs) and claims inflation. **Impact** Adverse run-off leading to higher claims costs in the Financial Statements. PPO claims are capital intensive owing to increased uncertainty of the cost of significant claims over a longer term.	The Group continues to reserve conservatively, setting claims reserves in the Financial Statements well above actuarial best estimates to create a margin held to allow for unforeseen adverse development. Best estimate reserves are estimated both internally and externally by independent actuaries. For very large claims Admiral purchases excess of loss reinsurance, which mitigates a portion of the loss. Regular reviews of both settled and potential PPO cases are undertaken by the Claims and Actuarial teams, with independent actuarial analysis provided as part of the external reserving process. Admiral's investment strategy is the result of a structured, disciplined and transparent investment process. Long-dated inflation linked assets are held to partly hedge the risks associated with PPO claims.

B. Premium risk and catastrophe risk

Possible impact on our strategy	Risk	Mitigating Factors
1 3 4	The Group is exposed to the risk that inappropriate premiums are charged for its insurance products leading to either insufficient premiums to cover claims cost or uncompetitive rates leading to reduced business volumes. The risk of increased claim costs and/or reduced business volumes could be driven by potential economic, social, environmental, regulatory or political change such as the Covid pandemic or the FCA's pricing practices. Admiral is exposed to the risk of higher losses than anticipated due to the occurrence of man-made catastrophes or natural weather events, potentially increased in frequency and severity due to climate change. Acute physical climate risks include changes in the frequency of both large catastrophe events and severe weather events of the type could increasingly be seen, where trends are difficult to identify, and which have large claims costs associated with them. **Impact** Higher claims costs, reduced business volumes and/or higher loss ratios, resulting in reduced profits or underwriting losses. A large flood or windstorm, causing extensive property damage (both motor and household) to a significant proportion of the portfolio, could lead to a larger than anticipated total claims cost.	There are a number of aspects which contribute to Admiral's strong UK underwriting results, including: • Experienced and focused senior management and teams in key business areas including pricing and claims management. • Highly data-driven and analytical approach to the regular monitoring of claims and underwriting performance. • Capability to identify and resolve underperformance promptly through changes to key performance drivers, particularly pricing. • Continuous appraisal of and investment in employee, systems and processes. • Monitoring the impact arising from Climate Change risks, covering both physical and transitional risks, as well as other Emerging Risks which may impact premium or catastrophe drivers. Admiral purchases excess of loss reinsurance, which is designed to mitigate the impact of very large individual or catastrophe event claims.

Principal risks and uncertainties **continued**

Insurance Risk continued

C. Reduced availability of co-insurance and reinsurance arrangements

Possible impact on our strategy	Risk	Mitigating Factors
1 3 4	Admiral uses proportional co-insurance and reinsurance across its insurance businesses to reduce its own capital needs (and increase the return on the capital it does hold) and to mitigate the cost and risk of establishing new operations. There is a risk that support will not be available or that it will be available at an uneconomical price in the future if the results and/or future prospects of either the UK businesses or (more realistically) one or more of the less well established operations are not satisfactory to the co- and/or reinsurers. Climate change could lead to system level shifts in conditions in the natural environment. A higher frequency and severity of extreme weather events, as well as increased chronic physical risks, could increase the cost of reinsurance protection for insurers. Climate change could impact reinsurance structures if more events are hitting reinsurance layers, potentially leading to changes in terms and conditions or premiums. **Impact** A potential need to raise additional capital to support an increased underwriting share. Return on capital might reduce compared to current levels.	Admiral mitigates the risk to its reinsurance arrangements by ensuring that it has a diverse range of financially secure partners. Admiral continues to enjoy a long-term relationship with a number of different reinsurers, some of which are amongst the world's largest. These long-term arrangements are in place throughout the UK and International businesses.

D. Potential diminution of other revenue

Possible impact on our strategy	Risk	Mitigating Factors
1 2 4	Admiral earns other revenue from a portfolio of products and services in addition to the core insurance products. The level of this revenue could diminish due to: political, regulatory, legal, social/customer behaviour, strategic, market or economic changes. **Impact** Lower profits from business operations and lower return on capital.	Admiral continuously assesses the value to its customer of the products it offers and makes changes to ensure the products continue to meet customer needs and offer good value. Admiral seeks to minimise reliance on any single source by earning revenue from a range of products. This would mitigate the impact of regulatory or market changes, or changes in consumer behaviour, which might affect a particular product or income stream. Admiral works closely with its regulators and other key industry bodies.

Group Risk

E. Erosion of competitive advantage in UK Motor Insurance

Possible impact on our strategy	Risk	Mitigating Factors
1 2 4 5	Admiral typically maintains a significant combined ratio advantage over the UK market. This advantage and/or the level of underwriting profit (and associated profit commission) could be eroded. This risk could be exacerbated by: irrational competitor pricing, new technologies used within the insurance market and/or regulatory market intervention. It may arise from new or existing competitors, or outcomes from legal or regulatory change such as the FCA's pricing practices. **Impact** A worse UK Motor Insurance result and lower return on capital employed. A sustained and uncorrected erosion of competitive advantage could affect the ability of Admiral to maintain its reinsurance arrangements, which might in turn require Admiral to hold more capital.	Admiral's focus remains on the wide range of factors that contribute to Admiral's combined ratio outperformance of the UK Motor market. Some are set out earlier in the Strategic Report, but in addition: · Track record of innovation and ability to react quickly to market conditions and developments; and · Keen focus on maintaining a low-cost infrastructure and efficient acquisition costs · Experienced and focused management team

F. Failure of geographic and/or product expansion

Possible impact on our strategy	Risk	Mitigating Factors
2 3 4 5	In line with the Group's diversification strategy, Admiral continues to develop its other UK insurance businesses, non-insurance businesses such as Loans, and its international businesses. It has also created Admiral Pioneer which is the vehicle for developing and launching of new products and services, other than those already covered by existing established Group businesses. One or more of the operations could fail to become a sustainable, profitable long-term business. Product expansion into new areas could lead to unprofitable business, could increase regulatory risk, and may introduce new risks into the Group. Growth in developing businesses could exceed the scale of infrastructure of the operation. **Impact** Higher than planned losses (and potentially closure costs) and distraction of key management. A collective failure of these businesses would threaten Admiral's objective to diversify its earnings by expanding into new markets and products, though any single failure of product or geography is likely to be tolerable. The UK car business, which continues to perform strongly, is largely unaffected by this risk.	Admiral's approach to expansion and product development remains conservative, applying the test-and-learn philosophy that has proven successful for previous operations. International insurance businesses have generally executed cautious launch strategies and are usually backed by proportional reinsurance support which provides substantial mitigation against start-up losses in the early years. The Directors are mindful of management stretch and regularly assess the suitability of the infrastructure and management structure in place for Admiral's new UK and international operations. The Group has established a number of new operations in order to mitigate the risk of failure of individual new operations.

Linking risks to our strategic objectives

1. To protect and maintain our financial stability, supporting sustainable growth and profitability
2. To invest in our core competencies as we accelerate evolution towards 'Admiral 2.0'
3. To invest in future businesses as we build our international business and add to our product diversification offering
4. To invest and plan for the evolution of motor
5. To ensure that Admiral remains a great place to work

Principal risks and uncertainties **continued**

Group Risk continued

G. Reliance on UK Comparison distribution channel

Possible impact on our strategy	Risk	Mitigating Factors
1 2 4	Admiral is dependent on the four main UK comparison websites as an important source of new business and growth. Growth in this distribution channel could slow, cease or reverse, or Admiral could lose one or more of the websites as a source of customers. **Impact** A potentially material reduction in UK insurance new business volumes, in particular for UK Motor. However, a more competitive market might benefit the insurance businesses through lower acquisition costs.	Admiral contributes materially to the revenues of all four major UK comparison businesses, and has a strong brand presence, and therefore it is not considered probable that a material source of new business would be lost. Admiral continues to grow its MultiCover and MultiCar products. It also has a direct offering to new and existing customers, with continuing investment made to improve its online/digital offering.

Credit Risk

H. Credit risk

Possible impact on our strategy	Risk	Mitigating Factors
1 3	Admiral is primarily exposed to credit risk in the form of: (a) default of reinsurer; or (b) failure of a banking or investment counterparty. One or more counterparties could suffer significant losses leading to a credit default. Admiral Loans exposes the Group to credit risk in relation to customer defaults on its unsecured personal loan and car finance business. **Impact** The impact of a major credit event could be losses and reduced capital, dependent on its nature and severity. Admiral would also need to ensure that it continues to have sufficient liquid assets to meet its claims and other liabilities as they fell due. Increased defaults could impact future profitably and lending capabilities.	Admiral only conducts business with reinsurers of appropriate financial strength. In addition, major reinsurance contracts are operated on a funds-withheld basis, which substantially reduces credit risk, as Admiral holds the cash received as collateral. Credit risk is managed through diversification and appointing high-quality third-party asset managers. Limits on counterparties and certain credit ratings ensure that credit risk is managed within risk appetite, and produces a high quality credit portfolio. The Group invests in a range of liquidity funds which hold a wide range of short duration, high quality securities, and in fixed income funds holding primarily investment grade assets. Cash balances and deposits are placed only with highly rated counterparties. Most long-term investments are held in Government bonds to further mitigate the exposure to credit risk. Admiral considers counterparty exposure frequently and in significant detail, and has in place appropriate triggers and limits to mitigate exposure to individual investment counterparties. Admiral continuously monitors the credit quality of our counterparties within Board approved limits, adjusting its credit rules and pricing accordingly. Admiral Loan's credit risk appetite is set to ensure that the risk taken is commensurate to the expected returns. Admiral Loans continuously monitors the performance of its portfolio and manages borrowers in arrears to achieve the optimal outcome.

Market Risk

I. Market risk

Possible impact on our strategy	Risk	Mitigating Factors
1	**Risk** Market risk arises as a result of movement in interest rates, credit spreads and foreign exchange rates. **Impact** Market volatility (notably very significant reductions in risk free interest rates or material increases in credit spreads) can adversely impact the value of the Group's assets. The Group's solvency can also be adversely impacted due to an increased regulatory valuation of claims liabilities, in particular in relation to longer-dated potential PPO claims. Continued growth of the Group's businesses outside the UK has altered the exposure to net assets and liabilities in currencies other than pounds sterling, increasing the Group's exposure to Euros in particular.	The investment strategy focuses on preservation of the amount invested, low volatility of returns and strong liquidity. The majority of the portfolio is invested in high quality fixed income and other debt securities, and money market funds and other similar funds in order to achieve these objectives. The Group's mitigation for interest rate risk resulting from long duration PPO liabilities includes reinsurance cover and a continuing focus on investment strategies. This includes asset/liability matching, consideration of hedging options for these liabilities, including of certain risks associated with PPO claims. Relative to the size of the Group, exposure to non-sterling currency remains small.

Operational Risk

J. Legal and regulatory risk

Possible impact on our strategy	Risk	Mitigating Factors
1 2 3 4	**Risk** Legal and Regulatory risk may arise where Admiral fails to fully comply with legal or regulatory requirements and/or changes in an accurate, timely manner. Examples include compliance with the FCA's UK pricing reform, which may have far-reaching consequences for the whole industry. This risk may also arise where previous industry and/ or Admiral regulatory or legal compliance standards are revisited with negative consequences, applied retrospectively, for the industry and/or the Group. As Admiral operates globally, across business lines and products, it is exposed to a number of differing legal jurisdictions and regulators. Failing to meet increasing expectations from regulators, legislators, and shareholders around climate change could potentially lead to exposure to legal and regulatory risk. In the longer term, the impact from not meeting increasing expectations could be serious. **Impact** Exposure to regulatory intervention, censure and/or enforcement action through fines and other sanctions.	Regular review of the Group's compliance with current and proposed requirements and interaction with regulators by Executive Management and the Board. Assurance is gained through external reviews and benchmarking exercises ensuring Admiral is compliant with legal and regulatory requirements. Strong project governance is a key control in managing regulatory change.

Linking risks to our strategic objectives

1. To protect and maintain our financial stability, supporting sustainable growth and profitability
2. To invest in our core competencies as we accelerate evolution towards 'Admiral 2.0'
3. To invest in future businesses as we build our international business and add to our product diversification offering
4. To invest and plan for the evolution of motor
5. To ensure that Admiral remains a great place to work

Principal risks and uncertainties **continued**

Operational Risk continued

K. Operational risk

Possible impact on our strategy	Risk	Mitigating Factors
1 2 3 4 5	Operational Risk arises within all areas of the business. The principal categories of operational risk for Admiral are: Conduct Risk; Physical Security Risk; Technology Risk; Information Security/Cyber Risk; Business Continuity; Process risk; Change Risk; People risk; data governance risk; and, Outsourcing and Procurement Risk. **Impact** Potential customer detriment and/or potential regulatory censure/enforcement and/or reputational damage as a result of Admiral's action or inaction. Admiral being unable to service its customers or making poor business decisions due to lack of system availability, data integrity and/or data confidentiality. The risk of reductions in earnings and/or value, through financial or reputational loss, from inadequate or failed internal and outsourced projects, processes and systems, or from people related, hybrid working or external events. Risk to Admiral occurs through the losses that could materialise if the internal control framework managing business processes fails.	Admiral operates the three lines of defence model, and internal controls are in place and are monitored to mitigate risks. The control framework is regularly reviewed, and the internal audit function has an agreed cycle of testing of the adequacy and effectiveness of controls. Specific operational risks are mitigated by: · Monitoring, managing and reporting on customer outcomes in order to mitigate customer detriment. · Regular Executive Management and Board review of the effectiveness of the Group's IT capability. · Continuing to invest in Information Security in order to mitigate Information Security risks, including evolving Cyber risk. · Staffing a major incident team within IT which is tasked with maintaining system availability, with business continuity and disaster recovery plans in place which are regularly tested. · Backing up data to allow for its recovery in the event of corruption. · Employing enhanced project governance and oversight of new systems implementations, with external specialist review and assurance where required. · Attracting, retaining and motivating quality employee to deliver superior customer service and to achieve business objectives. · Employing targeted recruitment and identifying potential leaders through internal development, talent management and retention processes for the purposes of succession planning. · An ongoing commitment to diversity and inclusion. · Monitoring outsourced and offshore activities through ongoing supplier relationship and performance management, and with regular due diligence reviews. Admiral also purchases a range of insurance covers to mitigate the impact of a number of other operational risks.

Linking risks to our strategic objectives

1. To protect and maintain our financial stability, supporting sustainable growth and profitability
2. To invest in our core competencies as we accelerate evolution towards 'Admiral 2.0'
3. To invest in future businesses as we build our international business and add to our product diversification offering
4. To invest and plan for the evolution of motor
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Emerging Risks

Admiral Group monitors Emerging Risks, issues which may be potentially significant, but may not be fully foreseen, assessed or allowed for in insurance terms and conditions, pricing, reserving or capital setting, or strategic and business decisions. By their very nature, Emerging Risks are many and varied, but are considered to have potentially significant impact to the Group, with a high degree of uncertainty around the likelihood of occurrence and / or severity. The timescale of their impact is also uncertain: some risks may crystallise more quickly than others, but frequently the timescale of impact is longer than standard business planning cycles.

The management of Emerging Risks is a key element of Admiral's strategic risk management. Considering a wide range of Emerging Risks, and the opportunities that they may present, provides the Group with the ability to consider how well-equipped the business is to cope with an uncertain future. Such consideration may lead to a change in strategy, a change in management behaviour, a change in ways of working or risk management, which may lead to a stronger and more robust business which delivers on its commitments to customers, employees, and shareholders.

Emerging Risks are identified via horizon scanning. This involves an extensive literature review, interviews with internal stakeholders, subject matter experts and external specialists, and input from internal working groups, in order to ensure that as many Emerging Risks as possible are taken into consideration. Admiral uses an internally developed framework for assessing Emerging Risks, which covers qualitative and quantitative assessment and evaluation of the potential impact to Admiral via existing Principal Risks and Uncertainties or via new risks. It also covers the precautionary deployment of management actions and mitigating controls.

Emerging Risks are represented graphically on Admiral's Emerging Risk Radar, capturing an assessment of their potential impact and timescale to crystallisation, which ranges from less than one year to greater than five years. The radar also categorises Emerging Risks into the following four broad segments: (a) legal and regulatory risks, such as ePrivacy; (b) socio-political and economic risks, such as consumer expectations; (c) environmental risks, such as physical and transition climate change risks; and (d) technology risks, capturing advances in vehicle technology. Though most Emerging Risks are not strictly limited to one segment or another, plotting them in this way can indicate the macro trends behind the emergence of those risks.

Reporting on Emerging Risks, as well as the opportunities that they present, is provided to the GRC and relevant Boards, is incorporated into the Group ORSA Report, and is discussed with senior management of Group entities as well as entity risk teams. Emerging risks were reviewed throughout 2021.

Following Russia's invasion of Ukraine in late February 2022, financial markets volatility increased and a range of international sanctions were imposed on Russia. The Group does not have any direct exposure to Russia or Ukraine, either through its operations or investment portfolios. The Group is closely monitoring the situation, any indirect exposures and other risks and impacts. At the date of this report, no significant changes to the Group's principal risks and uncertainties or solvency position are noted.

Viability statement

In accordance with provision 31 of the 2018 UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a three-year period, having referenced the Group's Own Risk and Solvency Assessment (ORSA), risk strategy, risk appetite, principal risks and uncertainties, and key risk drivers. As per provision 31, Admiral considers three years to be a period of assessment over which it has a reasonable degree of confidence. Although the Group reviews business plans that extend beyond the three year time horizon, Admiral considers there to be an inherent risk and uncertainty in the periods beyond three years as the degree of certainty of the impact of internal and external developments reduces greatly.

At least annually, the Group undertakes an ORSA, which is the main source of evidence used by the Board to assess viability. The ORSA sets out a detailed consideration of the Principal Risks and Uncertainties facing the Group and considers current and projected levels of solvency and liquidity over a 12-month to three-year period.

In addition to the three year period of assessment supported by the ORSA, the Board utilises other relevant reporting, some of which is longer term in nature. Notably these include five year financial projections reviewed twice a year, three year solvency projections reviewed at least twice a year, and a one year financial budget for the forthcoming 12 months approved on an annual basis.

Quantitative and qualitative assessments of risks are performed as part of the ORSA process, assessing these risks over the three-year capital planning time horizon. This forward-looking approach reflects the alignment of the business planning process and the solvency assessment, referred to within Admiral as the capital plan; making sure that Admiral is appropriately capitalised at a fixed point in time as well as over the future planning time horizon, while considering Admiral's principal risks and uncertainties as well as potential stressed conditions. The capital plan is a key consideration for Group and Subsidiary Boards in assessing and approving the business strategy, business plan and key business decisions.

The quantitative assessment considers how the regulatory capital requirements, economic capital needs, own funds and solvency position of the Group is projected to change over the three-year horizon, with a requirement to maintain a solvency ratio above the approved capital risk appetite buffer throughout the projection.

The assessment includes a series of sensitivity, stress and scenario tests (S&ST) and reverse stress tests (RST) that are examined and quantified to understand the potential impact on the Group's solvency, liquidity and profitability, as part of the ORSA process. In addition to these Group tests, there are also subsidiary entity-specific scenarios considered of lower materiality to the Group that are performed by each subsidiary insurance entity as part of their ORSA processes.

These tests are performed in accordance with the Group stress and scenario testing framework (SSTF)[1] that describes the underlying stress testing approach and methodology. The SSTF is based on the Admiral Enterprise Risk Management Framework (ERMF) that has been designed, implemented and embedded across the Group to provide the Board(s) with oversight of risks, as well as oversight of how those risks are managed.

Discussions within Group Risk and with key stakeholders take place to identify and propose scenarios; considering stresses performed in previous exercises, emerging risks, risk events, regulatory changes and the external economic landscape. The S&STs approved by the Board(s), after extensive review and challenge at Board(s) and Group Risk Committee (GRC), are examined and quantified using the baseline business and capital planning model positions. The scenarios are discussed in workshops with relevant subject matter experts and the Finance modelling teams from Line 1 and Line 2 who advise on the key underlying and background assumptions (line of business/entity impacted, horizon, severity, likelihood etc), limitations, primary and secondary assessment along with consideration for management actions, and recommendations[2]; following which they are reviewed and scrutinised by senior managers.

The obtained results are examined in comparison to the baseline models, capturing the change usually with and without the mitigating impact of potential applicable management actions. Often, sensitivities to key modelling inputs and variables are examined, for instance an uplift to the loss ratio (+/-5% in the underwriting loss ratio) or spread movements (e.g., 100bps).

To assess the robustness of the Group to the impact of various risks, 12 S&STs and two RSTs have been quantified to understand the potential impact on the Group's solvency ratio. In 2021 different scenarios have been performed, capturing a range of insurance and reserve risk scenarios from the annual reserving cycle, scenarios related to the FCA Pricing Practices regulatory changes, with macroeconomic stresses along with operational risk scenarios and several insurance and market risk combinations.

The scenarios examined are mapped against level 1 risks from Admiral's Risk Universe with all of Admiral Group's

1 The SSTF has been updated in 2021 to reflect developments in the underlying regulatory environment and the methodological approach in relation to the quantification of scenarios, to ensure a robust process in line with the PRA's and EIOPA's expectations and latest guidance. It captures the recent focus on climate change scenario analysis and operational resilience requirements along with the new resilience planning disclosures set out in the Brydon review.

2 Examples of some of the general management actions the Group could take include implementing pricing rate changes and reducing planned dividend payments. In addition, scenario-specific management actions are considered and included within the scenario quantification where they can reasonably be assessed.

principal risks and uncertainties considered, demonstrating consideration of the key risks facing the Group. In addition, certain climate change scenarios have also been examined as part of the 2021 ORSA process based on regulatory guidance from EIOPA and linked to the Bank of England's 2021 Climate Biannual Exploratory Scenario (CBES).

Under all scenarios Admiral Group remains well capitalised and able to withstand those extreme and remote scenarios, with a stressed solvency and liquidity position within the risk appetite. The only exception is an extreme RST, combining severe and extreme insurance (reserve/premium) and market risk scenario combinations. Note that by design and based on the derived output, this RST is considered to be extremely remote, with a return period well in excess of a 1-in-200-year event.

The results of the stress tests, inclusive of the ones captured in the ORSA, form part of the process to set the Group's capital risk appetite, which ensures that a buffer is held on top of the Group's regulatory capital requirement to protect its regulatory capital position against potential shocks and stresses.

Key strategic decisions including the setting of dividend payments, consider the solvency impact against the Board-approved capital risk appetite of 130%, which is a key criterion for the Board in assessing viability. Refer to the Strategic Report (pages 82 – 83) for information on sensitivities to the reported 2021 solvency ratio position.

Risk management is an essential part of Admiral's operations, and successful risk taking is key to the Group achieving its business objectives. Risk management is therefore a key consideration when setting the Group's strategy, managing performance, and rewarding success.

The current risks that are faced by the Group are captured in the Risk Universe, with the most notable risks captured in the Group's principal risks and uncertainties (page 116)[1]. In addition to these principal risks and uncertainties, the Group also considers a range of emerging risks that could impact the Group to varying degrees in the future, but which are not yet fully understood (page 123).

The Admiral Group Risk Strategy is considered and approved by the Board. The strategy is directly linked to the business plan and seeks to ensure that all risks are managed effectively to allow the Group to meet its strategic aims (pages 35 – 44). Supporting this is the Admiral Group Risk Management Policy, which sets out Admiral's approach to risk management, as well as the governance of risk management across the Group. This approach ensures that there is appropriate oversight of the Group's risk profile, and that the Group remains within risk appetite in all its operations.

While each of Admiral's principal risks and uncertainties could have potentially impacted the Group's performance, during 2021, the following key risk drivers were of notable importance: Covid, FCA Pricing Practices, technology, cyber and operational resilience, and climate change:

Covid

The impact of Covid on Admiral's principal risks and uncertainties, as well as the steps taken to appropriately manage these risks, continues to be overseen by the GRC. Some of the current trends in risks most impacted by Covid are highlighted below.

Operational Risk

The impact of Covid on levels of operational risk continues to reduce throughout the Admiral Group, largely as a result of remote-working solutions becoming more robust and the business continuously enhancing its approach to hybrid working. Throughout the pandemic Admiral has prioritised employee mental and physical health, and the Admiral culture, as well as excellent customer service, and continues to do so.

Early in 2021 there was a rapid rise in Covid cases in India, impacting Admiral support centres, the Group monitored the situation daily and took appropriate steps to ensure that the customer impact was minimised and that operations were fully supported. Examples of support provided include: Admiral funding vaccine costs for colleagues and their immediate families; reimbursing the cost of Covid tests; and offering financial assistance. Admiral has also donated £1 million to UNICEF, to help support the wider community within India, alongside employee campaigns to donate money from fundraising activities and their salaries.

With regards to the emergence of the Omicron variant, the GRC will continue to monitor newly available information, such as transmissibility and ability to cause serious illness, and the impact this variant may have on Admiral's principal risks and uncertainties.

1 Please also see note 6 to the financial statements which sets out the Group's objectives, policies and procedures for managing financial assets and liabilities.

Viability statement **continued**

Insurance Risk

Admiral continues to closely monitor the impact of Covid on driving patterns, claims experience and market positioning, especially in light of national lockdowns. Admiral has taken part in the FCA industry-wide review of forbearance practices implemented during the pandemic.

Market Risk & Credit Risk

The impact of Covid on Admiral's Market and Credit risk has also decreased in 2021. Financial markets were generally more stable with companies posting strong earnings and markets well supported by central banks, investor demand and low interest rates. Risk-free rates have risen over 2021 as markets started to price in base rate rises to combat inflation. Higher risk-free rates will reduce the value of investments, but that movement should be largely mirrored by movement in liabilities, and then result in higher income through time. The increased pressure on household incomes resulting from factors such as the end of furlough, the possible impact of high inflation on interest rates and increasing utility bills may impact customers' ability to repay Admiral Loans. During the year, there was a reduction in the level of economic uncertainty related to the Admiral Loans business. Refer to note 7 in the financial statements for further detail.

FCA Pricing Practices

The GRC has received regular updates regarding the ongoing FCA pricing practices work. Admiral welcomed the FCA's work in this area and is supportive of a remedy which acts to ban price walking[1]. Admiral views the New Business Equivalent[2] price remedy, as good for both the market and for consumers.

Of key importance to Admiral is that it implemented the Policy Statement appropriately and in a compliant way, achieving desired customer outcomes, and remaining competitive in the wider market. Given the significance and complexity of the remedies, Admiral began its preparation in 2020, the resulting work involving both internal and external expertise.

The impact of the Pricing Practices on Admiral's principal risks and uncertainties is being overseen by the GRC. Some of the current trends in risks most impacted by the FCA Pricing Practices are highlighted below.

Premium Risk & Catastrophe Risk

The outcomes from the implementation of the FCA Pricing Practices remedies, as seen within the wider market, are uncertain and will be largely based on how different insurers interpret the regulation. Admiral has implemented processes to model, closely monitor and, if necessary, react to this wider market view going forward.

Legal and Regulatory Risk

Updates have been provided throughout 2021 on when the different aspects of the regulation are going live and the current status of Admiral in responding. This has included extensive internal and external engagements to provide assurance of the appropriateness of Admiral's implementation design and execution.

Technology, cyber and operational resilience

Throughout 2021 Admiral has continued to enhance its technology, cyber and operational resilience capabilities, as well as monitor the related risks as part of its ERMF. Key developments in these areas include:

- The introduction of an enhanced target operating model for the management of Group information security and technology risks.
- The progression of an ongoing cyber security programme in the European insurance businesses, designed to further reduce the information security risk of said businesses, in line with the Group's Cyber Security Framework.
- The Operational Resilience programme which is utilising both internal expertise as well as obtaining external expertise and assurance.

1 Price walking occurs when *'firms use complex and opaque pricing techniques for home and motor insurance to identify customers who are more likely to renew with them. Firms then increase prices for these customers each year at renewal, in a process known as 'price walking'.'* General insurance pricing practices market study Feedback to CP20/19 and final rules.

2 New Business Equivalent: *'A pricing remedy requiring that when a firm offers a renewal price to a customer, this should be no greater than the equivalent new business price (ENBP) for a new customer.'* General insurance pricing practices market study Feedback to CP20/19 and final rules.

Climate change

Admiral remains committed to recognising and understanding the threats and opportunities posed by climate change to the Group, as well as to mitigate its impact on the environment. Climate-related risks can impact on all of Admiral's business lines, operations, investments, and reinsurance arrangements. Admiral Group recognises that while there are risks from delayed action, there are also opportunities from considering the challenges, including the potential to accelerate the Group's transformation, to build resilience, and to gain competitive advantage in new and existing markets.

As part of this work there is an ongoing Group focus on:

- Ensuring full compliance with regulatory and disclosure requirements, such as those outlined in FCA Policy Statement PS20/17, which confirmed the introduction of a new listing rule LR 9.8;
- Researching climate-change trends and assessing the risks arising from climate change;
- Incorporating climate-related risk drivers into business-as-usual risk management, such as enhancing Admiral's stress and scenario testing to incorporate climate-change related financial risks; and
- Continuing efforts to further reduce the Group's carbon footprint.

Admiral Group's strategy linked to climate change is discussed in more detail in the Task Force on Climate-Related Financial Disclosures disclosure page 107.

Based on the results of this analysis, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due, for the period up to and including December 2024.

Strategic Report approval

The Strategic Report is approved by the Board of Directors and signed on behalf of the Board.

Milena Mondini de Focatiis
Group Chief Executive Officer
3 March 2022

Governance

Quick navigation

Becky's story

14%

Our UK Household Insurance business grew by almost 14% in 2021

Spotted on the cover

We sit down with Becky as she talks about helping customers alongside a developing career and a work/life balance.

Hi I'm Becky

I first joined Admiral in 2012 in the Motor Claims Liability department and moved to Household Claims in 2021 as a Team Manager. Like a lot of people, I came to work for Admiral after university as a stopgap and have loved it here ever since.

The household side of the business is growing rapidly and so it's an exciting and progressive department to be based in. My team are the first point of contact for our Household customers when an incident occurs at their property or they lose an item outside of their home. We set up claims, or give advice to our customers and help them as much as we can.

Now that restrictions have eased I have recently returned to working in the office, for around 40% of my time. I like the fact that Admiral has a flexible working policy, as it supports a better work-life balance which makes childcare arrangements much easier.

Working for Admiral can open doors to different careers, and many of my colleagues and friends have held various roles around the business. I have made life-long friends here and it is great to see our careers flourishing.

The reason I love working here is due to the famous Admiral culture. This isn't just the social side of things and the office environment (which is fantastic), but also how much Admiral cares for employees, customers and the local communities, whilst also being industry leading in a sometimes difficult environment. How we reacted to Covid makes me especially proud: providing our customers with a goodwill Covid payment; and supporting us all in the massive transition of working from home. I cannot wait to see what the future holds for the company and for my career at Admiral.

> "Working for Admiral can open doors to different careers, and many of my colleagues and friends have held various roles around the business."

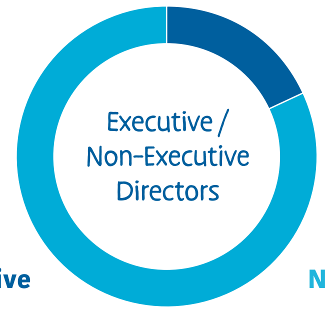
Governance at a glance

as at 31 December 2021

> Our Board continues to keep abreast of the changing corporate governance landscape and is committed to ensuring that it provides effective leadership.

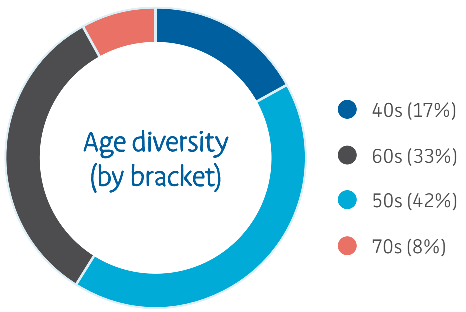
Male
50%

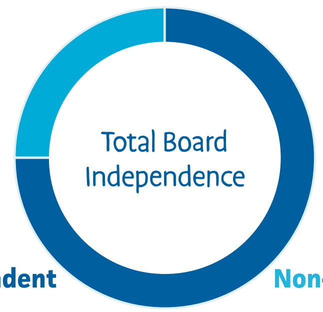
Female
50%



Executive
2

Non-executive
9





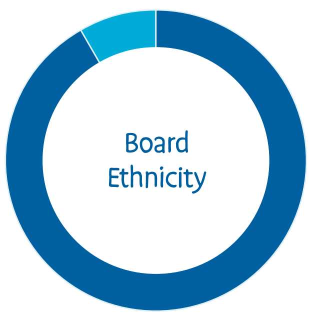
Independent
9

Non-independent
3

> The independent Non-Executive Directors have sufficient time available to perform their duties.

UK
67%

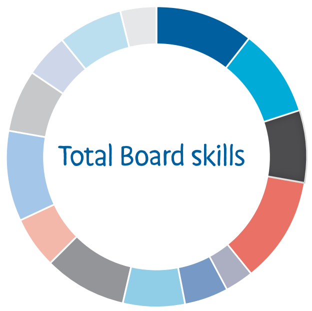
Non-UK
33%



White
11

Ethnic minority
1

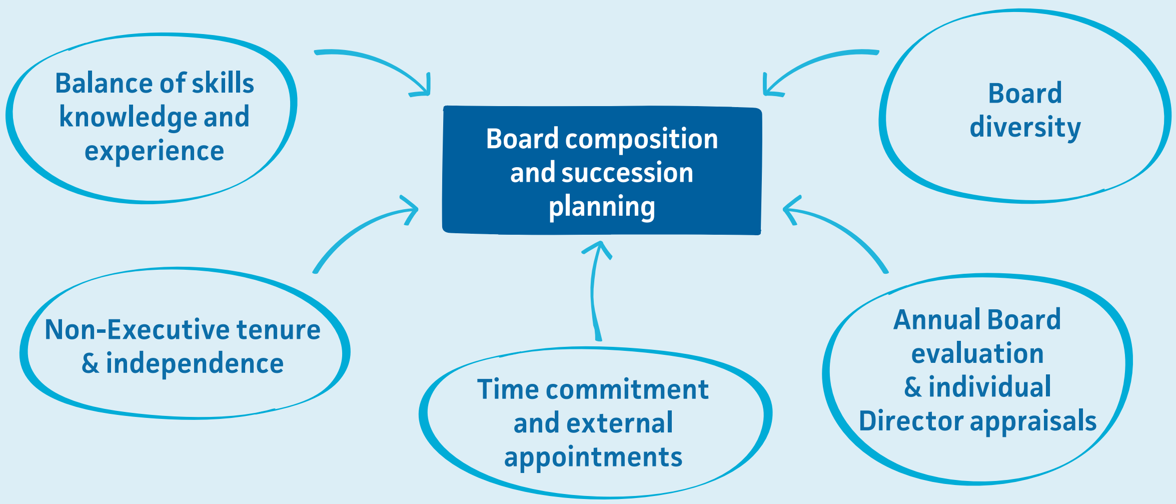
> The Board remains satisfied that it has the appropriate balance of skills, experience, independence and knowledge.



- Finance (11)
- Risk (10)
- Insurance (8)
- Executive/Strategic Leadership (12)
- Marketing/Retail (3)
- M&A (5)
- City (7)
- International (9)
- Tech/Digital/Data (6)
- Operations (10)
- Entrepreneurial (7)
- Loans (5)
- Remuneration/People (7)
- ESG/Sustainability (4)

Find further detail on **page 159**

Board composition and succession planning



- >9 years
- 6–9 years
- 3–6 years
- <3 years

Annette Court	9y 9m	Mike Brierley	3y 3m
Jean Park	7y 11m	Karen Green	3y
Owen Clarke	6y 4m	JP Rangaswami	1y 8m
Justine Roberts	5y 6m	Evelyn Bourke	8m
Andy Crossley	3y 10ms	Bill Roberts	6m

Introduction to Governance

Annette Court
Group Chair

Dear Shareholder,

On behalf of the Board, I am pleased to present the Group's Governance Report for the financial year ended 31 December 2021. This report sets out our approach to effective corporate governance and outlines key areas of focus of the Board and its activities undertaken during the year as we continue to drive long-term value for all our stakeholders.

> This report focuses on the Board and its activities undertaken during the year as we continue to drive long-term value for all our stakeholders.

Backdrop

Our focus continues to be on the impact of Covid and remote-working on workplace culture, the Department for Business, Energy & Industrial Strategy consultation on 'Restoring trust in audit and corporate governance: proposals on reforms', diversity and inclusion, succession planning and Admiral's impact on climate change. The Board continues to keep abreast of the changing corporate governance landscape and is committed to ensuring that it provides effective leadership by ensuring that good governance principles and practices are adhered to across the Group.

Board changes and succession planning

During the year, Manning Rountree, who was an independent Non-Executive Director and a member of the Risk Committee, notified us of his intention to step down from the Board at the end of his six-year term in June 2021. I would like to thank Manning for his insight, dedication and commitment to the Board and in his role as a member of the Risk Committee. As a result of his intention to step down, JP Rangaswami was appointed as a member of the Risk Committee in June 2021, and we took steps to recruit a new Non-Executive Director.

We welcomed Evelyn Bourke to the Board and as a member of the Remuneration Committee in April 2021 and Bill Roberts in June 2021, following two formal and comprehensive selection processes. Evelyn and Bill bring different skills and experience to the Board, with Evelyn having substantial experience in life and health insurance, risk and capital management and Bill having a wealth of experience in insurance, underwriting and marketing in the US. Evelyn was subsequently appointed as the Chair of the Remuneration Committee in September 2021, following Owen Clarke notifying us of his intention to step down from the Board towards the end of 2021. Owen has remained a member of the Board, Nomination and Governance Committee, and Remuneration Committee, as well as in his role as Senior Independent Director (SID) before stepping down on 31 December 2021. I would like to also extend my thanks to Owen for his contribution, commitment and challenge during his tenure of almost six and a half years on the Board.

The Nomination and Governance Committee recommended, and the Board approved, in October 2021 and December 2021, respectively, that Jean Park be appointed as the SID and a member of the Nomination and Governance Committee, with effect from 1 January 2022. However, in February 2022, Admiral announced that Jean would be taking a temporary medical leave of absence with immediate effect and that she intended to return to her roles in the second half of 2022. Several interim appointments were, therefore, approved to cover Jean's roles, as follows:

- Justine Roberts appointed interim SID.
- Andy Crossley appointed as interim Group Risk Committee Chair.
- Jayaprakasa (JP) Rangaswami appointed as interim Group Remuneration Committee member.

Further information on the succession planning process that led to these temporary appointments being made will be provided in the 2022 Annual Report.

Jean, together with the interim SID, Justine Roberts, will play an important role in 2022 in leading the Chair succession process as my extended tenure as Board Chair comes to an end at the AGM in 2023.

Further details of:

- The respective selection processes are set out on pages 155 – 156.
- Our succession planning is set out on page 161.
- Our explanations in respect of non-compliance with Provisions 19 and 32 of the Code are on pages 140 – 141.

Purpose, culture and the impact of Covid

As reported in our 2020 Annual Report, the Board approved a revised Group purpose statement in January 2021. The Board is cognisant that it has the ultimate responsibility for ensuring that Admiral has an appropriate company culture that aligns with the Group purpose and considers its impact on all of its stakeholders. Culture continues to be a topic of close monitoring by management and the Board, following the workforce spending an extended time working from home due to the ongoing pandemic. The Board received updates during the year on the proposals to introduce a more permanent hybrid working model across the Group and how this might impact Admiral's culture. Further information on the Group's purpose and how its culture is monitored and assessed by the Board is outlined on page 12, pages 89 – 92 of the Strategic Report and pages 145 – 147 of this report, respectively.

Stakeholder engagement

During the year, the Board revisited its Stakeholder Map and reaffirmed the key stakeholder groups, as well as the various mechanisms used to engage and communicate with each. Consideration was also given to how Admiral stakeholders' views were taken into account in decision making in accordance with the Board's duties under s.172 of the Companies Act 2006.

Information on how the Directors discharge this duty, as well as an update on the work of the Employee Consultation Groups (ECG), is contained within the stakeholder sections on pages 87 – 99 of the Strategic Report.

Environmental, Social, and Governance (ESG)

The Board increased its oversight of environmental, social and governance factors in 2021, with climate change, and diversity and inclusion being areas of increasing focus. Not only did the Board receive multiple updates on progress to increase disclosures on ESG matters, but the Audit and Risk Committees also increased their respective oversight of the implementation of the Taskforce for Climate-related Financial Disclosures (TCFD) and relevant Sustainability Accounting Standards Board (SASB) disclosures. The Remuneration Committee also considered proposals during the year to link ESG metrics to reward. Further information on TCFD and climate change can be found on page 107, and further information on Admiral's SASB disclosures can be found in our Sustainability Report (published separately on our website).

The Nomination and Governance Committee and the Board considered updates on diversity and inclusion during the year, including revised targets to demonstrate Admiral's commitment to continue to be a diverse and inclusive employer. Further information about the Board's oversight of diversity and inclusion at Admiral is included in the Nomination and Committee Report on pages 159 – 161 and on pages 54 – 55 of the Strategic Report.

Cyber risk

Having been highlighted as an area of focus within the 2020 Board evaluation, the Board, as well as the Group Risk Committee, increased its oversight of cyber risk in 2021. It received updates on information security and cyber risk, technology updates generally and also held a crisis management session based on IT security and lessons learned to date. Given the increasing sophistication of cyber-attacks in the external environment, the Board intends to maintain its focus on improving cyber security defences and reviewing the Group's response plan to a cyber-attack.

Board effectiveness

At the end of the year, the Board and all of its Committees evaluated their own performance to ensure that they continued to operate effectively and to provide an opportunity to make any improvements in 2022. The outcome of the review also fed into the Board's objectives which were set for 2022. A summary of the outcome of the internally facilitated Board evaluation, including information on the Board's objectives, are on pages 163 – 164.

Annette Court
Group Chair
3 March 2022

Board of Directors

Our diverse Board has a breadth of skills and experience.

Board skills matrix

- Finance
- Risk
- Insurance
- Executive/Strategic Leadership
- Marketing/Retail
- M&A
- City
- International
- Technology/ Digital/Data
- Operations
- Entrepreneurial
- Loans
- Remuneration/ People
- ESG/Sustainability

Annette Court
Chair

C

Current appointments

Non-Executive Director Member of the Audit and Risk Committee at Sage Group plc

Background and experience

CEO of Europe General Insurance for Zurich Financial Services and a member of the Group Executive Committee from 2007 to 2010.

Former CEO of Direct Line Group (formerly RBS Insurance) and member of the RBS Group Executive Management Committee.

Previously a member of the Board of the Association of British Insurers (ABI).

Skills

Appointed

Appointed to the Board in 2012, appointed to Chair in 2017.

Committee Membership

- Audit Committee member
- Group Risk Committee member
- Remuneration Committee member
- Nomination and Governance Committee member
- C Committee Chair
- Senior Independent Director

Milena Mondini de Focatiis
Chief Executive Officer

Current appointments

–

Background and experience

Milena joined Admiral in 2007, she became Chief Executive Officer of ConTe in 2008 and Head of UK and European Insurance in 2019. Milena was appointed as Group Chief Executive Officer in 2021.

Before joining Admiral, Milena worked as a consultant for Bain & Co and Accenture. She holds an MBA from INSEAD.

Skills

Appointed

Appointed in 2021.

Geraint Jones
Chief Financial Officer

Current appointments

–

Background and experience

Geraint joined Admiral in 2002 and held several senior finance positions, including Head of Finance, before being promoted to Deputy Chief Financial Officer in January 2012 and Chief Financial Officer in August 2014. Geraint is responsible for finance, investments and investor relations. A Fellow of the Institute of Chartered Accountants in England and Wales, Geraint spent the early part of his career as an external auditor at Ernst & Young and KPMG.

Skills

Appointed

Appointed in 2014.

Board of Directors **continued**

Mike Brierley
Non-Executive Director

Current appointments

Chair of Admiral Financial Services Limited*

Non-Executive Director, Chair of Audit Committee and member of Risk Committee of Nottingham Building Society

Trustee and Director of the Rose Theatre Trust

Background and experience

Mike was CFO of Metro Bank PLC between 2009 and 2018, helping to lead the business from start-up to listing on the FTSE. He spent seven years at Capital One Europe in various roles including CFO Europe, CFO UK and Chief Risk Officer Europe. He has also served as CFO for Royal Trust Bank, Financial Controller at Industrial Bank of Japan, London Branch, Director Business Risk at Barclaycard and was co-founder and Deputy Managing Director/CFO of Gentra Limited. In 2021 Mike joined the Rose Theatre Trust as a Trustee and Director. Mike is a Fellow of the Institute of Chartered Accountants in England and Wales.

Skills

Appointed

Appointed in 2018.

Karen Green
Non-Executive Director

Current appointments

Non-Executive Director, Chair of the Sustainability Committee; member of the Audit and Remuneration Committees of Phoenix Group Holdings plc

Subject to regulatory approval, Senior Independent Director designate of Phoenix Group Holdings plc (effective 5 May 2022)

Council Member, Chair of the Investment Committee, member of the Risk and Remuneration Committees of Lloyd's of London

Non-Executive Director and Chair of the Risk Committee, member of the Remuneration Committee at Asta Managing Agency Ltd

Non-Executive Director, member of the Risk, Audit and Remuneration Committees of Miller Insurance Services LLP

Adviser to Cytora Limited

Background and experience

Karen Green is the former CEO of Aspen UK, which comprised the principal UK insurance and reinsurance companies of Aspen Insurance Holdings from 2010 to 2017.

Other senior Aspen positions included Group Head of Strategy, Corporate Development, Office of the Group CEO and she was a member of the Group Executive Committee for 12 years.

Prior to that, she held various corporate finance, M&A and private equity roles at GE Capital Europe and Stonepoint Capital, having started her career in investment banking at Baring Brothers and Schroders.

Skills

Appointed

Appointed in 2018.

* Admiral Financial Services Limited is an Admiral Group subsidiary.

Committee Membership

- Audit Committee member
- Group Risk Committee member
- Remuneration Committee member
- Nomination and Governance Committee member
- C Committee Chair
- Senior Independent Director

Justine Roberts, CBE[1]
Non-Executive Director

Current appointments

CEO & Founder, Mumsnet.com & Gransnet.com

Non-Executive Director of The Open Data Institute

Background and experience

Justine founded Mumsnet in 2000 and is responsible for creation, strategic direction and overall leadership. In May 2011, Justine founded Gransnet, a sister site to Mumsnet, for the over-50s.

Before that Justine was a freelance football and cricket journalist for the Times and Daily Telegraph, after working for Deutsche Bank, managing the South African equity operation in the US.

Skills

Appointed

Appointed in 2016.

Jean Park
Non-Executive Director

Current appointments

–

Background and experience

Jean was Group Chief Risk Officer at the Phoenix Group from 2009 until June 2013, during which time she held responsibility for the Group's relationship with the regulator and founded the Board Risk Committee. Previously, she was Risk Management Director of the Insurance and Investments division of Lloyds TSB and, before that, Head of Compliance and Audit at Scottish Widows. Jean is a Member of the Institute of Chartered Accountants of Scotland.

Skills

Appointed

Appointed in 2014.

1 Interim Senior Independent Director.

Board of Directors **continued**

Andy Crossley[C][1]
Non-Executive Director

Current appointments

Non-Executive Director, member of Remuneration Committee and Chair of Audit Committee at Vitality Health Ltd and Vitality Life Ltd

Chair of EUI Limited*

Background and experience

Andy was Chief Financial Officer at Domestic & General Group from 2014 to 2017. He spent 14 years at Prudential plc from 2000 as Director, Group Finance; Group Chief Risk Officer; and CFO and Deputy Chief Executive Officer of Prudential UK. He previously held senior manager roles at Legal & General Group plc, where he was Group Financial Controller, and Lloyds Bank plc. Andy is a Fellow of the Institute of Chartered Accountants in England and Wales.

Skills

Appointed

Appointed in 2018.

* EUI Limited is an Admiral Group subsidiary.

1 Group Risk Committee member but temporarily interim Group Risk Committee Chair.

Jayaprakasa (JP) Rangaswami[1]
Non-Executive Director

Current appointments

Non-Executive Director of Allfunds Bank SA

Non-Executive Director of Allfunds Group PLC

Non-Executive Director of Daily Mail and General Trust

Non-Executive Director of National Bank of Greece

Non-Executive Director of EMIS Group plc

Member, Board of Trustees, Cumberland Lodge

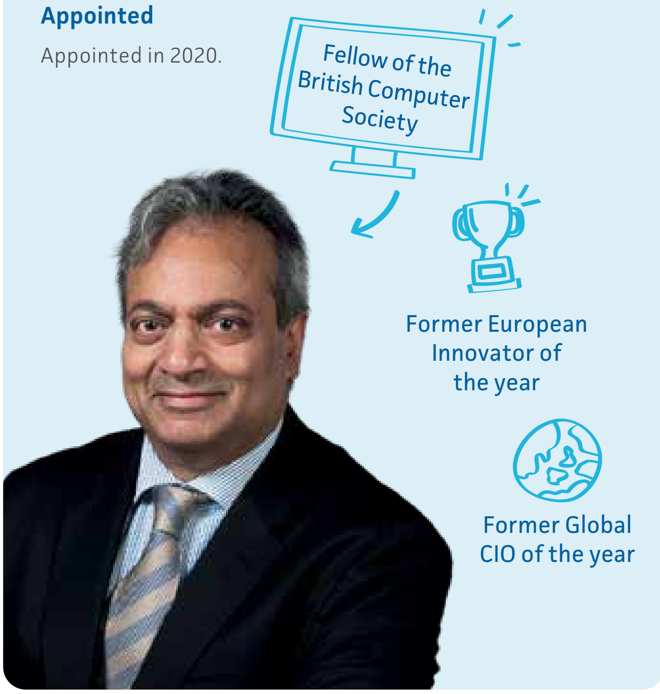
Background and experience

JP Rangaswami was Chief Information Officer with Dresdner Kleinwort from 2001 to 2006. He spent four years as Managing Director/Chief Scientist at BT Group 2006 to 2010. JP was Chief Scientist with Salesforce from 2010 to 2014 and was Chief Data Officer and Group Head of Innovation with Deutsche Bank from 2015 to 2018. JP is also a former global CIO of the Year as well as European Innovator of the Year.

Skills

Appointed

Appointed in 2020.



1 Interim Remuneration Committee member.

Committee Membership

- Audit Committee member
- Group Risk Committee member
- Remuneration Committee member
- Nomination and Governance Committee member
- C Committee Chair
- Senior Independent Director

Evelyn Bourke
Non-Executive Director

C

Current appointments

Non-Executive Director and member of the Audit and Nominations Committees at Marks and Spencer Group

Non-Executive Director Chair of the Audit Committee, and member of the Risk Committee at Bank of Ireland Group plc

Non-Executive Director and Senior Independent Director at AJ Bell plc

Background and experience

Evelyn was Bupa's Chief Financial Officer between 2012 and 2016, before becoming Bupa's Chief Executive Officer from 2016 to 2020.

Evelyn has held several senior leadership roles during her career, including Chief Commercial Officer at Friends Life UK (2012), Chief Financial Officer at Friends Provident (2009 – 2010), Chief Financial Officer at Standard Life Assurance (2006 – 2008), and Chief Executive Officer at Chase de Vere (2004).

Skills

Appointed

Appointed in 2021.

16th Ranked 16th in the Financial Times annual HERoes list of female global leaders committed to driving workplace gender equality in 2018

Extensive experience in financial services, risk and capital management

Transformative change leader

Bill Roberts
Non-Executive Director

Current appointments

–

Background and experience

Bill Roberts has a wealth of insurance, underwriting and marketing experience gained during his time at US insurer GEICO, which he joined in 1984.

Whilst at GEICO, Bill held several executive appointments, including Chief Operating Officer and President and Chief Executive Officer for all GEICO Insurance Companies, a position he held from 2018 until he was promoted to Vice Chairman, GEICO Insurance Companies in 2020. Bill held this role until he retired from GEICO in December 2020.

Skills

Appointed

Appointed in 2021.

Passionate about insurance, underwriting and marketing

Vast experience in the United States

Governance Report

Compliance with the UK Corporate Governance Code

Implementing best practice corporate governance contributes to the successful delivery of strategy and is, therefore, important to the Board. An effective corporate governance framework helps the Board and management to deliver the strategy within the scope of the relevant legal and regulatory landscapes. It ensures, amongst other things, that:

- The Board is composed in an appropriately balanced way which promotes diversity and enables it to operate effectively. Having appropriate divisions of responsibility between Executive and Non-Executive roles provides external challenge to the internal view. Similarly, diversity on the Board and at a senior management level avoids group-think and offers different perspectives.
- The Board and management maintain two-way relationships with the Group's key stakeholders. The Board should act in a way which promotes the success of the Company for the benefit of its shareholders, but it should also have regard to its other key stakeholders when making decisions. It is important that two-way engagement is maintained to enable key stakeholders to provide input to the Group's actions.
- The Group has a clear purpose and strategy, and that Admiral's culture aligns to it. Messaging and tone from the top are crucial and should be consistent so that everyone is clear about the goal and, therefore, works towards the same thing.
- Remuneration is proportionate and supports long-term success, therefore, generating the right behaviours and outcomes.

This year, the Annual Report has been structured to better help the reader cross-reference the following key sections of the UK Corporate Governance Code 2018 (Code), with the explanations of the Company's application of the Code principles and compliance with its provisions falling under the respective sections:

- Board leadership and Company purpose (from page 142)
- Division of responsibilities (from page 149)
- Composition, succession and evaluation (from page 153)
- Audit, risk and internal control (from page 165)

The mechanisms described throughout the Corporate Governance Report are intended to demonstrate how the Group's corporate governance framework contributes to the delivery of the strategy.

Provisions:

Statement of Compliance

The Group complied with the provisions of the UK Code except for provisions 19 and 32, for which there are explanations below.

Explanations:

Provision 19 of the Code states that 'The chair should not be in post beyond nine years from the date of their first appointment to the board.' Annette Court was appointed as Board Chair in April 2017, having spent five years as a Non-Executive Director of the Board. Annette reached her nine-year tenure as Non-Executive Director on the Board in March 2021. As reported in the Annual Reports for the two prior periods, in 2019, the Board considered and agreed, having consulted shareholders, that she should remain in post as Board Chair for up to three years beyond March 2021, with the expectation that she would serve two years, subject to annual approval by the shareholders. This represents a departure from the Code for the 2021 financial year.

Provision 19 of the Code goes on to state that 'To facilitate effective succession planning and the development of a diverse board, this period can be extended for a limited time, particularly in those cases where the chair was an existing non-executive director on appointment.' Not only was Annette an existing Non-Executive Director upon her appointment as Board Chair, but we also believe that it continues to be necessary to extend her tenure until March 2024 at the latest, in order to facilitate Board continuity and succession following David Stevens, a founder of Admiral, stepping down from his role as CEO in December 2020 and Milena Mondini assuming the role of Group CEO in January 2021.

The Board takes comfort from the fact that Annette's re-election was supported by shareholders at the previous AGM on 30 April 2021 (99.93% votes in favour) and that her 2021 performance review, led by the SID, concluded that she continued to perform effectively as Board Chair, continued to exercise objective judgement and promoted constructive challenge amongst Board members.

Owen Clarke: 'The Board concluded that the risk of the Chair failing to operate with sufficient independence is low, but the Board, led by the Senior Independent Director, will continue to monitor the Chair's performance and objective judgement during 2022 in order to mitigate any risk of reduced challenge to decision-making and any compromise in the Chair's objectivity.'

The 2021 Board evaluation also concluded that the Board continued to function well, under the leadership of Annette. In addition, the Board's composition has continued to be refreshed during 2021, with the appointment of Evelyn Bourke and Bill Roberts, further strengthening the Board's mix of skills, experience and knowledge whilst further mitigating any potential reduction of challenge.

Jean Park assumed the role of SID on 1 January 2022 and, together with the support of the Board, and Justine Roberts as the interim SID, will commence the search for a Board Chair successor during 2022.

Provision 32 of the Code requires that 'Before appointment as chair of the remuneration committee, the appointee should have served on a remuneration committee for at least 12 months.' Following notification from Owen Clarke of his intention to step down from the Board towards the end of 2021, steps were taken to search for a Non-Executive Director to succeed Owen as Chair of the Remuneration Committee. Evelyn Bourke was appointed to the Board as a Non-Executive Director and a member of the Remuneration Committee on 30 April 2021. Further details about the Non-Executive Director appointment process are located on page 155.

Having served four months as a member of the Remuneration Committee and following receipt of regulatory approval, Evelyn was appointed as Chair of the Remuneration Committee on 1 September 2021. Despite not having served on the Committee for at least 12 months before being appointed as Committee Chair in accordance with Provision 32, Evelyn has previous experience of remuneration committees through having been a member of the IFG Group Plc Remuneration Committee between 2013 and 2016, and through her former role as CEO of Bupa Group Plc. Evelyn has also built up substantial experience in other leadership and oversight roles in the insurance industry over the past 20 years, including chairing committees on regulated boards for regulated entities, providing a solid foundation for this role. Further details about Evelyn's experience and skills are located on page 139.

Since her appointment to the Board in April 2021, Evelyn has undertaken a comprehensive induction process with a particular focus on remuneration issues relevant to the Group, in order to ensure that she was fully aware of the Group's approach to remuneration and its challenges. During the appointment process, it was noted that Evelyn's performance in her first four months as a Non-Executive Director of the Board had been effective, she had made positive contributions to Board discussions, and she is considered to be independent in character and judgement.

It is for these reasons that the Nomination and Governance Committee and the Board are confident that Evelyn has the appropriate skills, knowledge and experience to perform this important role.

Governance Report **continued**

Board leadership and Company purpose

Compliance with the Code Principles

UK Code Principle	Description	References
Principle A	A successful company is led by an effective and entrepreneurial Board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	· Role of the Board on page 150. · Stakeholder sections in the Strategic Report: – Customers on pages 87 – 89. – People on pages 89 – 92. – Partners and suppliers on pages 93 – 94. – Shareholders on pages 95 – 96. – Communities on pages 96 – 98. – Environment on pages 98 – 99. · Board evaluation on pages 163 – 164.
Principle B	The Board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	· Purpose, values and strategy on pages 02 – 03 and 35 – 44 of the Strategic Report. · Monitoring and assessing culture on pages 144 – 147. · Role of the Board on page 150.
Principle C	The Board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	· Going concern in the Directors' Report on page 204. · Role of the Board on page 150. · Board evaluation on pages 163 – 164. · Internal audit in the Audit Committee Report on page 171. · Risk management and internal control systems in the Risk Committee Report on pages 175 – 176.
Principle D	In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.	· Stakeholder engagement on pages 87 – 99. · Stakeholder sections in the Strategic Report: – Customers on pages 87 – 89. – People on pages 89 – 92. – Partners and suppliers on pages 93 – 94. – Shareholders on pages 95 – 96. – Communities on pages 96 – 98. – Environment on pages 98 – 99.
Principle E	The Board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.	· Culture on pages 144 – 147. · Whistleblowing on page 148. · Whistleblowing in the Audit Committee Report on page 171.

Meetings and attendance

Directors are expected to attend all meetings of the Board and the Committees on which they serve and to devote sufficient time to the Group to perform their duties. Where Directors are unable to attend meetings, they receive papers for that meeting, giving them the opportunity to raise any issues with the Chair in advance of the meeting. The number of scheduled Board meetings and Committee meetings, of which they are a member, attended by each Director during 2021 is provided in the table overleaf.

In addition to the seven scheduled Board meetings held during the year, the following additional meetings were held:

- In February 2021, two meetings were called at short notice to consider ad hoc matters.
- In June 2021 to approve the appointment of Bill Roberts as a Non-Executive Director to the Board and to appoint JP Rangaswami as a member of the Group Risk Committee.

The Board also delegated authority to a Board Sub-Committee on six occasions during the year to review and approve final drafts of announcements and proposals, which had already been considered by the Board or its Committees, on behalf of the Board.

Due to the continuing Covid pandemic social distancing restrictions and lockdown measures at the beginning of the year, the Board has held several of its meetings remotely. The Board was fortunate to meet in person for two of its ten meetings held during the year, including its strategy meeting (and October Board) which was held over three days at the ConTe head office in Rome.

The work of the Group Audit Committee increased during the year, resulting in the need to hold six additional meetings, two of which were held as joint meetings with the Risk Committee. Further details of the activities of the Audit Committee are provided in its report on pages 165 – 171.

The increase in Group Risk Committee meetings beyond the five meetings scheduled for the year was a result of discussions required in relation to remuneration and Admiral's internal capital model. Further details on the activities of the Risk Committee are provided in its report on pages 172 – 176.

The increase in Group Nomination and Governance Committee meetings was due to Non-Executive Director recruitment and other ad hoc matters.

	Board meetings	Audit Committee Meetings	Risk Committee meetings	Nomination and Governance Committee meetings	Remuneration Committee meetings
Total Meetings Held	10	13[1]	10	9	8
Annette Court (Chair)	100% 10/10	–	–	100% 9/9	–
Milena Mondini de Focatiis (Chief Executive Officer)	100% 10/10	–	–	–	–
Geraint Jones (Chief Financial Officer)	100% 10/10[2]	–	–	–	–
Owen Clarke	80% 8/10[3]	–	–	100% 9/9	87.5% 7/8[4]
Karen Green	90% 9/10[5]	100% 13/13	–	–	–
Jean Park	100% 10/10	–	100% 10/10	–	100% 8/8
Manning Rountree	85.7% 6/7[6]	–	83% 5/6[7]	–	–
Justine Roberts	70% 7/10[8]	–	–	100% 9/9	–
Andrew Crossley	100% 10/10	92% 12/13[9]	100% 10/10	–	–
Michael Brierley	90% 9/10[10]	100% 13/13	–	–	100% 8/8
Jayaprakasa (JP) Rangaswami	90% 9/10[11]	–	75% 3/4[12]	–	–
Evelyn Bourke	100% 4/4[13]	–	–	–	100% 5/5[14]
Bill Roberts	100% 3/3[15]	–	–	–	–

1 Two of these meetings were held jointly with the Risk Committee, for which apologies were received from Manning Rountree in respect of the meeting held on 25 February 2021. Members of the Risk Committee also attended part of the meeting held on 20 September 2021, which included a training session.

2 Geraint attended two days out of three of the Board strategy meeting on 6–8 October 2021 due to a prior commitment.

3 Owen was unable to attend one ad hoc meeting of the Board called at short notice on 15 February 2021 and a scheduled Board meeting on 2 & 3 March 2021 due to personal circumstances.

4 Owen was unable to attend the Remuneration Committee meeting 10 February 2021 due to an unexpected emergency and, therefore, Jean Park chaired this meeting.

5 Karen was unable to attend one ad hoc meeting of the Board called at short notice on 10 June 2021.

6 Manning was unable to attend one ad hoc meeting of the Board called at short notice on 10 June 2021.

7 Manning stepped down as a Non-Executive Director of the Board on 17 June 2021 and was unable to attend the Risk Committee meeting on 12 February 2021 due to a prior external commitment.

8 Justine was unable to attend three ad hoc meetings of the Board called at short notice on 8 February 2021, 15 February 2021 and 10 June 2021.

9 Andy was unable to attend an Audit Committee meeting on 28 April 2021 due to a prior external commitment.

10 Mike was unable to attend an ad hoc meeting of the Board called at short notice on 10 June 2021.

11 JP was unable to attend an ad hoc meeting of the Board called at short notice on 10 June 2021.

12 JP was appointed as a member of the Risk Committee on 17 June 2021 but was unable to attend the Risk Committee meeting held on 30 July 2021 due to a prior external commitment.

13 Evelyn was only able to attend one day of the Board meeting held on 16 & 17 June 2021 due to a prior external commitment.

14 Evelyn was appointed to the Board as a Non-Executive Director and a member of the Remuneration Committee on 30 April 2021 and was subsequently appointed as the Chair of that Committee on 1 September 2021.

15 Bill was appointed to the Board as a Non-Executive Director on 11 June 2021.

Governance Report **continued**

Principal areas of focus for the Board in 2021

Governance

- Progress made against the findings arising from the 2020 internal Board evaluation
- Continued to monitor the transition of Milena Mondini to CEO
- Diversity and inclusion
- Directors' duties
- Group succession planning and talent management
- Matters reserved for the Board and the Committees' respective terms of reference, particularly in light of the allocation of climate change responsibilities
- BEIS audit and governance reform consultation
- Non-Executive Director recruitment

Stakeholders

- Updates from the Chair of the UK Employee Consultation Group (ECG)
- Updates from the Head of International Insurance on the overseas ECG
- Update on culture and people, including GPTW results
- Updates on diversity and inclusion
- Updates from Investor Relations
- Sustainability approach and, in particular, climate change
- Stakeholder map and respective stakeholder updates throughout the year, including engagement mechanisms
- Regulatory relationships
- Reinsurance arrangements
- Group health and safety, wellbeing and impact of remote-working
- Suppliers and partners, including prompt payment practices

Strategy

- Review of Group purpose
- Strategy deep dives throughout the year from each Group business, including the launch of diversified businesses under Admiral Pioneer
- Financial Conduct Authority (FCA) pricing remedies for the UK general insurance market
- Brand, technology and digital programme updates
- Group Strategy Review at the strategy-focused meeting in October, which considered product diversification, Admiral 2.0 and motor evolution, as well as updates from each Group subsidiary business on their individual strategies

Regulatory/risk updates

- Internal Model Application Process (IMAP) updates
- Own Risk and Solvency Assessment Report (ORSA) review
- FCA attended the June Board meeting
- Prudential Regulatory Authority (PRA) attended the October Board meeting
- Modern slavery risks in the supply chain
- Assessment of key external risk factors and lessons learned from Covid
- Cyber risk updates and crisis management education, including lessons learned

Operational performance

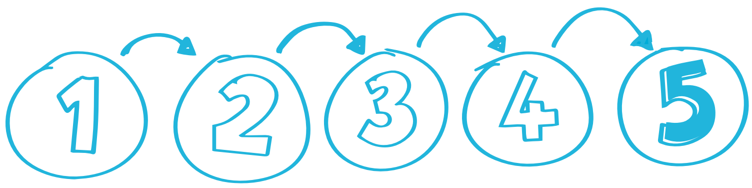
- Impact of the Covid pandemic
- Hybrid working updates
- IFRS 17 *Insurance Contracts* training and financial impact assessment
- Regular trading updates from the Group's subsidiary businesses
- Group financial performance and position
- The Group's Five-Year Plan
- Dividend considerations

Principal areas of focus for the Board for 2022

- Ensure that there is a robust selection process for the new Group Board Chair, Group Risk Committee Chair and SID
- Continuing focus on executive team succession planning
- Ensure diversity and inclusion objectives are embedded
- Support the continuous development of Admiral's core competencies
- Assess market implementation of the FCA's market study on general insurance pricing and ensure Admiral delivers a strong response
- Ensure customers continue to be at the front and centre of new propositions and incremental changes
- Oversee the Group's diversification strategy
- Monitor the development and execution of Admiral's sustainability approach and the delivery against key pledges
- Continue to deepen the Board's understanding of external risk factors
- Provide steering and oversight for capital management, reinsurance and the internal model application process
- Oversee the roll-out and evolution of the Group reward strategy

Culture

It remains important that Admiral's culture evolves and adapts as the business environment changes but it is even more critical that those parts of our culture that have been our competitive advantage and a key driver of our success to date, are fiercely protected, especially in continuing periods of change.



Aligning our culture with our purpose, values, strategy, policies and practices

Our culture is strongly aligned to our new Group purpose to 'Help more people to look after their future. Always striving for better, together'. Providing customers with great products and services, whilst caring for our people and other important stakeholders is key to what we do.

Although our Group purpose was renewed in January 2021, our unique workplace culture continues to be reinforced by our Four Pillars of Culture:

Fun

We want our people to look forward to coming to work, celebrate who they are, and feel happy and supported enough to give that little bit extra.

Communication

We encourage effective and transparent communication at all levels. This is aided by accessible management and opportunities to encourage feedback across the Group.

Equality

We work hard to promote a sense of fairness and equality. Everyone has the opportunity to succeed, backed by groups supporting diversity, inclusion and social mobility.

Recognition and reward

A job well done should be appropriately rewarded. At the heart of this pillar is our share ownership scheme, which rewards success with a stake in the Company.

The Four Pillars are built into the fabric of our training, communication, policies and the way we do business. During the year, the Board received assurance from management that the Group purpose had been embedded within the operational process and policies and that there continued to be alignment with its rewards and incentives. The Board recognised that there was evidence of the Group purpose and values having been embedded in the Group's policies and practices but requested that further information on the overall embedding of the Group's purpose be provided in early 2022.

Further information on:

- What makes Admiral a fun place to work can be found in the Strategic Report on **page 12**.
- Communication with our people can be found in the Strategic Report on **page 89**.
- Our approach to diversity and inclusion can be found in the Strategic Report on **pages 54 – 56** and the Group Nomination and Governance Committee Report on **pages 159 – 161**.
- The Group's approach to investing in and rewarding its workforce can be found in the Directors' Remuneration Report on **page 185**.

Guiding and promoting culture

Our Directors have a responsibility to act with integrity, lead by example and promote the desired culture. They do so through their everyday interactions, and we also ensure that any policies which apply to the Non-Executive Directors are consistent with the equivalent policies for the workforce.

There are many initiatives which promote Admiral's unique culture, some of which include:

- A compensation and promotion structure based on meritocracy
- Star lunches where colleagues are recognised for their performance and are invited to attend a lunch with a senior manager
- Group Top 10 competition in which all departments compete in a highly contested Group-wide competition to present to a panel of senior managers on a different subject each year in order to be awarded the best department
- Annual Manager Awards
- Local reward and recognition programmes
- High five feedback programmes where colleagues can submit feedback on colleagues across departments who have given great service
- Ministry of Fun. Further information can be found on page 12 of the Strategic Report
- Health and wellbeing initiatives introduced during Covid to encourage employees to speak up if they needed support, a weekly health and wellbeing bulletin, yoga classes, webinars, art classes, amongst many other things
- Training/career development
- Diversity and inclusion working groups and initiatives
- Putting health and safety first, particularly in respect of the return to office considerations
- New employee induction workshops on Business and Culture at Admiral (see page 147)

Governance Report **continued**

Monitoring and assessing indicators of culture

People and culture scorecard

During 2021, work was progressed to update the culture scorecard. The scorecard continues to undergo a period of evolution but provides a good view of the key people and culture metrics in order to help management and the Board's assessments of the overall health of the Group's culture. It also supports the identification of any trends in the evolution of the Group's workforce and culture, including any associated risks which could impact the execution and support of the Group's strategy.

The Group continues to view the following people and culture metrics that are derived from the annual Great Place to Work (GPTW) survey and Admiral's regular internal pulse surveys as the lead indicators for people and culture at Admiral. The GPTW survey is an external survey which collates anonymised question responses to provide an overall result, as well as departmental results.

GPTW Trust Index:	The Trust Index comprises 60 questions from the GPTW survey, that are stable over time, benchmarked against the Best Companies in each market, and highly representative of the overall people sentiment of a positive culture.	2021: 85.78% 2020: 87.36%
GPTW Engagement Index:	The Engagement Index is a specific measure comprising nine questions from the GPTW survey relating to willingness to go the extra mile, intention to stay with the business and likelihood of being an employer brand promoter. It is also benchmarked and stable over time and has a proven correlation with business performance. According to the GPTW institute research, the drivers that are most correlated to higher engagement scores are: (i) teamwork, (ii) career development, (iii) values and ethics, (iv) empowerment and accountability, and (v) innovation.	2021: 84.41% 2020: 86.84%
GPTW Culture Index:	The Culture Index is a specific measure comprising of eight questions from the GPTW survey relating to employee perception of the workplace as friendly, fun and welcoming.	2021: 90.38% 2020: 92.74%
Pulse surveys	Pulse surveys are undertaken four times a year and ask the same questions of our people to enable management to track any trends.	e.g. 95% of our people feel well supported by the business* 98% of our people think we treat customers fairly* 76% of our people think that communication within the business is good* 99% of our people are aware of the Group's Whistleblowing Policy* * June 2021 pulse survey results
Other people metrics	Headcount, gender balance, absence, attrition, recruitment.	

Scores continue to be very high across the Group, resulting in each Group entity being ranked among the Best Places to Work in their respective local markets. This demonstrates the strength and impact of the Admiral culture. Admiral is ranked as the 17th Best Workplace in Europe by Great Place to Work.

Pulse survey results in 2021 demonstrated that people at Admiral continued to feel well supported by their managers, the majority enjoyed working from home and communication was scored highly. Some examples of action taken following comments raised within the pulse surveys are outlined in the Our People section on pages 89 – 93 of the Strategic Report.

The Board received an update on the People and Culture Scorecard metrics during the year, including updates on the impact of remote working on Admiral's culture and how this risk would evolve as the Group moved to a hybrid working model.

Management recognised at that time that there were several metrics which needed to be closely monitored as a result of the culture risks associated with a move to a more permanent model of hybrid working, including engagement, absence and attrition trends, particularly as these metrics had increased back to pre-Covid levels in the UK, and recruitment, noting that improvements were needed to enhance the Group's critical capabilities in areas such as technology and analytics. The Board also challenged how further insights could be gained by tweaking some of the metrics and noted that the fun aspect of Admiral's culture was important to Admiral people. Further information on the Group's transition to hybrid working can be found in the Strategic Report on pages 101 – 102.

Other tools

In addition to employee participation in regular monthly surveys and the annual GPTW survey, there are several other mechanisms used by the Group and the Board to monitor and assess culture. For example, culture audits conducted by the internal audit function; 'Meet the Manager' meetings; the 'Ask Milena' scheme; regular online manager chats; ECG meetings; mandatory training completion rates; health and safety data; whistleblowing and grievances; promptness of payments to suppliers; and customer net promoter score (NPS).

All are felt to be valuable methods of capturing the mood of our people and to gauge the health of our culture.

The Board Committees also help the Board monitor and assess culture through their respective responsibilities, some examples of which are highlighted below.

Audit Committee – Whistleblowing, Internal Audit, Group Minimum Standards.

Risk Committee – Risk events that would impact remuneration from a malus and clawback perspective, financial crime and misconduct risks.

Remuneration Committee – Workforce remuneration policies and assesses their alignment with culture and strategy, risk events reported to it by the Risk Committee under the malus and clawback framework.

Nomination & Governance Committee – Diversity and inclusion strategy and policies and progress against targets to ensure alignment with the Group's strategy and values, and succession and talent management.

As well as receiving updates on the Group's culture at Board meetings, the Non-Executive Directors utilise other mechanisms to assess and monitor culture, such as attending meetings of the UK ECG and Subsidiary Boards and performing site visits across the different entities within the Group, where possible, which enable the Non-Executive Directors to gauge the culture for themselves during their discussions with a cross-section of colleagues. In the last quarter of 2021, some site visits were able to happen in person. The Board attended the ConTe office in Rome and, alongside the Group Board strategy meeting, received various presentations from the ConTe management team and took part in team building activities and meetings with several of them. The Board Chair was also able to visit the Admiral Seguros office in Seville, the Admiral Europe Compañía de Seguros S.A.U. (AECS) team in Madrid and was accompanied by some of the Non-Executive Directors on those visits. Due to the travel restrictions that remained in place for much of 2021, the Chair and other Non-Executive Directors were not able to visit the Elephant team and the L'olivier team in person but instead held virtual visits during the year.

Onboarding of new employees in a remote environment and protecting our culture

Following the initial national Covid lockdowns, Admiral introduced a new element to its induction for those joining remotely who had secured roles within the support functions of the business, who otherwise would not have had the four-week induction that our customer-facing colleagues complete, in order to safeguard its unique culture. The business and culture induction is a 9.5 hour programme covering the basics of our core values, culture and purpose and includes the following modules:

MODULE 1

Welcome to Admiral

- How Admiral built its business back in 1993 to become a FTSE 100 company
- What brands we use to sell our products
- Admiral's purpose statement

MODULE 2

Building our Business

- Admiral Group's business model
- Admiral's goals for 2021

MODULE 3

Introduction to the Insurance Industry

- The basics of the UK insurance market
- Understanding the governing bodies within UK insurance
- Principles of insurance

MODULE 4

Learning about Admiral's Products & Services

- Our products and services
- Reviewing our online websites and conducting customer research

MODULE 5

Upholding Our Culture at Admiral

- How every employee can uphold Admiral's unique culture moving into the future
- Admiral's four pillars of culture

MODULE 6

Personal Development at Admiral

- How Admiral can look after your future through training and development
- Registering for Admiral's internal talent bank

MODULE 7

Award Winning Culture & Core Competencies

- How to implement Admiral's core competencies into your role
- Admiral's corporate responsibility report

Governance Report **continued**

Stakeholder engagement

During the year, the Board has continued to focus on ensuring effective engagement with its stakeholders and that their interests are taken into account in its decision-making. Detailed information is set out in the Strategic Report on pages 87 – 100 outlining how the Board has discharged its duties under s172(1) of the Companies Act, including further information on the ECG, which constitutes a formal workforce advisory panel under the Code.

Communication and interaction with shareholders remain very important and engagement with them occurs on a regular basis. Open and frequent dialogue with investors enables them to fully understand the Group's strategy, objectives and governance. The Investor Relations team has day-to-day primary responsibility for managing communications with institutional shareholders through a combination of briefings to analysts and institutional shareholders, both at the half-year and full-year results and on other occasions such as roadshows and conferences. Due to the Covid pandemic, such meetings, briefings and conferences with investors have taken place virtually since early 2020.

In addition, the Chair, Senior Independent Director (SID) and Group CEO held individual meetings during the year with major shareholders to understand their views on governance and performance against strategy and reported to the Board on any significant issues raised with them.

This is supplemented by feedback to the Board on meetings between management and investors. The Investor Relations team also regularly produces a report on their activities in the previous quarter which is circulated to the Board for their consideration. The Report contains an analysis of share price performance; a summary of analyst reports received during the month and of meetings that have been held with investors and analysts; together with details of any significant changes to the shareholders' register.

The SID has specific responsibility to be available to investors who have any issues or concerns, and in cases where contact with the Chair, Chief Executive Officer and Chief Financial Officer has either failed to resolve their concerns, or where such contact is inappropriate. No such concerns have been raised in the year under review.

All shareholders are invited to attend the Company's Annual General Meeting (AGM), unless circumstances such as the Government's Covid lockdown restrictions prevent public gatherings. Given the ongoing Covid pandemic and lockdown restrictions, it was not possible for shareholders to attend the 2021 AGM in person. The 2021 AGM went ahead with only the required quorum meeting in person. The remainder of the Board joined the AGM by telephone. Shareholders were able to attend via telephone call, were invited to vote on the important customary annual business and encouraged to submit questions to the Board in advance of the AGM.

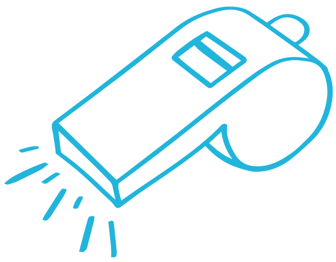
The Chairs of the Audit, Remuneration, Nomination and Governance, and Group Risk Committees usually attend the AGM along with the other Directors and are available to answer shareholders' questions on the activities of the Committees they chair. Shareholders are also invited to ask questions during the meeting and have an opportunity to meet with Directors after the formal business of the meeting has been concluded, or in advance, if there are restrictions in place on public gatherings. Details of proxy voting by shareholders, including votes withheld, are made available on request and are placed on the Company's website following the meeting.

The Group maintains a corporate website (www.admiralgroup.co.uk) containing a wide range of information of interest to institutional and private investors. The major shareholders of the Company are listed in the Directors' Report on page 205.

The regular channels of communication with both the FCA and PRA that existed throughout the year were supplemented by the FCA and PRA being invited to attend Board meetings in 2021. The FCA and PRA attended the Board remotely in June and October 2021, respectively, which gave the Board an opportunity to hear directly the views of each regulator. The Board is also kept up to date with the regular communications between the AIGL Board and the Gibraltar Financial Services Commission as well as contact between the Group's other insurance subsidiaries and respective regulators.

Whistleblowing

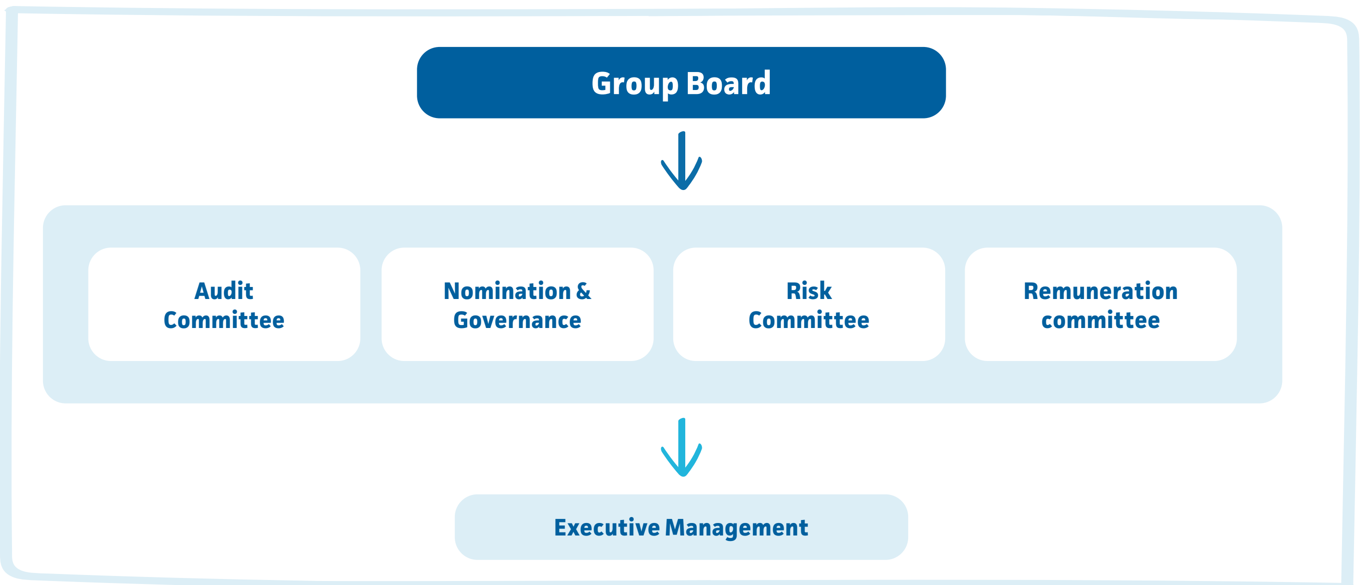
The Board has in place arrangements by which employees can raise concerns in confidence and, if necessary, anonymously. During the year, the Board received an update on the Group's whistleblowing arrangements from the management team. The Group's Whistleblowing Champion, Karen Green, was satisfied that the update was proportionate for independent investigation of the matters raised and supported an ethical business culture where colleagues felt safe raising concerns. In addition, and on an exceptions basis, the Board is updated in respect of reports arising from matters that have been raised by our people under the Whistleblowing Policy. The Audit Committee receives more regular updates in respect of whistleblowing matters. Please see page 171 for further information.



Division of responsibilities

Compliance with the Code principles

UK Code Principle	Description	References
Principle F	The Chair leads the Board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the Chair facilitates constructive Board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.	· Role of the Chair on page 150. · Code explanation for Provision 19 on page 140. · Individual Director evaluation on page 164. · Board evaluation on pages 163 – 164. · Information flows to and from the Board on page 151.
Principle G	The Board should include an appropriate combination of executive and non-executive (and in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the Board's decision-making. There should be a clear division of responsibilities between the leadership of the Board and the executive leadership of the company's business.	· Board composition and succession planning on pages 157 – 162. · Code explanation for Provision 19 on page 140. · Board evaluation on pages 163 – 164. · Board roles and responsibilities on page 150.
Principle H	Non-executive directors should have sufficient time to meet their responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account	· Time commitment and external appointments on page 159. · Board biographies (for external commitments) on pages 134 – 139. · Board evaluation on pages 163 – 164.
Principle I	The Board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	· Information flows to and from the Board on page 151. · Board evaluation on pages 163 – 164.



Governance Report **continued**

Board roles and responsibilities

The Chair is primarily responsible for leading the Board, setting its agenda, promoting a culture of openness and debate and monitoring its effectiveness. The Chair is supported by the SID, who acts as a sounding board and serves as an intermediary for the other Directors if required. Neither are involved in the day-to-day management of the Group. Save for the matters reserved for the Board, the Chief Executive Officer (with the support of the Executive Directors and the senior executives) is responsible for proposing the strategy to be adopted by the Group, running the business in accordance with the strategy agreed by the Board and implementing Board decisions.

It is the Non-Executive Directors' role to provide constructive challenge, strategic guidance, offer their respective specialist advice and hold management to account.

The Board has approved a statement that sets out the clear division of responsibilities between the Chair, Chief Executive Officer and SID. This and matters reserved for decision by the Board are reviewed annually.

Chair	Senior Independent Director	Chief Executive Officer
· Runs the Board and sets its agenda, with an emphasis on strategic issues. · Ensures the Board has effective decision-making processes, demonstrating objective judgement and applying sufficient challenge to proposals. · Facilitates constructive Board relations, including effective contribution from Non-Executive Directors. · Ensures the Board has an appropriate balance of skills, knowledge, experience and diversity. · Leads the induction and development plans for new and existing Board members. · Communicates with major shareholders and ensures the Board understands their views. · Ensures the Board receives accurate, timely and clear information. · Leads the annual Board evaluation.	· Supports the Chair in the delivery of their objectives. · Acts as a sounding board for the Chair and serves as an intermediary for the other Directors. · Available to shareholders if they have concerns that cannot be resolved through the normal channels. · Works with the Chair and other Directors/ shareholders to resolve significant issues where necessary. · Leads the annual performance evaluation of the Chair. · Leads the Chair appointment process.	· Runs the Group's business and delivers its commercial objectives. · Proposes and develops the Group's strategy, in close consultation with the Group's senior management, the Chair and the Board. · Implements the decisions of the Board and its Committees. · Ensures operational policies and practices drive appropriate behaviour, in line with the Group's culture. · Leads the communication programme with key stakeholders, including employees. · Ensures management provides the Board with appropriate information and necessary resources.

Role of the Board

The Board is responsible for promoting the long-term, sustainable success of the Group and its shareholders and is the principal decision-making forum for the Group, providing entrepreneurial leadership, both directly and through its Committees, and delegating authority to the Executive team. The Board has determined the Group's purpose which represents its values and strategy and is satisfied that it is aligned with the culture of the Group. Part of the Board's role is to promote the Group's culture and, in particular, ensure that its uniqueness is safeguarded in such times of change.

The Board is responsible for organising and directing the affairs of the Group in a manner that generates and preserves value over the long term. Through the strong governance framework that it has in place, the Board is able to deliver on its strategy of providing strong sustainable financial and operational performance. The Board is also accountable for ensuring that in carrying out its duties, the Group's legal and regulatory obligations are being met; and for ensuring that it operates within appropriately established risk parameters.

The Group's UK-regulated entities are accountable to the Financial Conduct Authority (FCA) and the Prudential Regulatory Authority (PRA) for ensuring compliance with the Group's UK regulatory obligations and that dealings with the FCA and PRA are handled in a constructive, co-operative and transparent manner. Similar provisions apply in respect of the Group's international businesses with regard to the relevant regulatory authorities, such as the Gibraltar Financial Services Commission and Dirección General de Seguros y Fondos de Pensiones in Spain.

Matters reserved to the Board

The Board has adopted a formal schedule of matters reserved for the Board's consideration. This is monitored by the Company Secretary and reviewed by the Board on an annual basis. Specific matters reserved to the Board include the approval of:

- The Group's long-term objectives and corporate strategy
- Operating and capital budgets, financial results, and any significant changes to accounting practices or policies
- The Group's capital structure
- Results and financial reporting
- The system of internal control and risk management
- The Group's overall risk appetite
- Changes to the structure, size and composition of the Board, including new appointments
- Succession plans for the Board and senior management
- Dividend policy and proposals for dividend payments
- Major acquisitions, disposals, and other transactions outside delegated limits
- The annual review of its own performance and that of its Board Committees
- Annual review of the Group's Board policies
- The review of the Group's overall corporate governance arrangements

Board Committees

The Board has delegated authority to several permanent Committees to deal with matters in accordance with written Terms of Reference. The principal Committees of the Board – Audit, Remuneration, Risk, and Nomination and Governance all comply with the requirements of the Code, except where non-compliance has been explained on pages 140 – 141 of this report.

All Committees are chaired by an independent Non-Executive Director, except the Nomination and Governance Committee, which is chaired by the Chair of the Board, and comprise a majority of independent Non-Executive Directors. In accordance with the UK Code, all members of the Audit Committee are independent Non-Executive Directors. Appointments to the Committees are made on the recommendation of the Nomination and Governance Committee and are for a period of up to three years, which may be extended for two further three-year periods, provided the Director remains independent. The Committees are constituted with written Terms of Reference that are reviewed annually to ensure that they remain appropriate and reflect any changes in good practice and governance. These Terms of Reference are available on request from the Company Secretary and can also be found on the Company's website: www.admiralgroup.co.uk.

Directors are fully informed of all Committee matters by the Committee Chairs reporting on the proceedings of their Committee at the subsequent Board meeting. Copies of Committee minutes are also distributed to the Board. Committees are authorised to obtain outside legal or other independent professional advice if they consider it necessary. The Chair of each Committee attends the Annual General Meeting to respond to any shareholder questions that might be raised on the Committee's activities. An evaluation of the performance of each Committee against the duties set out in each Terms of Reference is carried out annually.

Group conflicts of interest

In compliance with the requirements of the Companies Act 2006 regarding Directors' duties in relation to conflicts of interest, the Group's Articles of Association allow the Board to authorise potential conflicts of interest that may arise and to impose such limits as it thinks fit. The Group has a Conflicts of Interest Policy which deals with conflicts of interest, and this was reviewed and approved by the Board in October 2021. The Policy sets out the process and procedure by which the Board manages potential conflicts of interest that may arise at Board level, within Board Committees, and within the Group's Subsidiary Boards. Following this review, the Board concluded that the process continued to operate effectively.

In addition, each Board member is asked to complete, annually, a conflicts of interest questionnaire that sets out any situation in which they, or their connected persons, have, or could have, a direct or indirect interest that could conflict with the interests of the Company. Any current directorships that they, or their connected persons hold, any advisory roles or trusteeships held, together with any companies in which they hold more than 1% of the issued share capital are also disclosed.

Information flows to and from the Board

Agendas and papers

Agendas and papers are circulated to the Board electronically in a secure manner in preparation for Board and Committee meetings. The Board agenda is structured by the Chair in consultation with the Company Secretary and Chief Executive Officer. An annual schedule of agenda items is reviewed and updated at each meeting to ensure that items are considered at the appropriate point in the financial and regulatory cycle. Meetings are structured so as to allow for consideration and debate of all matters. Routine Board papers are supplemented by information specifically requested by the Directors from time to time.

Governance Report continued

At each scheduled meeting, the Board receives updates from the Chief Executive Officer and Chief Financial Officer as to the financial and operational performance of the Group and any specific developments of which the Board should be aware. In addition, there is an update provided at each Board on the matters discussed and considered at each of the Group's principal subsidiary Board meetings.

Additional meetings are called when required and there is contact between meetings, where necessary, to progress the Group's business.

Attendees

The CEO of UK Insurance (Cristina Nestares) together with the Chief Risk Officer (James Armstrong) are invited to attend every Board meeting and regular Board dinners, when these can take place. During 2021, the Head of International Insurance (Costantino Moretti) and the CEO of Admiral Loans (Scott Cargill) have been invited to attend material topics of debate at the Board meetings. This has proved an effective means of ensuring that senior managers below Board level have exposure to and gain experience of the operation of the Board.

Dynamics

All Board and Committee meetings during the year were held in an open atmosphere conducive to robust and constructive challenge and debate. All Directors have, therefore, been able to bring independent judgement to bear on issues such as strategy, risk management, performance, and resources.

Cross-Committee membership

As shown on pages 134 – 139 and page 143, Committee membership is composed in a way that ensures that there is cross-committee membership, which allows items of importance to be flagged from Committee to Committee in a timely manner. This complements the Committee briefings that the Board receives on the key points of discussion following each Committee.

Advice

All the Directors have access to the advice and services of the Company Secretary. He has responsibility for ensuring that Board procedures are followed and for advising the Board, through the Chair, on governance matters. The Company Secretary provides updates to the Board on regulatory and corporate governance issues, new legislation, and Directors' duties and obligations. The appointment and removal of the Company Secretary is one of the matters reserved for the Board.

The Directors are also given access to independent professional advice at the Group's expense, should they deem it necessary to carry out their responsibilities.

Other information flows

The Board Chair continued to hold virtual visits with various parts of the business during 2021, until she was able to resume in-person visits later in the year. The Non-Executive Directors were invited to join her on the virtual and in-person visits. Further information on those visits is included on page 24.

As referenced within the commentary on culture on page 147, the Non-Executive Directors are invited to attend ECG meetings and participate in the two-way engagement with our colleagues. Further information about this engagement mechanism is outlined on page 91 of the Strategic Report.

The Non-Executive Directors and the Chair met virtually during the year without the Executive Directors being present, including before each Board meeting.

When management teams present to the Board on their operations, they are usually invited to join the Board for dinner, which gives the opportunity for informal interaction between Directors and management. However, as was the case in 2020, these opportunities have not always been able to take place during 2021, as a result of the various Covid restrictions which have been in place. The Chair has continued to hold one-to-one meetings with members of the Group's senior management team on a virtual basis.

Training and professional development

On appointment, Directors take part in a comprehensive induction programme whereby they receive financial and operational information about the Group; details concerning their responsibilities and duties; as well as an introduction to the Group's governance, regulatory and control environment. This induction is usually supplemented by visits to the Group's head office in Cardiff and certain overseas offices, and meetings with members of the senior management team and their departments.

The Non-Executive Director induction programme has continued to be adapted in 2021 to take account of the Covid pandemic lockdown restrictions, with much of it being facilitated virtually to ensure that the induction experience matches the usual face-to-face experience. Feedback on the updated induction programme has been positive. Further information on the inductions of Evelyn Bourke and Bill Roberts during 2021 is contained in the Nomination and Governance Committee Report on pages 154 – 162.

Development and training of Directors is an ongoing process and is considered through the year. The Directors are regularly updated on the Group's business; legal matters concerning their role and duties; the competitive environments in which the Group operates; and any other significant changes affecting the Group and the industry of which it is a part. During the year, the Board received deep dive updates, briefings and training on the following topics: Internal model application process (IMAP), IFRS 17 *Insurance Contracts* implementation and financial impact, Group cyber risk, Group cyber risk crisis management, the FCA's market study, mobility, diversity and inclusion, small business market, amongst several business deep dives.

Composition, succession and evaluation

Compliance with the Code Principles

UK Code Principle	Description	References
Principle J	Appointments to the Board should be subject to formal, rigorous and transparent procedure, and an effective succession plan should be maintained for Board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	· Appointments during 2021 on pages 155 – 156. · Succession planning on pages 155 – 162.
Principle K	The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.	· Board composition and succession planning: – Balance of skills, knowledge and experience on pages 158 – 159. – Non-Executive Director tenure and independence on pages 151 – 161. · Annual re-election on page 157. · Training and professional development on page 152. · Induction on page 157.
Principle L	Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each Director continues to contribute effectively.	· Board evaluation on pages 163 – 164. · Individual Director evaluation on page 164. · Board Committee evaluations: – Nomination & Governance Committee on page 162. – Audit Committee on page 171. – Risk Committee on page 175. – Remuneration Committee on page 190.

Nomination and Governance Committee

Annette Court
Chair of the Nomination and Governance Committee

We also continue to take what we do well and what we learn to new markets and new products, both in the UK and abroad.

Committee members:
Annette Court (Chair)
Owen Clarke
Justine Roberts

Number of meetings: 9

Dear Shareholder,

This part of the report highlights the role that the Nominations and Governance Committee plays in monitoring the current and evolving Board's composition, ensuring that there is a balance of skill, experience and knowledge, as well as diversity in the broadest sense, and oversight of the Group's governance arrangements.

During the year, the Committee conducted an external search for two Board members to succeed Manning Rountree and Owen Clarke. Following a robust and transparent recruitment process, Evelyn Bourke and Bill Roberts were appointed as Non-Executive Directors. Evelyn was also appointed Chair of the Remuneration Committee later in the year and Jean Park was appointed as the SID with effect from 2022, to succeed Owen Clarke in the respective roles. Further details about these appointments and the process conducted are outlined later in this report on page 155.

The Committee also focused its time on ensuring that the Group's policy on diversity and inclusion, gender balance of the Group's senior management and their direct reports and the approach to succession planning were achieving their respective objectives.

The annual review of the Committee's own effectiveness took place towards the end of 2021, and the Committee concluded, overall, that it remained effective but noted some areas for improvement in 2022. These are outlined later within this report.

In line with the requirements of Solvency II, the Senior Insurance Manager Regime, and in accordance with the Group's Senior Managers & Certification Regime Policy, I have also carried out the process of assessment for the Group CEO, Group Non-Executive Directors, and the Chairs of the Group's material, regulated subsidiaries (EUI Limited, Admiral Insurance Company Limited and Admiral Insurance (Gibraltar) Limited) to ensure they meet the requirements in terms of qualifications, capability, honesty and integrity for 2021.

Annette Court
Chair of the Nomination and Governance Committee
3 March 2022

How the Committee operates

Membership

Membership of the Committee at the year-end was Annette Court (Chair), Owen Clarke and Justine Roberts. Jean Park replaced Owen Clarke as a member of the Committee from 1 January 2022. Justine Roberts and Jean Park are independent Non-Executive members of the Committee, as was Owen Clarke during his tenure, in accordance with the Code which requires that the majority of members should be independent Non-Executive Directors.

Attendance at meetings

The Company Secretary acts as Secretary to the Committee. Other individuals, such as the Chief Executive Officer, the Group Head of Talent and Reward and representatives of different parts of the Group, may be invited to attend all or part of any meeting, as and when appropriate.

Meetings held

The Committee meets at least twice per year and at such other times as the Chair may require. In 2021, there were six scheduled meetings, but the Committee met formally on nine occasions, as well as informally on several other occasions to meet with individuals identified as possible candidates to join the Board. The Committee Chair agrees the meetings and agendas for each meeting, which are linked to an agenda planner covering the responsibilities of the Committee.

All of the Committee meetings in 2021 were held remotely. Details of member attendance at the Committee meetings held during the year are outlined on page 143.

How the Committee keeps up to date

The Committee is kept up to date regularly on proposed appointments and governance changes across the Group, as well as key developments in the corporate governance landscape. The Terms of Reference of the Committee include all the relevant matters under the Code and are reviewed annually by the Committee.

Role and responsibilities of the Committee and key activities in 2021

The Committee reviews the leadership and succession needs of the Board and ensures appropriate procedures are in place for nominating, training and evaluating Directors. A description of its responsibilities and the activity it has focused on during the year is outlined under the following headings.

Appointments during 2021

Appointments to the Board are the responsibility of the Board as a whole, acting on the advice and recommendations of the Nomination and Governance Committee. The Nomination and Governance Committee seeks to balance the retirement and recruitment of Non-Executive Directors ahead of their replacement so as to avoid a dislocation of Board process by losing experience and skills. The Board is mindful of the need to promote diversity in appointments to the Group Board and across the rest of the Group. Appointments are made on merit and against objective criteria, having due regard to the benefits of diversity, with a view to ensuring the Board has the appropriate mix of personality, skills, and experience.

The policy on Board appointments involves the Committee developing an appropriate specification that identifies the required skills and experience for the role and, in most instances, engaging external recruitment consultants, to lead the recruitment process and identify suitable candidates. Interviews of the shortlisted candidates are held with the Chair and members of the Committee. After consideration by the Committee, a recommendation is made to the Board to appoint the preferred candidate. The Committee is satisfied that this constitutes a formal, rigorous and transparent process for the appointment of new Directors to the Group Board and its subsidiaries, embracing a full evaluation of the skills, knowledge and experience required of Directors.

Appointment of Evelyn Bourke

Following notification from Owen Clarke of his intention to step down from his position as Non-Executive Director of the Group Board upon the expiry of his six-year term, the Group Board Chair, with the support of the Committee, commenced the recruitment process for a new Non-Executive Director and a potential Remuneration Committee Chair as a priority. The Committee was also mindful that Owen Clarke also held the role of Senior Independent Director at the time, and that a successor would be required for the Group Board Chair in 2023.

During the process to identify potential NED candidates, consideration was given to the skills, experience, knowledge and diversity that the Group Board would require with Owen Clarke and Manning Rountree, who had also notified the Board of his intention to step down, stepping down and to maintain optimal Board composition and diversity. From this, the Non-Executive Director candidate objective criteria were agreed and shared with the Group Board.

External consultancy, Russell Reynolds Associates, was subsequently engaged to help with the search for potential candidates, which (except for having been engaged in prior searches for the Admiral Group Board) had no other connection with Admiral or its Directors. On its website, Russell Reynolds Associates commit to promoting diversity to access a more diverse pool of candidates, which is important to Admiral's objective of achieving Board diversity.

As part of the process, the Committee was provided with a shortlist of candidate CVs and a reserve list of candidate CVs to discuss, and it considered the merits and suitability of each of the candidates before recognising Evelyn Bourke as one of several strong candidates.

Nomination and Governance Committee **continued**

The Committee considered the fact that Evelyn, if appointed, would not have at least 12 months experience on a remuneration committee, as recommended under the Code for remuneration committee chairs, but proceeded on the basis that she had sufficient past remuneration committee experience and substantial experience in insurance, risk and capital management. Several rounds of interviews took place with the shortlisted candidates and references were also obtained for the final shortlisted candidates. Consideration was given to the likely views of the regulator of the candidates, given that the role of Chair of the Remuneration Committee is a role requiring regulatory approval.

The Committee also considered the time commitment required of the role, in light of the candidates' existing external appointments, and reviewed Evelyn's independence, concluding that she was independent and had sufficient time to commit to the role.

Having completed the appointments process outlined above largely remotely, the Board, on the recommendation of the Committee, appointed Evelyn Bourke as an independent Non-Executive Director and a member of the Remuneration Committee with effect from 30 April 2021. At that time, Owen remained Chair of the Remuneration Committee and in the role of SID. The Board, on the recommendation of the Nomination and Governance Committee and following regulatory approval, appointed Evelyn to the role of Chair of the Remuneration Committee with effect from 1 September 2021.

As well as having a wealth of experience in insurance, risk and capital management, Evelyn was Bupa's CFO for three and half years, before becoming CEO in 2016 and then stepping down in December 2020. During her tenure, she led a period of transformative change that included the introduction of a clear strategic framework and strengthening of the leadership team. Evelyn has also held leadership roles at Standard Life, Friends Provident and Chase de Vere. Details of Evelyn's current external commitments are outlined on page 139.

Appointment of Bill Roberts

Similarly, following notification from Manning Rountree of his intention to step down from his position as Non-Executive Director of the Group Board and member of the Risk Committee upon the expiry of his six-year term, the Group Board Chair, with the support of the Committee, commenced the recruitment process for a new Non-Executive Director.

As already mentioned as part of Evelyn's appointment, consideration was given to the skills, experience and knowledge that the Group Board would require with both Owen Clarke and Manning Rountree stepping down in 2021, and those required for optimal Board composition and diversity. From this, the Non-Executive Director candidate objective criteria were agreed and shared with the Group Board. The focus for this particular appointment was on commercial business leadership, strength of knowledge of the US insurance market, particularly the US motor insurance market, prior board experience with UK experience being listed as a desirable, merger and acquisition experience, as well as other characteristics which fitted with the Admiral culture.

External consultancy, Heidrick & Struggles, which has no other connection with Admiral or its Directors, was engaged to help with the search for potential candidates for this appointment. On its website, Heidrick & Struggles' Code of Ethics states that it endeavours to create diverse pipelines for its clients.

The Committee was provided with a summary of twelve prospective candidate profiles, including the three shortlisted candidates. The Committee considered the merits and suitability of each of the three shortlisted candidates and recognised that although UK board experience and diversity from a gender and ethnicity viewpoint had been a challenge in respect of the pool of candidates for this role, the three shortlisted candidates would each bring something different to the Admiral Group Board. The Committee considered that the priorities for the Group Board appointment were experience, time commitment, enthusiasm, and cultural fit, all of which they believed Bill met.

The Committee considered Bill's external time commitments and independence, noting that he did not have any other executive or non-executive director commitments that would impact the time commitment requirements for the Admiral Group Board NED role and that he was considered to be independent.

Therefore, the Board, on the recommendation of the Committee, appointed Bill as an independent Non-Executive Director with effect from 11 June 2021.

Bill has a wealth of insurance, underwriting and marketing experience gained during his time at US insurer, GEICO, which he joined in 1984. Whilst at GEICO, Bill held several Executive appointments, including Chief Operating Officer and President and Chief Executive Officer for all GEICO Insurance Companies, a position he held from 2018 until he was promoted to Vice Chairman, GEICO Insurance Companies in 2020. Bill held this role until he retired from GEICO in December 2020.

Induction

Upon appointment, Non-Executive Directors embark on a comprehensive induction programme, comprising common elements for all Non-Executive Directors, as well as elements tailored to the individual depending on their role, skills, knowledge and experience. The induction covers topics such as the role of a Non-Executive Director and their responsibilities, the workings of the Board and the Group's Subsidiary Boards, and the Company's operations. Non-Executive Directors are provided with a suite of background reading before induction sessions are arranged with individuals from each of the Group businesses, again, depending on the induction needs. Ongoing professional development needs of newly appointed Non-Executive Directors are then monitored via annual individual Director evaluations and the Committee's oversight of the Non-Executive Director skills matrix.

Other Board Committee changes and term extensions in 2021

The Board, on the recommendation of the Nomination and Governance Committee, agreed to the following proposals during the year:

- The extension of Andy Crossley's term for a further three years until February 2024.
- The appointment of JP Rangaswami as a member of the Risk Committee with effect from 17 June 2021, as a result of Manning Rountree stepping down as a Non-Executive Director and member of the Risk Committee on that same date.
- The extension of Mike Brierley's term for a further three years until August 2024.
- The extension of Karen Green's term for a further three years until December 2024.
- The appointment of Jean Park as a member of the Group Nomination and Governance Committee with effect from 1 January 2022.

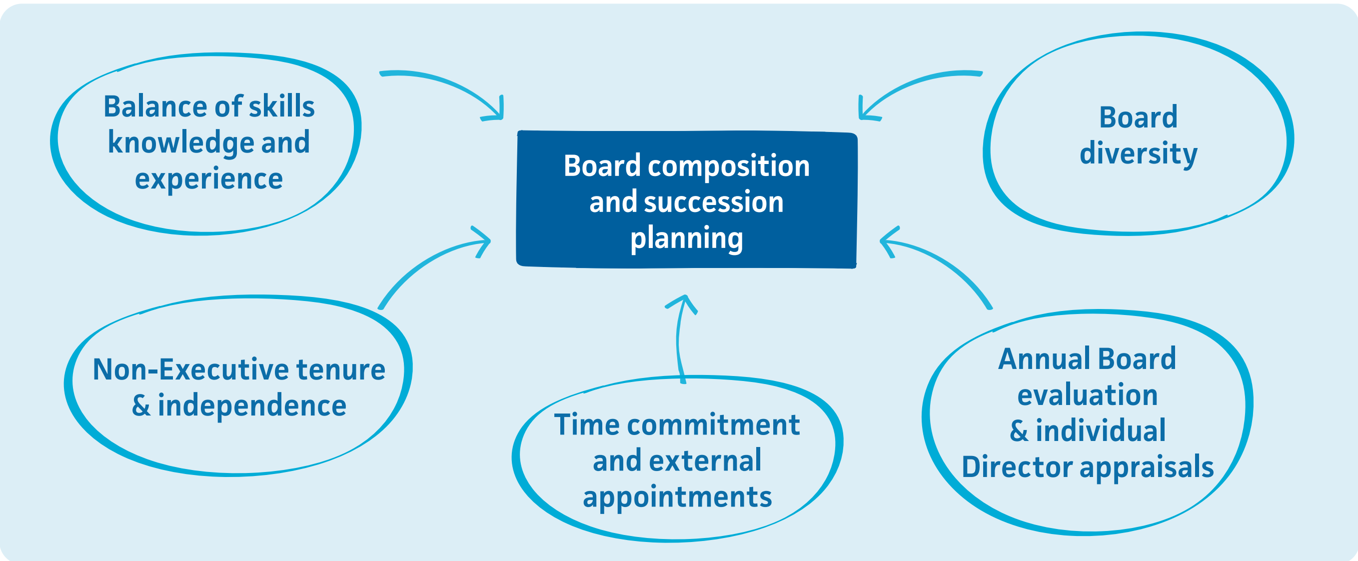
As a result of Owen Clarke's intention to step down from the Board on 31 December 2021, the Committee considered successor candidates for the role of SID. The Committee considered the candidates from a Non-Executive Director tenure perspective, the qualities required to successfully perform the role of the SID, as well as the SID responsibilities, particularly in light of the fact that the SID would need to lead the Board on the appointment of a new Group Board Chair during 2022 and early 2023. Subsequently, the Board, upon the recommendation of the Committee, approved that Jean Park be appointed as the SID with effect from 1 January 2022. The appointment was made on the basis that, despite Jean coming to the end of her nine-year tenure in January 2023, she held and understood the qualities required of a SID, through her prior experience as SID for FTSE 250 company, Murray Income Trust.

Annual re-election

As set out in the Group's Articles of Association, all Directors should retire and offer themselves for re-election at each AGM, in accordance with the UK Corporate Governance Code and the Company's current practice. Therefore, all Directors will be submitting themselves for election or re-election by shareholders at the forthcoming AGM.

The Board is satisfied that all are properly qualified for their election or re-election by virtue of their skills and experience and their contribution to the Board and its Committees. Further details of why each Director's contribution is, and continues to be, important to the Company's long-term sustainable success is provided within the notes to the Notice of the 2022 Annual General Meeting.

Board composition and succession planning



Nomination and Governance Committee **continued**

Composition

As at 31 December 2021, the Board comprised twelve Directors: the Chair (who was independent on appointment), two Executive Directors, and nine independent Non-Executive Directors. As announced on 8 October 2021, Owen Clarke stepped down from the Board on 31 December 2021.

The Committee carefully considers the independence, composition and balance of skills and knowledge of the Board. As a result, the Group continues to monitor the need to refresh Board and Committee membership in an orderly manner so as to maintain the continuity of Board process and the strength of personal interaction which underlies the effectiveness of the Board.

Non-Executive Director tenure and independence

The table below details the length of service of the Chair and each of the current Non-Executive Directors, illustrates the balance of experience and fresh perspectives, as well as the independence of each of the Non-Executive Directors.

Director	Date of appointment	Current length of service as a Non-Executive Director at 31 December 2021	Independent
Annette Court	21 March 2012	9 years 9 months**	On appointment*
Jean Park	17 January 2014	7 years 11 months	Independent
Owen Clarke	19 August 2015	6 years 4 months	Independent
Justine Roberts	17 June 2016	5 years 6 months	Independent
Andy Crossley	27 February 2018	3 years 10 months	Independent
Mike Brierley	5 October 2018	3 years 3 months	Independent
Karen Green	14 December 2018	3 years	Independent
JP Rangaswami	29 April 2020	1 year 8 months	Independent
Evelyn Bourke	30 April 2021	8 months	Independent
Bill Roberts	11 June 2021	6 months	Independent

* In accordance with the Code.

** Provision 19 of the Code relating to the tenure of the Chair was not complied with during the year. An explanation of non-compliance is located on page 140.

> The Directors have a broad range of skills and experience and can bring independent judgement to bear on issues of strategy, performance, risk management, resources and standards of conduct which are integral to the success of the Group.

Independent Non-Executive Directors are currently appointed for fixed periods of three years, subject to election by shareholders. The initial three-year period may be extended for two further three-year periods subject to re-election by shareholders. Their letters of appointment may be inspected at the Company's registered office or can be obtained on request from the Company Secretary.

Owen Clarke was the SID for the year under review. The Board is satisfied that Owen has the requisite knowledge and experience gained through his Board position, his Chairing of the Remuneration Committee (until 1 September 2021), and his membership of the Nomination and Governance Committee. In addition, Owen has financial services experience, gained through his appointment as Chairman, and formerly Chief Investment Officer of Equistone Partners Europe. Owen was available to shareholders during the year if they had concerns, where contact through the normal channels of the Chair, Chief Executive Officer, or Chief Financial Officer had either failed to resolve their concerns or where such contact was inappropriate. As SID, he was also responsible for leading the Board's discussion on the Chair's performance at the end of the year.

The Board, having given thorough consideration to the matter, considers the nine Non-Executive Directors to be independent and is not aware of any relationships or circumstances, other than the above, which are likely to affect, or could appear to affect, the judgement of any of them.

An explanation for the Group Board Chair's extended term beyond the nine years recommended by the Code are provided on page 140.

Balance of skills, knowledge and experience

The Committee regularly reviews the Board skills matrix, particularly in the context of succession planning and skills that are potentially lost at the end of a Director's tenure on the Board. The current matrix is outlined below and an explanation regarding how it feeds into succession planning follows later in this report.

The Directors have a broad range of skills and experience and can bring independent judgement to bear on issues of strategy, performance, risk management, resources and standards of conduct which are integral to the success of the Group.

Time commitment and external appointments

As well as considering the demands of a Director's time upon appointment, any subsequent external appointments of Non-Executive Directors and Executive Directors require prior approval of the Committee and the Board.

The Committee also reviews the time commitment required of Non-Executive Directors at least annually to consider whether the guidance time commitment of certain roles needs to be extended due to market or responsibility changes. Alongside this, a review of the external commitments of Non-Executive Directors is performed. The most recent review concluded that the independent Non-Executive Directors have sufficient time available to perform their duties.

Overall assessment of composition

The Board remains satisfied that it has the appropriate balance of skills, experience, independence and knowledge of the Group to enable it and its Committees to discharge their duties and responsibilities effectively, as required by the Code. In addition, the Directors are aware of their legal duties to act in a way they consider, in good faith, will be most likely to promote the success of the Company for its shareholders, as well as considering the interests of other stakeholders. Further details of how the Board fulfils its duty in this regard are outlined on pages 87 – 106.

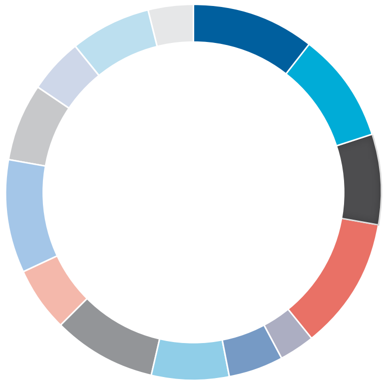
Board and senior management diversity and inclusion

Gender diversity

Diversity and the variety of perspectives that it brings has been proven in studies to increase innovation and creativity, and, as a result, improves performance. It also has other positive impacts, such as providing greater awareness, widens the talent pool and challenges the views or practices that have become embedded over time. Admiral's strategy depends on all of these things, which are enhanced by diversity, and supports our goals.

Total Board Director skills

- Finance (11)
- Risk (10)
- Insurance (8)
- Executive/Strategic Leadership (12)
- Marketing/Retail (3)
- M&A (5)
- City (7)
- International (9)
- Tech/Digital/Data (6)
- Operations (10)
- Entrepreneurial (7)
- Loans (5)
- Remuneration/People (7)
- ESG/Sustainability (4)



During the year, the Committee reviewed the Group Board Diversity and Inclusion Policy and discussed the appropriateness of the measurable targets to increase diversity and inclusion at Group Board, Subsidiary Board and senior management level. The Committee seeks to ensure that a clear recruitment strategy for Board appointments is in place and is aligned to this policy.

Measures that are covered under the Policy, including progress updates against each, include:

(i) Having one member of the senior executive team who is responsible and accountable for gender diversity and inclusion at Group level. Cristina Nestares (EUI CEO) is the accountable executive for gender diversity.

(ii) Setting internal targets for gender diversity in senior management. Progress against the Group's target of 40% of women in senior management by 2023 is detailed below.

(iii) Publishing progress annually against these targets in reports on the Group's website. Progress updates on the Group's progress against the HM Treasury's Women in Finance Charter commitments are provided on an annual basis on the Group's corporate website.

(iv) Linking the pay of the CEO to the progress made against these internal targets on gender diversity. In 2021, the Remuneration Committee considered and approved a proposal to link the progress against the Women in Finance target within the non-financial performance measures of the EUI CEO, Cristina Nestares. Further information on this is contained within the Directors' Remuneration Report on page 199.

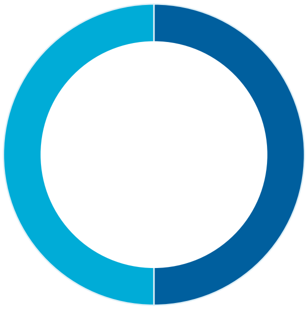
The Group has continued to exceed the target set by both Lord Davies in his report: Women on Boards, and the Hampton Alexander Review (that builds on the Davies Review) which encouraged FTSE 350 companies to achieve at least 33% women on Boards. Women on the Admiral Group Plc Board represented 50% of its membership as at 31 December 2021, compared with 42% on 31 December 2020. Official data published by the FTSE Women Leaders (succeeding the Women on Boards Report and Hampton Alexander Review) issued in February 2022 reported that the percentage of women on FTSE 100 Boards was 39.1% improving from 36.2% in 2021, which demonstrates the good progress Admiral has made compared with the average of the FTSE 100. The data also highlights that the combination of women in the Chair, CEO and SID roles is still not common, demonstrating Admiral's continued strong support of the progression of women in leadership roles.

Nomination and Governance Committee **continued**

Board Gender Diversity

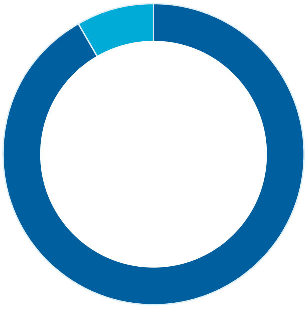
Male 50%

Female 50%



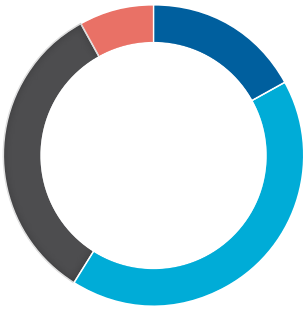
Board Ethnicity

- White (11)
- Ethnic minority (1)



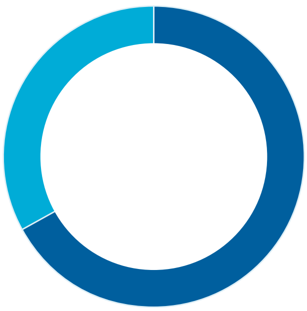
Age diversity (by brackets)

- 40s (17%)
- 50s (42%)
- 60s (33%)
- 70s (8%)



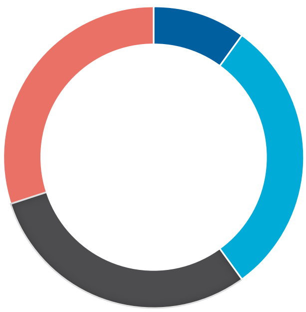
Board Nationality

- UK (67%)
- Non-UK (33%)



Non-Executive Director tenure

- >9 years
- 6–9 years
- 3–6 years
- <3 years



Annette Court	9 years 9 months	Mike Brierley	3 years 3 months
Jean Park	7 years 11 months	Karen Green	3 years
Owen Clarke	6 years 4 months	JP Rangaswami	1 year 8 months
Justine Roberts	5 years 6 months	Evelyn Bourke	8 months
Andy Crossley	3 years 10 months	Bill Roberts	6 months

As a result of the continued progress to balance gender diversity at Group Board level and to align with the Women in Finance Charter's aim of increasing female representation at the UK senior executive level to 40% by the end of 2023, the Committee approved a proposal to increase the annual target from a minimum of 33% women to 40%. The aim is to achieve this level of gender diversity at an aggregate level across the Subsidiary Boards too. As at 31 December 2021, women represented 29% of all of the Subsidiary Boards compared to 28% as at 31 December 2020, demonstrating that there is further work to improve gender diversity at this level.

During the year, the Committee reviewed the gender balance of those in senior management and their direct reports and considered the initiatives that have been proposed to focus on improving gender balance. The FTSE Women Leaders (formerly Hampton-Alexander Review) target of 33% female representation within senior management has been achieved across the Group, with females representing 44% of our Senior Executives and 35% of their direct reports.

Ethnic diversity

The Board continues to monitor the requirements of the Parker Review's report on ethnic diversity in the context of the composition of its Group and Subsidiary Boards, the initiatives that are being implemented to increase diversity and discuss how measures to develop a diverse pipeline of talent as regards to Board appointments could be developed and monitored. The Group Board includes one Board member from an ethnic minority, which meets one of the Parker Review's key recommendations for FTSE 100 companies. Further information on how the Group is developing candidates for the pipeline is outlined in the sections below and in the Strategic Report on pages 54 – 56.

The Group remains strongly supportive of the principle of boardroom diversity, of which gender and ethnicity are important, but not the only, aspects. What is important is diversity of thought, experience and approach and each new appointment must complement what already exists at the Board table.

Ethnic diversity amongst senior management and the wider workforce is something that Admiral has increased its focus on in 2021. However, the Committee recognises that the workforce is not always comfortable with voluntarily sharing such personal information. There have been initiatives to encourage more people to make such voluntary disclosures, in respect of other diversity questions, and this has been discussed by the Employee Consultation Group during the year.

Activity to improve diversity in the talent pipeline

UK

- Continued engagement with recruitment agencies to emphasise our diversity and inclusion aims and the need for a diverse pool of candidates
- The introduction of a five-year diversity and inclusion strategy that has been communicated and integrates with Admiral's people services strategy
- A review of maternity and paternity benefits has been undertaken and a 'family-friendly' section in Admiral's 'Big Book' of policies, procedures, benefits and working conditions has been created so that all colleagues can easily locate information on Admiral's policies relating to fertility treatment, baby loss, parental leave, adoption leave and parental bereavement, amongst others
- A new initiative with Cardiff University called 'Aspire' has allowed Admiral to recruit seven students from under-represented groups, such as those from ethnic minority backgrounds and women in technology. They took part in a summer internship in 2021 year, with a view to forming a longer-term relationship and the offer of permanent employment once they finish their respective education
- Admiral signed up to 10,000 Black Interns, an initiative which seeks to offer 2,000 internships each year for five consecutive years across 24 sectors, and will start to provide the intern opportunities in summer 2022

Group

In 2021, the international diversity and inclusion forum was set up for all business entities. This bi-monthly forum's purpose is to share knowledge and best practice throughout the Group. The forum has led to the design of an international diversity and inclusion roadmap, a Group diversity and inclusion maturity model and various initiatives introduced to improve a diverse talent pipeline, such as:

- Training on unconscious bias for all key recruiters and the international senior executive team
- Common guidelines to ensure inclusive job descriptions that will appeal to a diverse candidate base
- Having a common target of reaching the 40% of female candidates for short-listed roles in 2021
- Communicating to recruitment firms our commitment to making progress in achieving a diverse workforce when engaging them to recruit middle and senior levels of talent, without compromising calibre
- The planned introduction of the first 'international mentoring programme' with the aim of supporting and empowering high potential women across the Group in their careers

The Board and senior management recognise that longer-term remote working brought about by the Covid pandemic could make it more difficult to recognise discrimination and support those that may be impacted. Admiral is committed to adapt to the new environment and ensure that it provides an equal workplace for all our people.

The Group remains committed to providing equal opportunities, eliminating discrimination, and encouraging diversity amongst its employees both in the UK and overseas. A breakdown of the gender of Directors and senior employees at the end of the financial year together with details of the Group's Equality, Diversity and Dignity at Work Policy are set out in the Strategic Report on pages 54 – 55.

Succession planning

The Committee is responsible for ensuring that plans are in place for orderly succession for appointments to the Board and also reviews the succession plans for Executive Directors and other key senior management positions.

Non-Executive Directors

Non-Executive Director succession planning is split into short, medium and longer term horizons to ensure that all eventualities, as far as possible, are planned for.

Horizon: Emergency cover

Description: There are emergency succession plans to ensure that there is sufficient cover or a plan in place for key roles of the Board, namely, the Chair, the SID, Committee Chairs and, in turn, Committee members if a Committee Chair's absence is longer than expected. These plans take account of any requirements under the respective Committee's Terms of Reference, as well as any Code requirements.

Horizon: Medium term (3–6 year tenure)

Description: The Committee's medium-term succession planning involves considering the replacement of Non-Executive Directors over time to refresh the Board. The Committee considers (i) each Director's period of tenure and aims to have staggered departure dates, (ii) the skills and experience gaps that will be created as each Director's tenure comes to an end, and (iii) the diversity gaps that might also become present.

Horizon: Longer term (6–9 year tenure)

Description: The Committee's longer-term succession planning involves the consideration of the skills, experience, and diversity that the Board will need over the longer term, taking into account the Group's strategy and the main trends and factors that are likely to affect the Group's long-term success.

Nomination and Governance Committee **continued**

The regular review of these succession plans provides an opportunity for the Committee to discuss the insights provided by the data in order to inform the desired mix of skills, experience and diversity that the Board needs now and in the future, in the context of the Group's strategic objectives.

The Committee will this year be starting a search for two Non-Executive Directors with the appropriate skills and experience to succeed the Chair and the Group Risk Committee Chair. In doing so, the Committee will consider the skills, experience and diversity gaps that could materialise with the departure of the present Chair and Group Risk Committee Chair.

Executive Directors and senior management

Responsibility for making senior management appointments rests with the Chief Executive Officer and talent management continues to be a key area of focus for the Committee to ensure that there is a diverse pipeline of talent for senior management and potentially Executive Director succession.

During the year, the Committee considered progress to improve talent management and succession planning within the Group. This was in response to the review in 2020 which identified several improvements that needed to be made to Admiral's succession planning to improve the talent pipeline. Effective internal talent management ensures that Admiral's unique culture is preserved as far as possible.

The Committee received an update in 2021 on the new succession framework which is now used across the Group. It has encouraged more structured thinking about opportunities across departments and internationally, even in circumstances where this is a well embedded practice already within Admiral. Discussions on success profiles have also helped to visualise how success will look in the future for the critical senior management roles, whilst also providing future talent with visibility on what future development might look like for them. Other parts of the overall succession planning process continue to be embedded with the introduction of better:

- Scoping and anticipating future critical capabilities
- Success profiling
- Identification of career aspirations
- Assessment
- Development plans (noting that some Group entities are more matured than others)
- Collective analytics

Overall, this year's review of succession planning concluded that there was a healthy pipeline of talent across the Group, with no immediate risk in respect of leadership continuity, and the right level of talent to execute our 'internally grown leaders' strategy. However, it also concluded that some critical functions in the UK fell short on gender diversity, as well as some international entities, such as Spain. This gap represents a risk to the achievement of our commitment and ambition on gender diversity at senior management level and so this will be closely monitored by the Committee in 2022. In addition, further work will be undertaken to improve the ethnic diversity of entities located in geographies where such diversity should be better represented, which will also be overseen by the Committee in 2022.

The Committee remains satisfied that effective succession plans for Directors and senior management are in place to ensure the continued ability of the Group to implement strategy and compete effectively in the markets in which it operates.

Governance

The Committee also regularly reviews the Group's governance arrangements, including any changes to the Subsidiary or Committee structure, as well as oversight of the regulatory applications made under the Senior Managers Regime.

Committee Effectiveness Review

As part of the Committee's annual review of its own performance and processes, each Committee member completed a questionnaire designed to provide objective assessment of the Committee's performance, including its effectiveness in monitoring Board composition, considering Executive and Non-Executive succession, overseeing talent management, succession planning and developing directors' knowledge.

The Committee discussed the results of the review at its meeting in February 2022 and concluded that, overall, the Committee remained effective. Areas of focus and improvement for the Committee in 2022 were identified as including clarifying the extent of the Committee's oversight of governance arrangements and improving the clarity and focus of papers provided to the Committee. The Committee recognised that progress had been made to improve talent management and executive succession planning but felt that the Committee's oversight could be enhanced further.

Board Evaluation

2019 External Board Evaluation → 2020 Internal Board Evaluation → 2021 Internal Board Evaluation

Progress with 2020 Board Evaluation recommendations

Having last carried out an external Board evaluation in 2019 in accordance with the Code requirement that FTSE 350 companies should carry out an externally facilitated evaluation of the Board at least every three years, the 2021 Board evaluation process was facilitated internally with use of a questionnaire developed by Independent Audit, who have no other connection with the Group or its Directors. The following progress was made during 2021 in respect of the key findings from that review:

Agreed areas of focus for 2021	Progress update
Environmental, social and governance (ESG) risks and opportunities from emerging technology and ensuring that the right information is available to monitor ESG performance	During the year, the Board has increased the number of updates and sessions held on ESG matters, receiving updates on the embedding of the new Group Purpose (approved at the beginning of 2021), the Group's sustainability strategy, response to climate change, stakeholder engagement, progress to meet diversity and inclusion targets, and the responsible investment strategy, amongst other things.
Information security	During the year, the Board also increased the updates and sessions received on information security and cyber risk, general technology updates and held a crisis management session which was based on IT security and lessons learned to date.

2021 Board Evaluation

The 2021 Board evaluation process was also facilitated internally by the Chair with the support of the Group Company Secretary. A similar questionnaire developed by Independent Audit, who have no other connection with the Group or its Directors, was utilised to evaluate the Board's performance and dynamics in 2021. The online questionnaire was sent to all Board members and regular Board attendees in November 2021 and considered:

- Board composition together with the utilisation of the experience, skills and expertise, as well as diversity of Board members
- Board dynamics and the interaction between the Chair, Non-Executive Directors and management to achieve the Board's objectives
- Leadership and succession planning including the oversight of the Group's processes for managing, developing and retaining talent
- Understanding by the Board of the prevailing culture within the Group
- Quality, timeliness of delivery and presentation of Board papers and Board support
- Time management and operational performance of Board and Committee meetings
- Risk management and the effectiveness of the Board in considering the Group's risk management framework and internal controls
- The effectiveness of the Board's strategic and operational oversight.
- Priorities for change that would enhance Board performance

The results of the evaluation were discussed at the January 2022 Board meeting and showed a board that appeared to be functioning well, with some identified opportunities for improvement.

Outcomes and areas of focus for 2022

Board dynamics	The relationship between the Executive and the Non-Executive was assessed as good, with little significant divergence in views. Working with management and the inclusivity of discussions were each scored well in the context of meeting the Board's objectives.
Board composition	The Board concluded that it comprised the right mix of skills, experience and diversity in the context of the Group's strategy. The Group Nomination & Governance Committee will continue to review composition in the context of Board succession planning and the Board's needs in the coming years.
Board oversight and risk management	The Board felt that good progress had been made in respect of its objectives for 2021 but noted several areas which could be enhanced or should be of focus for 2022. These items fed into the Board's agreed objectives for 2022 and are detailed under 'principal areas of focus for the Board for 2022' on page 144.
Management and focus of meetings	Meetings were assessed as having been well-chaired and the agendas well-managed. Virtual meetings had evolved and were felt to be operating effectively. Improvements in the structure and content of Board papers were noted, but continued focus was needed in 2022 to improve the papers and call out the key issues and risks that should be the focus of Board discussion.
Stakeholder oversight	The level of stakeholder consideration in decision-making was scored well and it was acknowledged that Admiral's approach to ESG would evolve over time.

2021 Board Committee Effectiveness Reviews

Further information on each of the Board Committee's evaluations of their own performance can be found within the respective Board Committee reports.

Individual Director Evaluation

The performance of the Chief Financial Officer is appraised annually by the Chief Executive Officer, to whom he reports. The Chair, taking into account the views of the other Directors, reviews the performance of the Chief Executive Officer. The Chair also carries out the performance assessments of each of the Non-Executive Directors. Each of the Directors were determined to have continued to effectively contribute to the work of the Board in 2021.

The performance of the Chair is reviewed by the Board led by the SID. Following the latest review, the SID considered and discussed with the Chair the comments and feedback that had been received from the Directors as part of the Chair's evaluation questionnaire and was able to confirm that the performance of the Chair is effective.

Audit Committee Report

Karen Green
Chair of the Audit Committee

> I am pleased to set out in this report an update on the main activities of the Committee in 2021.

Audit, risk and internal control

Compliance with the Code Principles

UK Code Principle	Description	References
Principle M	The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.	· Roles and Responsibilities on page 168. · Non-audit fees on pages 170 – 171. · Effectiveness of external audit process on page 171. · Internal audit on page 171. · Directors' responsibilities and responsibility statement in the Directors' Report on page 208. · Principal risks and uncertainties within the Strategic Report on pages 116 – 123.
Principle N	The Board should present a fair, balanced and understandable assessment of the company's position and prospects.	· Reporting, accountability and audit within the Directors' Report on page 207.
Principle O	The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	· Internal audit on page 171. · Principal risks and uncertainties within the Strategic Report on pages 116 – 123. · Reporting, accountability and audit within the Directors' Report on page 207.

Committee members:
Karen Green (Chair)
Andy Crossley
Mike Brierley

Covid

The Committee continued to consider the impact of the Covid pandemic on the Group's financial reporting and disclosures, along with the continued effectiveness of the Group's key internal controls given the continued remote or hybrid working environment subsisting for much of the year. This included the impact of Covid on the key accounting and actuarial judgements made by management, particularly in relation to the valuation of claims reserves and credit loss provisions, as well as the potential impact on going concern and viability assumptions.

Audit Committee Report **continued**

Significant financial reporting issues

The setting of insurance claims reserves in accordance with the Group's agreed reserving methodology is a key accounting judgement in the Group's Financial Statements (as set out in note 5 to the Financial Statements), and the Committee continues to place considerable focus on this area. The Committee challenged the key reserving assumptions and judgements, movements, emerging trends and analysis of uncertainties underlying the analysis of outstanding claims for the UK Car Insurance business proposed by management alongside that of the Group's external independent actuarial advisers. In 2021, inter alia, this included the ongoing impact of Covid on claims frequency and severity, the impact of inflation on the claims reserves, and future scenarios for the Ogden discount rate. It also focused on management's assessment of the level of uncertainty inherent in the claims reserves and the changes in this assessment from prior periods. The Committee also received reports on the claims reserving processes performed for insurance businesses other than UK Car and recommended to the Board the aggregate claims reserves for inclusion in the Group's financial statements.

In addition to claims reserving, the Committee spent time reviewing management's support for a number of other significant financial reporting matters including the expected credit loss provision held in relation to the Loans receivable balance held by the Group's loans business AFSL, other potential provisions and contingent liabilities, and the results of impairment testing performed in relation to the Group parent company's investments in Group subsidiaries.

IFRS 17 (Insurance Contracts) implementation

During the year, the Committee continued to receive regular reports on the progress of the Group's IFRS 17 implementation programme. These included: the output of an external assurance review undertaken in relation to the Group's overall preparedness, including considerations and interdependencies regarding the upgrade of financial ledgers for various Group companies; reports setting out management's assessment of key technical accounting matters and potential initial accounting policy choices, and a preliminary financial impact assessment focusing on the transition to the new standard. The Committee received training from the Group's external auditor on IFRS17 and the developing detailed accounting guidance. The Committee also received regular updates on the implementation of the Group's selected software solutions for IFRS 17 and the programme status, including resourcing matters.

Corporate governance and reporting changes

The Committee was kept abreast of the Group's engagement with the Department for Business, Energy & Industrial Strategy (BEIS) consultation on 'Restoring trust in audit and corporate governance: proposals on reforms' during 2021 and will continue to monitor developments in this area. The Committee also oversaw, in conjunction with the Group's Risk Committee, the Group's progress in relation to the implementation of the Taskforce for Climate-related Financial Disclosures (TCFD) recommendations. Both Committees received a briefing from the Group's external auditor on TCFD regulation and trends in the market and reviewed their respective terms of reference to ensure appropriate clarity over their respective responsibilities.

Internal controls

The Committee has continued to maintain a focus on the various improvements underway to the Group's internal control environment, including an assessment of the Group's IT access control management, and received several reports from the first, second and third lines of defence on the measures being taken to address various issues identified in this area in particular.

Internal Audit External Effectiveness Review

The Committee undertook a review of the effectiveness of the internal audit function by way of an independent external quality assessment performed by KPMG LLP with a view to providing the Committee with an external perspective on both the evolution and development of the Internal Audit Function following the appointment of a new Head of Internal Audit in March 2020 and best practice.

I hope you find the above summary, and the more detailed report, both useful and informative.

Karen Green
Chair of the Audit Committee
3 March 2022

How the Committee operates

Membership

Membership of the Committee at the end of the year was: Karen Green (Chair), Andy Crossley and Mike Brierley.

Two of the Committee's members are Fellows of the Institute of Chartered Accountants in England and Wales. Given the insurance and financial services experience of the members of the Committee, the Board considers that they have a broad range of skills, experience and knowledge of the insurance sector, which represents the principal market in which the Group operates, and also the area of consumer lending in which the Group has a growing business, such that they are able to effectively analyse, challenge and debate the issues that fall within the Committee's remit. The Board is satisfied that the Committee as a whole has competence relevant to the sectors in which the Group operates and further considers that a number of its members have recent and relevant financial experience.

Attendance at meetings

The Company Secretary acts as Secretary to the Committee. Other individuals, such as the Chair of the Board, Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Actuary, Heads of Compliance and Internal Audit, and representatives of different parts of the Group, may be invited to attend all or part of any meeting as and when appropriate.

The external auditor was invited to attend all of the Committee's meetings held in 2021, except in respect of those agenda items when its own performance, reappointment and fees were reviewed and discussed, or where any other conflict was identified.

Meetings held

The Committee meets at least six times per year and has an agenda planner linked to events in the Company's financial calendar and other important issues that arise throughout the year, which fall for consideration by the Committee under its remit. The Committee Chair agrees the meetings and agendas for each meeting.

There were seven scheduled Committee meetings held during the year (with two of these meetings focused on reserving matters in conjunction with the half year and full year reporting). Six additional meetings were held during the year covering ad hoc matters which arose during the year, including the mid-year trading statement and various risk events. Two meetings were held as joint meetings with the Group Risk Committee.

All of the Committee's meetings in 2021 were held remotely given the ongoing restrictions. Details of member attendance at the Committee meetings held during the year are outlined on page 143.

How the Committee keeps up to date

The Committee is kept up to date with changes to Accounting Standards and relevant developments in financial reporting, company law, and the various regulatory frameworks through presentations from the Group's external auditor, Chief Financial Officer, Chief Actuary and Company Secretary. In addition, members attend relevant seminars and conferences provided by external bodies. The Committee also receives tailored briefings from management and the Group's external auditors from time to time. Topics included the Task Force for Climate-related Financial Disclosures (TCFD) and IFRS 17 implementation in 2021.

The Terms of Reference of the Audit Committee include all the matters required under the Code and are reviewed annually by the Committee.

The Chair of the Audit Committee meets individually with the Group Head of Internal Audit, Chief Financial Officer, Chief Actuary, the external auditor and UK Head of People Services (who has overall responsibility for co-ordinating the Group's whistleblowing arrangements) on a regular basis. The Committee also held (i) two private meetings with the Group Head of Internal Audit, (ii) one private meeting with the Chief Financial Officer, and (iii) two private meetings with the external auditor.

Role and responsibilities of the Committee

The Audit Committee's primary responsibilities are to:

Financial reporting

- Monitor the integrity of the Group's Financial Statements and any formal announcement relating to the Group's financial performance, including the Group's Solvency and Financial Condition Report, reviewing any significant financial reporting judgements which they contain, including that of the Group's Going Concern status
- Provide advice (where requested by the Board) on whether the Annual Report and Accounts, 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
- Oversee the Group's climate-related financial disclosures under TCFD

Audit Committee Report **continued**

Internal controls and internal audit

- Keep under review the effectiveness of the Company's internal financial controls, internal control and risk management systems
- Monitor and assess the role and effectiveness of the Group's internal audit functions in the context of the Group's overall internal control and risk management systems

External audit

- Make recommendations to the Board, to be put to shareholders for their approval at the AGM, in relation to the appointment, reappointment and removal of the Group's external auditor
- Approve the remuneration and terms of engagement of the Group's external auditor
- Review and monitor the Group external auditor's independence and objectivity, and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements
- Review the policy on the engagement of the Group external auditor to provide non-audit services, ensuring that there is prior approval of non-audit services, considering the impact this may have on independence and taking into account the relevant ethical guidance in this regard

Other

- Review the Group's procedures for handling allegations from whistleblowers
- Report to the Board on how it has discharged its responsibilities

Summary of key activities during 2021

During the year the Committee reviewed the following:

Financial reporting

- The Group Annual Report and interim results announcement, including key accounting judgements and disclosures
- Parent company financial statements (both annual and interim), and related key accounting judgements and disclosures, including impairment testing of the parent company's investments in subsidiaries
- Reports from the Chair of the Group Risk Committee on the principal risks faced by the Group and the work undertaken by the Group Risk Committee to ensure risk is appropriately managed
- Received reports from the chair of the Admiral Insurance Company Limited (AICL) and Admiral Insurance Gibraltar Limited (AIGL) Audit Committees on the financial statements for AICL and AIGL, including key accounting judgements and disclosures
- The Group Solvency and Financial Condition Report, including disclosures specific to AICL and AIGL
- Presentations from the Group's actuarial reserving team and independent external actuarial experts to assist the Committee in concluding on the adequacy of the Group's IFRS reserves and Solvency II technical provisions
- Information supporting the Group's Going Concern assumption
- Matters associated with the trading statement published on 12 July 2021, including the impact on reserving, financial reporting, the draft capital plan and dividend, as well as the draft trading statement itself
- Reports prepared by management demonstrating risk transfer within reinsurance contracts in line with the requirements of IFRS 4 (Insurance Contracts)
- Updates from the Group's loans business on the IFRS 9 (Financial Instruments) provision
- Reports assessing the accounting and disclosure impacts of risk events arising in the Group's European businesses
- The prominence of alternative performance metrics included in the Group's Annual Report
- A paper setting out the Group's planned approach for compliance with the new Financial Conduct Authority (FCA) requirement for filing and publishing annual reports in a new electronic format
- Progress updates on the Group's implementation of IFRS 17 (Insurance Contracts), including deep dive sessions on the financial impact assessment and the conclusions of the technical analysis performed to date
- Updates from management and a briefing from the external auditor on the implementation of the TCFD requirements
- An update on the prompt payment of suppliers

Internal audit and internal controls

- Reports from the internal audit functions within the Group on the effectiveness of the Group's risk management and internal control procedures, approval of the 2022 Audit Plan including resourcing levels, details of key audit findings, and actions taken by management to manage and reduce the impact of the risks identified
- Performance and effectiveness of the internal audit function, including an independent external quality assurance review of the Group Internal Audit function completed by KPMG LLP
- A summary of the key findings from all reports from Internal Audit, including management responses to the conclusions set out in the reports
- Reports on the controls in place, including any breaches or incidents, in respect of the Group's overseas subsidiaries
- European insurance internal audit updates, including an update from the Chair of the European Audit Committee (of the Group's subsidiary Admiral Europe Compañía de Seguros, S.A., (AECS) which underwrites the Group's European insurance businesses) on the activities of that Committee
- An update from the Chair of the US Audit Committee (of the Group's subsidiary Elephant Insurance Company) on the activities of that Committee
- Reports on the output of the assessment of adherence to and embedding of the Group Minimum Control Standards' framework
- Reports from the first, second and third lines of defence on IT internal controls

External audit

- Reports from the external auditor, including the management letter highlighting system and control recommendations, key accounting and audit issues and conclusions on the half year and full year reporting

- Confirmation of the external auditor's independence
- Reports from Deloitte, the external auditor, on their proposed audit scope and plan
- Proposed external audit fee and the drivers of the year-on-year increase

Other

- Updates on tax matters, including the Group Tax Strategy which was recommended to the Board for approval and is available at www.admiralgroup.co.uk
- Progress updates on the BEIS consultation relating to audit and corporate governance reforms, including updates received from the external auditor
- The effectiveness of the Group's Whistleblowing Policy, which sets out the arrangements for raising and handling allegations from whistleblowers, and receiving regular reports on instances of whistleblowing that have been raised
- The Committee's terms of reference
- The Committee's effectiveness
- Meetings held with the external auditors, the Group Head of Internal Audit, and the Chief Financial Officer, respectively, without management being present

Significant issues considered by the Committee

After discussion with both management and the external auditor, the Audit Committee determined that the key risks of misstatement of the Group's Financial Statements related to the valuation of gross insurance claims reserves.

This significant issue was discussed with management during the year and with the external auditor at the time the Committee reviewed and agreed the external auditor's Group audit plan; when the external auditor reviewed the interim Financial Statements in August 2021 and also at the conclusion of the external audit of these full year Financial Statements.

Valuation of gross insurance claims reserves

The Committee continued to spend significant time reviewing and challenging the approach, methodology and key assumptions adopted by management in setting reserves for insurance liabilities in the Financial Statements to ensure consistency with the Group's stated reserving approach to set reserves at a prudent level.

In this context, the Committee challenged management on the important judgements and assumptions used in estimating outstanding claims. Further information is set out in more detail in the critical accounting estimates section of Note 3 to the Financial Statements.

As in previous periods, the Committee held meetings specifically focused on reserving, receiving presentations on UK Car Insurance reserves from the internal actuarial reserving and finance teams, as well as the independent external actuarial advisors. At these meetings management provided further information on the projected best estimate gross claims reserves, as well as the margin to be held above best estimate in the Financial Statements and were challenged by the Committee as to their adequacy and the consistency of the level of prudence with prior periods.

The Committee reviewed and discussed the continuing impact of Covid on both claims frequency and claims severity as well as changes in claims settlement patterns. In addition, the effects of inflationary pressures on outstanding reserves were considered in relation to both damage and bodily injury claims, as well as scenarios in relation to the future Ogden rate. The Committee also reviewed management's assessment of the level of uncertainty inherent in the claims reserves and changes to that assessment from previous periods.

The Committee also received updates from the Group's external auditor, Deloitte, on its work in relation to this significant audit risk. This included reviewing management's actuarial data quality assessments, best estimate reserve projections and the margin included above best estimate, as well as support for management's qualitative and quantitative support for gross claims reserves included in the Financial Statements. Based on this work, the auditor was satisfied that the financial statement reserves remain appropriate and consistent with the Group's accounting policy.

The Committee also received reports on the reserving processes for the Group's insurance businesses other than UK Car Insurance. Whilst acknowledging that the setting of reserves for claims which will settle in the future is a complex and judgemental area and having had the opportunity to challenge management's proposal in respect of both best estimate reserves and margin held above best estimate to cover unforeseen deteriorations in the best estimate, the Committee is comfortable that an appropriate process has been followed, and that there has been sufficient scrutiny, challenge and debate to give confidence that the reserving levels set provide an appropriate margin above best estimate.

Other financial reporting issues

IFRS 9 provision for expected credit losses

During the year, the Committee has continued to review and challenge the IFRS 9 provision for expected credit loss arising through the Group's loans business, Admiral Loans. Areas of focus included enhancements made to the IFRS 9 provisioning methodology in response to findings and recommendations made by the Group's external auditor, Deloitte LLP, during the prior period external audit, the continuing impact of the Covid pandemic on default experience, the assessment of circumstances indicating a significant increase in credit risk, and underlying forward-looking economic assumptions.

The Committee reviewed and challenged management's recommendation for further enhancements to the provisioning methodology including the definition of default, new behavioural models supporting probability of default calculations, and forward-looking elements of the significant increase in credit risk (SICR) assessment. Further information on the provision and key assumptions are found in note 7 to the financial statements.

Audit Committee Report **continued**

The Committee received a report from Deloitte LLP, the Group's external auditor, in respect of work performed in relation to the Admiral Loans expected credit loss (ECL) model, and in particular in respect of management's key judgements in selecting macro-economic scenarios and key assumptions within the provision. Based on the work performed, the auditor was satisfied that management's judgements remain appropriate within the current climate.

On the basis of the work performed and having had the opportunity to challenge management's proposal in respect of the provision for expected credit losses, the Committee was comfortable that an appropriate process has been followed, noting the enhancements made to the provisioning methodology in response to recommendations made by the external auditors, and that there has been sufficient scrutiny and challenge to give confidence that the provision has been set in line with the IFRS 9 requirements and included appropriate allowance for uncertainties arising from the current macro-economic environment.

Misstatements

No material unadjusted audit differences were reported by the external auditor. The Committee confirms that it is satisfied that the auditor has fulfilled its responsibilities with diligence and appropriate professional scepticism.

After reviewing the presentations and reports from management and consulting, where necessary, with the auditor, the Committee is satisfied that the financial statements appropriately address the critical judgements and key sources of estimation uncertainty (both in respect to the amounts reported and the disclosures). The Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust.

IFRS 17 implementation

IFRS 17 is a new insurance accounting standard that will be effective from 1 January 2023. Given the fundamental changes to the Group's financial statements and systems and processes that will be required as a result of the new standard, the Committee has dedicated a significant amount of time to understanding and assessing the impact of the standard on the Group's financial reporting process and the progress of implementation of chosen software solutions.

Through the year the Committee received the following updates:

- An IFRS 17 briefing from external auditors Deloitte
- The findings of a third-party assurance review on the Group's IFRS 17 implementation programme
- Regular updates as to the programme status, including progress against plans for individual workstreams and other issues such as resourcing levels
- An initial financial impact assessment focusing on the potential transition adjustment
- Detailed analysis of the key technical decisions, including the status of the work of the external auditor Deloitte in respect of those technical issues
- Updates as to the status of the software solution for IFRS 17 and the dependencies with other finance transformation projects, including the implementation of new general ledger systems in several of the Group's businesses
- Planned governance timescales for accounting policy choices, and revised financial statements presentation ahead of the 1 January 2023 implementation date

External audit

External auditor appointment

The Group last completed an audit tender during 2020/21 when, following the completion of a transparent and independent audit tender process, Deloitte LLP were recommended to shareholders as the Group's auditor at the Annual General Meeting in April 2021 and a resolution was passed to that effect. The Committee confirms it is in compliance with the provisions of the Statutory Audit Services for Large Companies Market Investigation Order 2014.

The Committee had oversight of the transition of audit partners at the beginning of 2021. David Rush has been Deloitte's senior statutory audit partner for the Group since 1 January 2021.

On the recommendation of the Committee, the Board approved that Deloitte should be recommended to shareholders for re-appointment as the Group's auditors at the 2022 Annual General Meeting. A resolution to that effect will be proposed at the Annual General Meeting.

Audit fee

During 2021, the Committee reviewed and approved the audit fee proposal for the 2021 year end Group audit. The agreed fee for the audit and other assurance related services for 2021 is £2.25 million (2020: £1.6 million), with the increase reflecting the impact of operational separation of the audit and actuarial practices within the 'big four', an increase in the hourly fee rate per hour and the audit work performed to date in relation to the Group's implementation of IFRS 17 *(Insurance Contracts)*.

The Committee approved the fee increase having discussed with the auditor the rationale for the proposal.

Safeguarding the external auditor's independence and objectivity

The Committee reviewed and approved its policy on non-audit services in February 2021 and was satisfied that it continued to align with current regulatory guidance. Under the policy, the Group's statutory auditor will only be engaged to carry out non-audit services in exceptional circumstances or where there is a regulatory request, and where agreed by the Committee. This is to ensure that the independence and objectivity of the external auditor is safeguarded.

Pursuant to the policy and unless required by law or regulation, any non-audit services will: a) be subject to ratification by the Committee, if the cost does not exceed £15,000, or be subject to prior approval from the Committee where the cost exceeds £15,000 or such costs in the aggregate exceed £30,000 and b) in aggregate and where applicable, shall not cost more than 70% of the average statutory audit fee for the past three financial years. In considering whether to approve such non-audit services, the Committee shall consider whether:

- It is probable that an objective, reasonable and informed third party would conclude that the understanding of the Group obtained by the auditor for the audit of the financial statements is relevant to the service, and
- The nature of the service would compromise auditor independence.

The Committee will continue to monitor regulatory developments in this area to ensure that its policy on non-audit fees adheres to current guidance.

Effectiveness of the external audit process

The Committee undertakes an annual review to assess the independence and objectivity of the external auditor and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements, the progress achieved against the agreed audit plan, and the competence with which the auditor handled the key accounting and audit judgements.

As part of its review, the Committee considered, among other things, the following: the output of an online questionnaire completed by all Committee members and relevant members of the Group's Finance and Internal Audit functions and the findings of the FRC Audit Quality Reviews (AQR) published in July 2021. Following this review, the Committee concluded that the external auditor, Deloitte LLP, remained independent and that the external audit process remained effective.

Internal audit

The Group Head of Internal Audit attended all seven scheduled Audit Committee meetings, as well as three of the additional Committee meetings, and provided a range of presentations and papers to the Committee, through which the Committee monitored the effectiveness of all of the Group's material internal controls, including financial, operational and compliance controls on behalf of the Board.

The Group Head of Internal Audit also carries out an annual review of the effectiveness of the Group's systems of internal control and risk management and reports on the outcome of this review to the Committee. In February 2022, the Group Head of Internal Audit reported an adequate level of assurance in relation to the Group's arrangements for risk management, control infrastructure, governance and fraud prevention controls.

The Committee also reviewed and approved the Group Internal Audit Policy, which includes the Group Internal Audit Terms of Reference setting out the role; objectives; reporting lines and accountability; authority; independence; and objectivity of the internal audit function. During private meetings held with the Group Head of Internal Audit, the Committee monitored and discussed the evolution and development of the internal audit function. The role, competence and effectiveness of each internal audit function across the Group was also assessed by KPMG LLP via an independent external quality assessment during 2021. The Committee considered KPMG's report and concluded that the Group internal audit function, including the relevant subsidiary internal audit functions, remained independent and effective, whilst recognising that there are opportunities to enhance the functions' key operating processes and ensure that it continues to meet the needs of the Group. The Group Head of Internal Audit continues to have responsibility to ensure the quality of the internal audit activities in the Group's overseas locations.

Members of the Committee also receive all issued audit reports, enabling them to challenge the reports' content, including the rating, and related recommendations. The Committee approves the internal audit plan at the start of each calendar year whilst the effectiveness and workload of the internal audit functions and the adequacy of available resources are monitored throughout the year.

The European operations in Spain, Italy and France have a dedicated internal audit team and the US business also has its own locally based team. All reports are evaluated by the Group Head of Internal Audit to ensure the quality and effectiveness of the reported findings, and a summary of the key findings of each completed audit is provided to the Committee as part of the Group Head of Internal Audit's regular Committee update. In addition, the UK internal audit function carries out high-level governance reviews of all foreign operations, assessing the internal control frameworks and system of risk management.

Committee effectiveness review

As part of the Committee's annual review of its own performance and processes, each Committee member completed a comprehensive questionnaire designed to provide objective assessment of the Committee's performance, including its effectiveness in monitoring internal and external audit.

The Committee discussed the results of the review at its meeting in early February 2022 and concluded that the Committee continued to operate effectively with some areas for improvement, such as the timing of the annual review of the effectiveness of the external audit process and continuing to focus on improving the timeliness of the circulation of papers in advance of the meeting, and continued emphasis on root cause analysis and thematic issues in relation to Internal Audit reports.

Whistleblowing

On behalf of the Board, the Committee considered and reviewed the Group's whistleblowing policy and received quarterly updates on the use of the policy and the instances of whistleblowing that had been raised across the Group during the year. During the year, the Committee concluded that the Group's current whistleblowing arrangements were an appropriate means by which employees could raise concerns in confidence and anonymously.

The Group Risk Committee

Statement from Andy Crossley
Interim Chair of the Group Risk Committee

1. Introduction

1.1. This report has been prepared by the Chair of the Group Risk Committee (GRC) and outlines the following for inclusion in the 'Group Risk Committee' section of the Annual Report.

- The Statement from the Chair of the GRC;
- Composition of the Committee;
- Duties and responsibilities of the Committee; and
- A summary of key Committee activities in 2021.

Dear Shareholder,

As Chair of the Group Risk Committee, I am pleased to present the Committee's report for 2021.

The Committee has received updates on the UK Insurance business as well as developments within the other businesses as part of the Group's Enterprise Risk Management Framework ('ERMF'). Developments considered by the Committee throughout the year included:

Committee members:
Jean Park (Chair)
Andy Crossley (Interim Chair)
Jayaprakasa (JP) Rangaswami
Cristina Nestares (UK Insurance CEO)

Number of meetings:
10

- Covid updates, highlighting 2021 as a year of increasing stability and adaptation across the Group.
- Admiral's risk strategy and approach, including review of the Group's risk strategy and risk appetite; consideration of a refreshed suit of key risk indicators; and oversight of the management of material risk events.
- Admiral's ongoing preparations for the Financial Conduct Authority (FCA) Pricing Practices regulatory changes.
- Oversight of work required to ensure Admiral is prepared to meet the challenges of climate change.
- Developments linked to the launch of new products and the monitoring of plans to develop existing products.
- Oversight of Admiral's operational resilience work, including improvements in cyber security controls throughout the Group.
- The continuing development of the Admiral Internal Model.

Covid: During 2021 the Committee has received and challenged regular updates from the Group and its subsidiaries in relation to Covid; with the impact on Admiral's principal risks and uncertainties reducing greatly through 2021 to a position of increased stability and functionality. The Committee continues to monitor the impact of Covid and Admiral's response to its risk mitigation.

Following the recent emergence of the Omicron variant in December 2021, the Committee members once again received regular reporting providing an overview of the impacts of the pandemic on the Admiral Group including: operational and financial impacts, changes to local and national guidance, infection and death rates, etc.

In respect of the operational impacts of Covid, the Committee continues to support the Group's cautious approach to the use of office space in line with all applicable local and national guidance, with a prioritisation of employee physical wellbeing and mental health, as well as providing a high level of service to our customers. This has been achieved through a focus on improving the stability of IT systems and development of home working functionality, alongside communication with colleagues to gather information on their preferred working approaches.

The Committee has also reviewed the Group's solvency and liquidity positions in response to market volatility and wider economic uncertainty, considering factors such as changes in inflation, the wider impact of supply chain disruption, and pressures put on individual household finances. The Committee will continue to closely monitor these and other financial impacts of Covid as they develop.

Risk strategy and approach: During the year the Committee reviewed the Admiral Group Board's (hereafter '*the Board*') risk strategy and risk appetite across the Group. The Committee also approved a refresh of the suite of Key Risk Indicators with associated triggers and limits, reflecting the updates to the Group Risk Appetite.

The ongoing focus on monitoring and reporting customer outcome risks has been further enhanced through the continued embedding of the Group Conduct Risk Framework. Similarly, the Group minimum standards continue to be enhanced to reflect the growth of non-UK insurance businesses.

The Committee also continues to focus on key operational risks that affect the Group. The governance of the risk event process continues to improve, providing greater assurance to the Committee regarding the management of risk events. The Committee has continued to spend time reviewing notable risk events reported during the year.

FCA Pricing Practices regulatory changes: The Committee continues to monitor the implementation of the FCA Pricing Practices regulatory changes through established project governance and receives regular updates on the work being undertaken internally, on external partner assurance and on any potential impacts on Admiral's principal risks and uncertainties. For information regarding the impact of the FCA Pricing Practices regulatory changes on Admiral's principal risks and uncertainties, see the Viability Statement (page 124).

Climate change: The Committee has received regular updates on the work being undertaken relating to climate change to ensure that Admiral is meeting current requirements and is appropriately preparing to meet future challenges. These updates include commentary on risk management, investments, ongoing climate-related-strategic developments, and the implementation of changes necessary for compliance with new regulatory requirements, as outlined in 'Proposals to enhance climate-related disclosures by listed issuers and clarification of existing disclosure obligations' (PS20/17). This is further described in the Viability Statement (page 124), and additional information on Admiral's approach to climate change can be found in the Task Force on Climate-Related Financial Disclosures disclosure (page 107).

New product developments and existing product escalation: As a result of the Committee's oversight of individual Group entities, combined with the oversight afforded by the Group's project governance framework, the Committee has considered and challenged updates relating to material projects and change programmes within the Group, including those designed to develop new products, and those that will develop and accelerate existing products. Such oversight includes the continued development and growth of Admiral Pioneer, the further development of Admiral Financial Services Limited and numerous other developments throughout the Group.

Technology, cyber and operational resilience: Updates were provided to the Committee throughout 2021 regarding Admiral's cyber and technology risk, as part of Admiral's ERMF. A key development of which included the introduction of an enhanced target operating model for the management of Group information security and technology risks.

The Committee also received regular updates on the cyber security programme of work that is ongoing within several of the European insurance businesses; a programme to further reduce the information security risk of Admiral's EU businesses in line with the Group's Cyber Security Framework. These updates included consideration of programme prioritisation, key milestones and progress updates.

Operational resilience was a key area of focus for the Committee in 2021, with updates received through ongoing oversight of the Admiral Project Governance Framework, including project aims, key milestones, and progress against deadlines; as well as additional specific/in-depth operational resilience updates being provided.

> The Committee also continues to focus on key operational risks that affect the Group.

It was noted that the operational resilience programme is utilising both internal expertise as well as obtaining external expertise and assurance.

Admiral's internal model: A significant amount of time has been spent overseeing the further development of the Admiral internal model ('AIM') which is used to capture and quantify all material risks within the Group and to calculate the solvency capital requirement. Much of 2021 has been focused on enhancement of the model following feedback from the PRA.

The Group continues to maintain a regulatory capital add-on to cover risks not captured within the Standard Formula. The Committee has reviewed the Group's proposed dividend level, capital plan and capital buffer in line with the Capital Policy. The review considered several sensitivities, stress tests and scenarios tests, including assessing the uncertainty around Covid impacts. The Group continues to make use of Undertaking Specific Parameters (USPs) for AIGL and the Volatility Adjustment (VA) across its UK insurance entities.

Throughout 2021 the Committee challenged and reviewed the setting of, and outputs from, regular stress and scenario testing and reverse stress testing, with continued focus on the principal risks and uncertainties facing the Group. The output was incorporated into the annual Group ORSA Report for 2021 which the Committee reviewed prior to Board approval.

Andy Crossley
Interim Chair of the Group Risk Committee
3 March 2022

The Group Risk Committee **continued**

The work of the Committee is supported by more detailed work undertaken by subsidiary Board and/or executive Risk Management Committees in each of the Group's operational entities.

Composition of the Group Risk Committee

Membership at the end of the year was: Jean Park (Chair), Andy Crossley (Interim Chair), Cristina Nestares, and JP Rangaswami, with Mark Waters acting as Secretary to the Committee.

The Committee held five scheduled meetings, with a further additional five meetings taking place, predominantly to discuss remuneration and the Admiral Internal Model.

Duties and Responsibilities of the Group Risk Committee

The duties and responsibilities of the Committee are set out in the Committee's Terms of Reference, that were reviewed and approved by the Admiral Group Board.

The responsibilities of the Committee can be summarised as:

- Overseeing the development, implementation and maintenance of the Group's overall Risk Management Framework and ensuring that it is in line with emerging regulatory, corporate governance and best practice guidelines.
- Considering and recommending to the Board for approval the Group's risk appetite, as well as ongoing monitoring and review of the Group's risk exposures.
- Monitoring the Group's prudential risk exposure, which includes ensuring that the Group's capital resources and liquidity profile are appropriate to its needs, whilst meeting minimum regulatory requirements, including overseeing and challenging the design and execution of the Group's stress and scenario testing.
- Reviewing the Group's proposed interim and final dividend payments.
- Reviewing the annual Group ORSA Report and any required interim ORSA Report, with recommendations being provided to the Board for approval.
- Reviewing and approving the Solvency II Actuarial Function Reports on Reinsurance and Underwriting each year.
- Reviewing the Group's progress towards approval of the Group's internal capital model.
- Monitoring the adequacy and effectiveness of the Group's Risk and Compliance functions.
- Approving the annual plans for the Group Risk and Compliance functions which include reviewing regulatory developments and any planned meetings between the PRA and FCA and the business.
- Reviewing any significant risk issues that have a material impact on the customers of the business and / or concern the regulator.
- Ensuring the adequacy and effectiveness of the Group's systems and controls for the prevention of financial crime, and data protection systems and controls.
- Reviewing the Group's compliance with Solvency II.
- Considering the annual process for the review and appraisal of adherence to Group Minimum Standards.
- Reviewing compliance with Group policies, including the Group's Reinsurance Policy, Group ORSA Policy, and Group Underwriting Policy.
- Reviewing and approving the remuneration report from the CRO prior to Group Remuneration Committee sign off, as well as providing feedback on the Directors' Remuneration Policy, and commenting on remuneration metrics to help ensure there is no conflict with risk management objectives.
- Reviewing reports from the Group Risk, Group Compliance, Group Data Protection and Privacy, and Group Internal Audit functions.
- Formally reporting to the Group Audit Committee to facilitate their recommendation of the Annual Report and Accounts to the Board on the following key areas and disclosures: principal risks and uncertainties, risk management and internal control, viability, risks associated with material transactions and/or strategic proposals, and TCFD.

The Committee Chair reports formally to the Board on the Committee's proceedings after each meeting, on all matters within its duties and responsibilities, as set out in previously circulated minutes to the Board. The Committee Chair also reports on the activities of the Committee in a formal written report that is submitted to and discussed by the Board annually.

The work of the Committee is supported by more detailed work undertaken by subsidiary Board and / or executive Risk Management Committees in each of the Group's operational entities. At each meeting, the Risk Management Committees consider notable: movements in the operation's risk profile; risk events; and emerging risks. Risk Management Committees also assess and monitor regulatory issues, ensuring that their resolution and the action taken are appropriately recorded. The Risk Management Committees receive regular information on Conduct Risk, such as complaint handling reports and other related management information. The Group Risk Management function reviews and collates information from across the Group for consideration by the Committee.

In addition, to ensure that the Committee is operating at maximum effectiveness, it conducts a periodic review of its performance (last reviewed in June 2021) and at least annually reviews its constitution and terms of reference (last reviewed in November 2021). Any changes it considers necessary are recommended to the Group Board for approval.

Summary of Key Group Risk Committee Activities in 2021

During the year the Committee:

- Reviewed the Group's updated risk strategy, risk appetite and associated triggers and limits in the context of the Group's agreed strategic objectives.
- Received and challenged regular updates related to Covid, including: impact on the Group's principal risks and uncertainties; employee health and wellbeing; return to office plans; IT and information security updates; and the impact to subsidiaries within the Group.
- Recommended the '2021 Group ORSA Report' and ORSA Policy for Board approval prior to submission of the report to the regulator.
- Reviewed the Group's proposed dividend level, capital plan and capital buffer in line with the Capital Policy.
- Reviewed the Group's regulatory capital add-on application as part of Solvency II capital requirements.
- Received regular monitoring reports on customer outcome risk and reviewed updates to the Group Minimum Standards and Policy Framework.
- Received in-depth updates of individual Group entities, including Agri-Environment Climate Scheme, European University Institute (EUI), Admiral Financial Services Limited (AFSL), and Able.
- Considered in-depth analysis of a number of the Group's most significant risk areas, via stress and scenario testing and reverse stress testing.
- Considered the adequacy of risk mitigation measures and contingency plans, including a review of the Group's reinsurance provisions.
- Dedicated a significant amount of time to developing the Admiral internal model, receiving regular updates on the progress of the project and providing challenge to key project work streams, in particular the model validation.
- Received regular updates on climate change-related initiatives, including enhancements to governance structures and risk frameworks, and challenged recommendations for Group net zero greenhouse gas emission targets.
- Received regular risk monitoring reports on performance of Key Risk Indicators within the overall risk management framework.
- Received updates on the impact of notable risk events throughout 2021.
- Received regular updates in relation to key programmes of work, including Information Security, IT, IFRS 17, and FCA Pricing Practices as part of the Group's enhanced project governance framework.
- Considered the annual renewal of the Group's corporate insurance coverage.

1.1. Principal risks and uncertainties

The Board of Directors confirms that it has performed a robust assessment of the Group's principal and emerging risks. These risks, along with explanations of how they are being managed and mitigated, are included in the Strategic Report, page 116.

Information on how key risk drivers have impacted on the Group's principal risks has been included within the Viability Statement, page 124.

1.2. Risk management and internal control systems

The system of risk management and internal control over Admiral's insurance, operational, market, credit and group risk is designed to manage rather than eliminate the risk of failure to achieve business objectives and breaches of risk appetites. Furthermore, risk management can only provide reasonable and not absolute assurance against material misstatement or loss. The Group Board is ultimately responsible for the Group's system of risk management and internal control and the Group Audit Committee (GAC) has reviewed the effectiveness of this system (a summary of GAC duties and responsibilities, as well as key GAC activities in 2021 is available on page 165).

The Group Board is of the view: that there is an ongoing process for identifying, evaluating and managing the Group's risks and internal controls; that it has been in place for the year ended 31 December 2021; and that, up to the date of approval of the Annual Report and Accounts, it is regularly reviewed by the Group Board and accords with the internal control guidance for Directors provided in the 2018 UK Corporate Governance Code.

The Group Board confirms that it has performed a robust assessment of the Group's principal and emerging risks. These risks, along with explanations of how they are being managed and mitigated, are included in the strategic report on page 116, with key risk drivers impacting Admiral's principal risks and uncertainties being further discussed in the Viability Statement on page 124. The Group Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. This assessment supports the Group Board in monitoring the integrity of the Group's reported financial statements.

The Group Risk Committee **continued**

The Group Board meets at least seven times a year to discuss the direction of the Group and to provide oversight of the Group's risk management and internal control systems.

The Group Board has delegated the development, implementation and maintenance of the Group's overall risk management framework to the Group Risk Committee (GRC). The GRC reports on its activities to the Group Board and the GAC, supporting the overall assurance provided by the GAC that the Group's internal control, risk management and compliance systems continue to operate effectively.

The Group Board has delegated to the GAC the review of the adequacy and effectiveness of the Company's internal financial controls, and internal control and risk management systems.

The Subsidiary Boards, GRC, and entity Risk Committees receive reports setting out key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms that are embedded within the operational units. They, together with the GAC, also receive regular reports from the Internal Audit function, which include recommendations for improvement of the control and operational environments.

The Chair of the GRC provides a written report to the Group Board of the activities carried out by the Committee on an annual basis (a summary of GRC duties and responsibilities, as well as key GRC activities in 2021 is available on pages 174 – 176). In addition, the Group Board receives reports from the Chair of the GAC as to its activities, together with copies of the minutes from Subsidiary Board meetings, the GRC and the GAC.

The GAC's ability to provide assurance to the Group Board depends on the provision of periodic and independent confirmation, primarily by Group Internal Audit, that the controls established by Management are operating effectively and where necessary provides a high-level challenge to the steps being taken by the GRC to implement the risk management strategy.

Statement of assurance

Based on the conclusions of our work, as detailed above and including the oversight and review of the 2021 Group ORSA Report, the Group Risk Committee can provide the Group Board with an adequate level of assurance in relation to its arrangements for risk management.

The Group operates a 'three lines of defence' approach to Risk and Internal Control.

1st Line of Defence

The Group Board recognises that the day-to-day responsibility for implementing policies for risk identification, assessment and management lies with the senior management, whose operational decisions must take into account risk and how it can be controlled effectively.

2nd Line of Defence

The 'second line of defence' is led by the Group Chief Risk Officer and comprises the Corporate Governance functions and Committees that are in place to provide oversight of the effective operation of the internal control framework. The Corporate Governance functions facilitate the oversight and operation of the Group Policy Framework and Group Minimum Standards, covering risk management and controls for all notable risks to the Group. The Corporate Governance functions perform second line reviews, including reviews of the capital modelling and business planning processes to support the Group Board's assessment of the Group's ongoing viability. Regular reviews of all risks are undertaken in conjunction with senior management, with the results of these reviews recorded in risk registers and reported to the appropriate governance forums and Boards.

3rd Line of Defence

The 'third line of defence' comprises the independent assurance provided by the GAC and the Group Internal Audit function. Internal Audit undertakes a programme of risk-based audits covering all aspects of both the first and second lines of defence. The findings from these audits are reported to all three lines, i.e. management, the Executive and oversight Committees, and the GAC.

The Remuneration Committee

Evelyn Bourke
Chair of the Remuneration Committee

Admiral's remuneration structure reinforces our unique culture and creates strong alignment with our shareholders.

Committee members:
Evelyn Bourke (Chair)
Jean Park
Mike Brierley

Number of meetings: 8

Dear Shareholder,

I am pleased to introduce my first Directors' Remuneration Report as Chair of the Remuneration Committee (the 'Committee') and approved by the Board for the year ended 31 December 2021.

This is the first report since I took up the role of Committee Chair on 1 September 2021. I would like to thank my predecessor in the role, Owen Clarke, for his leadership of the Committee since 2018 and his support during the handover period.

I would like to thank shareholders for supporting Admiral's Remuneration Policy and Annual Report on Remuneration at the April 2021 AGM with votes of 98.6% and 99.7%, respectively.

I look forward to welcoming you at our AGM in 2022 and to your continued support for this year's remuneration resolution.

Business Context

2021 represented another strong set of results given the challenging circumstances, with a 4.2% increase in Group turnover and a 26.5% increase in the Group's share of pre-tax profit, excluding restructure costs, to £769 million. The proposed final dividend for 2021 is 118p per share (2020: 86.0p), representing a normal dividend (65% of post-tax profits) of 42.1 pence, a special dividend of 29.9 pence per share and a final dividend in relation to the sale of Penguin of 46 pence per share.

We have a unique company culture, the main pillars are: fun – ensuring we are a great place to work; communication – we encourage active and transparent communication at all levels; equality – we work hard to promote a sense of fairness and equality; and recognition and reward – we place share ownership at the heart of this pillar. To read more about our employee culture turn to page 12.

How we treat vulnerable customers has been an area of focus for 2021. Our specialist customer support team help some of our most vulnerable customers compassionately when they need us the most. To read more about how we helped our customers in 2021 turn to page 14.

The Remuneration Committee **continued**

Our approach to sustainability underpins our corporate strategy and helps translate our purpose into action. To help communicate how our approach drives long-term stakeholder value we launched a sustainability project in 2021. The aim of this project was to refine key Environmental, Social and Governance (ESG) focus areas and outline tangible ESG ambitions. To read more on our sustainability approach turn to page 46.

We have six financial measures and six non-financial measures which help us understand how we have performed as a business; these include profit and growth from a financial standpoint, and customer satisfaction and feedback and employee feedback from a non-financial standpoint. A summary of our financial and non-financial KPI's can be found on page 61.

Recap of remuneration structure at Admiral

Admiral's remuneration structure reinforces our culture and creates strong alignment with shareholders:

- Base salaries are targeted at the lower end of our peer group.
- Pensions for the Executive Directors are fully aligned with that offered to the workforce, and have been for some time, set at a maximum level of 6% of base salary subject to an overall maximum employer contribution of £15,000.
- Executives are encouraged to build up significant shareholdings in the Group to maximise shareholder alignment. Our main incentive plans are the Share Incentive Plan ('SIP'), which encourages wide share ownership across our employees, and the Discretionary Free Share Scheme ('DFSS'). DFSS primarily incentivises Earnings per Share (EPS) growth, Return on Equity (RoE) and Total Shareholder Return (TSR) vs. the FTSE 350 (excluding investment companies) over a three-year period. For Executive Directors, vesting is additionally dependent on a scorecard which includes customer outcomes, people engagement, ESG and strategy implementation. It is also subject to a potential adjustment in respect of risk events arising in the period which have a material adverse customer, regulatory or financial impact.
- Shareholder alignment is reinforced by granting DFSS awards as a fixed number of shares, ensuring the value at grant is directly aligned with the shareholder experience. The Committee reviews award sizes annually, taking into account factors such as the shareholder dilution impact of all employee share schemes and share price movement since the last award, in particular whether a material share price increase has resulted from general market or other external factors.
- Admiral pays a bonus (the 'DFSS bonus') that is equivalent to the actual dividends paid out to shareholders calculated on the number of unvested DFSS awards held. It is important to note that this is in place of, not additional to, a conventional cash bonus scheme. The DFSS bonus payable to Executive Directors is subject to a +/- 20% adjustment based on performance against a scorecard of non-financial metrics which includes customer outcomes and performance against strategic objectives.

The Committee recognises that some aspects of the structure of pay at Admiral are unusual compared to the typical practice at other large UK-listed companies, but we believe that the structure contributes to our culture of focusing on collective success and is aligned with Admiral's philosophy around the efficient use of capital and distribution of surplus profits, all of which aligns to shareholder interests.

Decisions made by the Remuneration Committee in 2021 on Executive Director compensation

Taking into account the approved remuneration structure and Admiral's business performance, the Committee made the following decisions during 2021:

- Based on performance to 31 December 2021, 98.57% and 93.08% of the DFSS award granted in 2019 will vest to Milena Mondini de Focatiis and Geraint Jones, respectively. It should be noted that the vesting calculations were based on re-stated financials, to ensure the sale of the price comparison business did not artificially inflate vesting outcomes. The full details of the vesting outcomes are on page 194.
- Milena Mondini de Focatiis and Geraint Jones also received a DFSS bonus of £653,849 and £471,763 respectively. This bonus is equivalent to dividends which would have been paid during the year on all outstanding DFSS and salary shares awarded, but not yet vested, plus a +/- 20% adjustment for performance against a scorecard of Non-Financial Metrics.

In addition, the DFSS bonus was subject to a potential adjustment to take into account any risk events which were considered to have a material customer, regulatory or financial impact. For this year there were no such risk adjustments. The full details of the DFSS bonus calculations are on page 195.

- During the course of 2021, Milena Mondini de Focatiis was granted an award of 90,000 shares and Geraint Jones was granted an award of 52,500 shares under the DFSS. This is the equivalent to £3,109,500 or 447% of Milena's base salary and £1,813,875 or 448% of Geraint's base salary respectively. These awards will vest on:
  - three-year EPS growth – 26.67% weighting;
  - TSR vs. FTSE 350 (excluding investment companies) – 26.67% weighting;
  - RoE – 26.67% weighting; and
  - the average outcomes of the scorecards of Non-Financial Metrics used to assess DFSS bonus adjustments over the performance period – 20% weighting.

There will also be the potential for downwards adjustment subject to an assessment to take into account of risk events which are considered to have a material customer, regulatory or financial impact over the course of the performance period. Further details can be found on page 182.

2022 remuneration arrangements

Executive Director remuneration arrangements for 2022 will continue to align with the 2021 Remuneration Policy.

Milena Mondini de Focatiis' salary was increased by 3.0% to £715,850 and Geraint Jones's salary was increased by 3.0% to £416,800, effective from 1 January 2022. These increases are in line with proposed base pay changes across the wider Group for 2022.

The Committee reviewed the metrics that will apply to DFSS and DFSS bonus awards for 2022. Further details are shown on page 197 – 198. In particular, the Committee considered the use of Environmental, Social and Governance ('ESG') measures. For 2022, DFSS and DFSS bonus awards will be subject to performance targets based on Diversity, both in senior management and across the Group, and a reduction in our carbon emissions.

The Annual Report on Remuneration (subject to an advisory vote) will be put to our shareholders at the AGM in 2022. We do hope that you vote in favour of the report. I am available to discuss our Remuneration Policy and Annual Report on Remuneration with shareholders.

Evelyn Bourke
Chair of the Remuneration Committee
3 March 2022

Remuneration at a glance

> I would like to thank shareholders for supporting Admiral's Remuneration Policy and Annual Report on Remuneration at the April 2021 AGM with votes of 98.6% and 99.7%, respectively.

How did we perform during 2021?

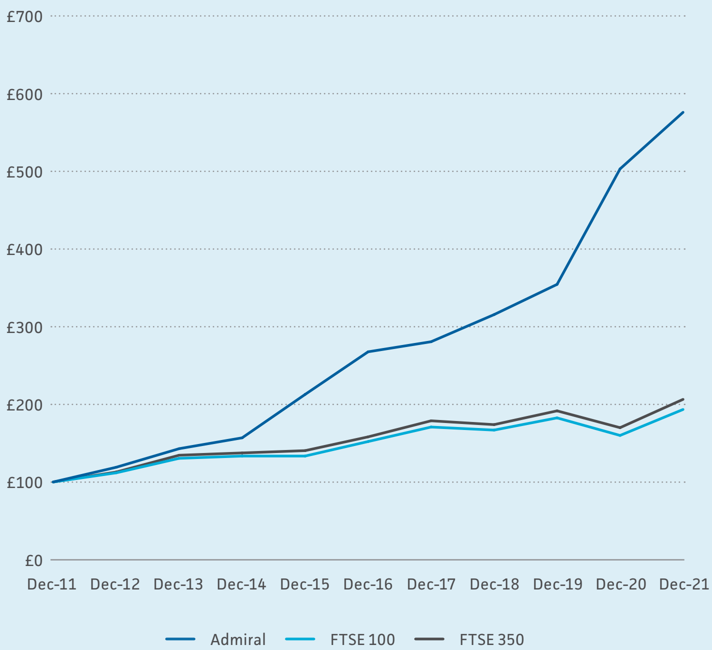
212.2p
Earnings per share (pence)
(2020: 170.7p)

56%
Return on equity (%)
(2020: 52%)

187p
Full year dividend per share (pence)
(2020: 156.5p)

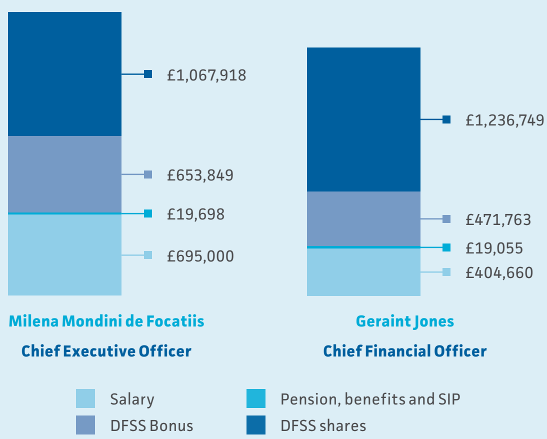
10-year TSR performance: Admiral vs. FTSE100 and FTSE350 indices

Growth in the value of a hypothetical £100 holding over ten years to 31 December 2021



What did our Executive Directors earn in 2021?

- Pension, benefits and SIP includes 2021 pension contribution of £19,698, and £19,055 for the CEO and CFO, respectively
- DFSS bonus of £653,849 and £471,763 for the CEO and CFO, including an adjustment for performance against scorecards of non-financial measures.
- DFSS value for the CEO and CFO relates to 98.57% and 93.08% of their 2019 DFSS awards vesting, respectively.



Director's remuneration policy

Compliance Statement

This Remuneration Report has been prepared according to the requirements of the Companies Act 2006 (the Act), Regulation 11 and Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2018, the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 and other relevant requirements of the FCA Listing Rules. In addition, the Board has adopted the principles of good corporate governance set out in the UK Corporate Governance Code (the Code) and the guidelines issued by its leading shareholders and bodies such as ISS, the Investment Association, and the Pensions and Lifetime Savings Association.

Unless otherwise stated, information contained within this Remuneration Report is unaudited.

The following Remuneration Policy (the '2021 Policy') was approved by a 98.6% shareholder vote and therefore came into effect from the April 2021 AGM. There have been no changes to the Remuneration Policy since the 2021 AGM.

Complying with the Code Principles

UK Code Principle	Description	References
Principle P	Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.	· Key Principles on page 181. · Executive Director Remuneration Policy on page 182. · Remuneration outcomes for 2021 on page 191. · Implementation of remuneration policy for 2022 on page 197.
Principle Q	A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.	· Executive Director Remuneration Policy on page 182. · Incentive outcomes on page 193. · Remuneration Committee overview on page 177.
Principle R	Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	· Remuneration outcomes for 2021 on page 190. · Remuneration Committee overview on page 177.

Key Principles of Admiral Remuneration Arrangements

The Group is committed to the primary objective of maximising shareholder value over time in a way that also promotes effective risk management and excellent customer outcomes and ensuring that there is a strong link between performance and reward. This is reflected in the Group's stated Remuneration Policy of paying competitive, performance-linked and shareholder-aligned total remuneration packages comprising basic salaries coupled with participation in performance-based share schemes to generate competitive total reward packages for superior performance. The Board is satisfied that the adoption of this Policy continues to meet the objectives of attracting and retaining high quality executives across the Group.

The Committee reviews the remuneration framework and packages of the Executive Directors and senior managers and recognises the need to ensure that the Remuneration Policy is firmly linked to the Group's strategy, including its risk management approach. In setting the Policy and making remuneration decisions, the Committee takes into account pay and conditions elsewhere in the Group. The main principles underlying the Remuneration Policy are:

- **Competitive total package** – the Group aims to deliver total remuneration packages that are market-competitive, taking into account the role, job size, responsibility, and the individual's performance and effectiveness. Prevailing market and economic conditions and developments in governance are also considered, as are general salary levels throughout the organisation;
- **Significantly share-based** – our base salaries are targeted towards the lower end of market but are combined with meaningful annual share awards that vest on long-term performance to ensure strong alignment with shareholders and the long-term interests of the Group. Executives are also encouraged to build up significant shareholdings in the Group to maximise shareholder alignment;
- **Long-term perspective** – a significant part of senior executives' remuneration is based on the achievement of stretching performance targets that support the delivery of the Group's strategy and shareholder value. The extended performance and vesting horizons promote a long-term perspective that is appropriate to the insurance sector;

Director's remuneration policy **continued**

- **Effective risk management** – incentives are designed to ensure they do not encourage excessive risk-taking. They are aligned with the delivery of positive customer outcomes and reinforce the Group's risk policy;
- **Open and honest culture** – the Group has a strong culture of focusing on collective success, whilst still recognising individual contribution to the Group's performance, and this is reflected in our remuneration structure across the business; and
- **Transparency to stakeholders** – the remuneration structure is designed to be easy to understand, and all aspects are clear to employees and openly communicated to employees, shareholders, and regulators.

Remuneration Policy table

This table describes the key components of the remuneration arrangements for Executive Directors.

Purpose and link to strategy	Operation	Opportunity and performance metrics
Base Salary To attract and retain talent by setting base salaries at levels appropriate for the business.	Salaries are reviewed annually or following a significant change in responsibilities. Salary levels / increases take account of: · Scope and responsibility of the position. · Individual performance and effectiveness, and experience of the individual in the role. · Average increase awarded across the Group.	Any salary increases are applied in line with the outcome of the review. In respect of existing Executive Directors, it is anticipated that increases in cash salary will not normally exceed the increase for the general employee population over the term of this Policy. More significant increases may be awarded in certain circumstances including, but not limited to: where there has been a significant increase in role size or complexity, to apply salary progression for a newly appointed Executive Director, or where the Executive Director's salary has fallen significantly behind market. Where increases are awarded in excess of that for the general employee population, the Committee will provide the rationale in the relevant year's Annual Report on Remuneration.
Pension To provide retirement benefits.	The Group operates a Personal Pension Plan, a Defined Contribution Scheme. This is available to all employees following completion of their probationary period.	In the UK, the Group matches employee contributions up to a maximum of 6% of base salary subject to an overall maximum employer contribution of £15,000 or provides the equivalent value in cash. Base salary is the only element of remuneration that is pensionable. The pension provision and rules are the same for Executive Directors and the main body of staff.
Other Benefits To provide competitive benefits.	Includes (but not limited to): · Death in service scheme. · Private medical cover. · Permanent health insurance. · Relocation, at the Committee's discretion. All benefits are non-pensionable.	Benefits may vary by role. None of the existing Executive Directors received total taxable benefits exceeding 5% of base salary during the most recent financial year, and it is not anticipated that the cost of benefits provided will exceed this level over the term of this Policy. The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g., relocation), or in circumstances driven by factors outside the Company's control (e.g., material increases in health care insurance premiums).

Purpose and link to strategy	Operation	Opportunity and performance metrics
Discretionary Free Share Scheme (DFSS) To motivate and reward longer-term performance, aid long-term retention of key executive talent, use capital efficiently, grow profits sustainably and further strengthen the alignment of the interests of shareholders and staff.	Executive Directors may be granted awards annually at the discretion of the Committee. Awards may be in the form of nil or nominal priced options or conditional shares. Awards are normally granted on an annual basis and vest after a minimum of three years subject to Group performance and continued employment. A two-year holding period applies to vested awards, during which time Executive Directors may not sell the vested awards except to cover tax liabilities. Awards are subject to a potential downwards adjustment based on an assessment to take into account of risk events which are considered to have a material customer, regulatory or financial impact over the course of the performance period. Awards are subject to malus and clawback provisions, i.e., forfeiture or reduction of unvested awards and recovery of vested awards. Events which may lead to the application of malus and clawback are set out in the Group's Malus and Clawback Framework and include material financial misstatement, responsibility for conduct which results in significant losses, material failure of risk management, misconduct, reputational damage and corporate failure. The Remuneration Committee has discretion to adjust the formulaic vesting outcome to ensure the final outcome is a fair and true reflection of underlying business performance.	Maximum opportunity: A maximum face value on award of 500% of base salary applies. Threshold performance will result in vesting of up to 25% of the maximum award. DFSS shares are granted as a fixed number of shares (subject to the quantum limits of the plan, as described above). The number granted is reviewed and may be adjusted by the Committee, for example, if there has been a significant change in share price. Vesting of DFSS awards is subject to the Group's performance over a three-year performance period. The performance measures may include EPS growth, ROE, relative TSR and a scorecard of Non-Financial metrics selected by the Committee. Details of the measures, weightings and performance targets used for specific DFSS grants are included in the relevant year's Annual Report on Remuneration.
The DFSS bonus To further align incentive structures with shareholder interests through the delivery of dividend equivalent bonuses.	To incentivise shareholder value creation and efficient use of capital, management participates in a bonus scheme which directly links their awards to dividends paid to shareholders. Bonus is calculated to be equivalent to dividends that would have been payable during the year on all outstanding DFSS shares awarded but not vested. The DFSS bonus is subject to a +/- 20% adjustment based on performance against targets based on a set of strategic, customer and other non-financial metrics. Whilst the bonus may be adjusted upwards or downwards by up to 20% in any given year, it is not anticipated that the adjustment will increase the Executive Directors' remuneration on average over the long term. The DFSS bonus is subject to the Group's Malus and Clawback Framework.	Maximum opportunity: sum equal to the dividends payable during the year on awarded but unvested DFSS shares, subject also to a possible 20% upwards or downwards adjustment based on performance against a scorecard of non-financial metrics. No bonus is payable unless dividends are payable on Admiral shares.
Approved Free Share Incentive Plan (SIP) To encourage share ownership across all employees, using HMRC approved schemes for eligible UK employees.	All eligible UK employees participate in the SIP after completing a minimum 12 months' service. Grants are made twice a year based on the results of each half year and vest after three years subject to continued employment.	The SIP is an all-employee scheme and Executive Directors participate on the same terms as other employees. The acquisition of shares is therefore not subject to the satisfaction of a performance target. Maximum opportunity is in line with HMRC limits.

Director's remuneration policy **continued**

Purpose and link to strategy	Operation	Opportunity and performance metrics
In-employment shareholding requirement To align interests of Executive Directors with shareholders.	Guideline to be met within five years of the later of the introduction of the guidelines and an Executive Director's appointment.	400% of base salary.
Post-termination shareholding requirement To further align the interests of Executive Directors with shareholders and encourage a focus on long-term sustainable performance	Shareholding required to be maintained at the in-employment requirement (or number of shares held at time of termination, if lower) for a period of two years post termination.	400% of base salary (or number of shares held at time of termination, if lower).

The Committee is satisfied that the above Remuneration Policy is in the best interests of shareholders and does not promote excessive risk-taking. The Committee retains discretion to make changes required to satisfy legal or regulatory requirements and other non-significant changes to the Remuneration Policy without reverting to shareholders.

Notes to the Remuneration Policy table

Payments from Existing Awards

Executive Directors are eligible to receive payment from any award made prior to the approval and implementation of the 2021 Remuneration Policy. This includes all outstanding awards under the previous 2015 and 2018 Remuneration Policies, or any awards made prior to appointment to the Board. Details of any such payments will be set out in the Annual Report on Remuneration as they arise.

Selection of Performance Measures

Vesting under the DFSS is linked to financial metrics including growth in EPS, ROE, and relative TSR.

Growth in EPS has been selected as a performance measure as the Committee feels it is a strong indicator of both long-term shareholder return and the underlying financial performance of the business. It is transparent and highly visible to executives.

ROE has been selected as the Committee believes that a returns metric reinforces the focus on capital efficiency and delivery of strong returns for our shareholders, thereby further strengthening the alignment of incentives with Admiral's strategy.

Relative TSR vs. the FTSE 350 (excluding investment companies) has been selected to reflect value creation for Admiral's shareholders as compared to the general market.

For 2019 awards onwards, vesting of DFSS awards is also linked to non-financial measures which may include strategic, customer and other measures. The Committee believes that the additional emphasis on these measures reinforces Admiral's focus on our customers and on other non-financial Group priorities, whilst also more clearly demonstrating alignment of Group remuneration practices with the requirements of Solvency II.

The specific performance measures and their respective weightings in respect of each DFSS award may vary to reflect the strategic priorities at the time of the award.

Performance targets are set taking into account the Company's strategic priorities and the economic environment in which the Company operates. The Committee believes that the performance targets set are stretching and motivational, and that maximum outcomes are available only for outstanding performance.

Remuneration Policy for Other Employees

The Company's approach to annual salary reviews is consistent across the Group, with consideration given to the role size, experience required, individual performance and pay levels in comparable companies.

In general, the Remuneration Policy which applies to other senior executives is consistent with that for Executive Directors. Remuneration is typically linked to Company and individual performance in a way that reinforces shareholder value creation.

Around 3,300 employees from across the Group, as well as the Executive Directors, participate in the DFSS. The Committee determines DFSS awards for those executives within its remit and on an aggregate basis for all other participants in the DFSS. For the Executive Directors, all DFSS share awards are subject to performance conditions. For other senior managers and employees at lower organisational levels, a proportion of awards (ranging from half to two-thirds) are subject to performance, with performance conditions either in line with those described above or set based on key performance drivers of the individual's relevant business unit, and the remainder has no performance conditions attached other than the requirement that the recipient remains an employee of the Group at the date of vesting. Award sizes vary by organisational level and an assessment of both financial and non-financial individual and business unit performance.

All holders of DFSS awards receive the DFSS bonus, with the bonus for a number of senior managers being adjusted for performance against a scorecard of customer, risk and other non-financial metrics.

The Company operates a personal pension scheme which is available to all employees once they have completed their probationary period. For all employees, including the Executive Directors, the Company matches the employee contribution up to a maximum of 6% of salary, subject to an overall maximum of £15,000, or provides the equivalent value in cash.

All UK employees who have served a minimum tenure at Admiral are eligible to participate in the SIP on the same terms. Most overseas employees receive an equivalent award to the UK SIP awards and these awards have no performance measures attached.

Service Contracts and Leaver/Change of Control Provisions

The Company's Policy is to limit termination payments on termination to pre-established contractual arrangements. In the event that the employment of an Executive Director is terminated, any compensation payable will be determined in accordance with the terms of the service contract between the Company and the employee, as well as the rules of any incentive plans. Under normal circumstances, Executive Directors are entitled to receive termination payments in lieu of notice based on base salary and compensation for loss of benefits. The Company has the ability to pay such sums in instalments. The notice period for all Executive Directors is one year.

Executive Director	Date of appointment	Contract duration
Geraint Jones	13 August 2014	Rolling contract, 12-month notice period
Milena Mondini de Focatiis	11 August 2020	Rolling contract, 12-month notice period

There is no provision in the Executive Directors' contracts for compensation to be payable on early termination of their contract over and above the notice period element. The Executive Directors' service contracts are available to view at the Company's registered office.

Director's remuneration policy **continued**

When considering termination payments, the Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants. The table below summarises how the awards under the DFSS and DFSS bonus scheme are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion:

Plan	Scenario	Treatment of awards	Timing of vesting
DFSS	Resignation	Awards lapse under most circumstances e.g., dismissal for cause or resignation.	n/a
	Death, injury or disability, redundancy, retirement or any other reasons the Committee may determine	Any unvested award will be prorated for time with reference to the proportion of the vesting period remaining at termination, and performance, unless the Committee determines otherwise.	Normal vesting date.
	Change of control	Unless the Committee determines otherwise, any unvested award will be prorated for time with reference to the proportion of the vesting period remaining at change of control, and extent to which the Committee determines that the performance conditions have been met or are likely to be met at the point of change of control.	Immediately
DFSS bonus	Resignation	n/a	n/a
	Death, injury or disability, redundancy, retirement or any other reasons the Committee may determine	Not payable after the event.	n/a
	Change of control	Not payable after the event.	n/a
Salary shares (CFO only, awards under 2018 Policy)	Resignation	Awards lapse under most circumstances e.g., dismissal for cause or resignation.	n/a
	Death, injury or disability, redundancy, retirement or any other reasons the Committee may determine	Any unvested award will be prorated for time with reference to the proportion of the vesting period remaining at termination, unless the Committee determines otherwise.	Normal vesting date, with Committee discretion to accelerate.
	Change of control	Unless the Committee determines otherwise, any unvested award will be prorated for time with reference to the proportion of the vesting period remaining at the point of change of control.	Immediately.

For all leavers (with the exception of in the event of termination for cause), in respect of vested DFSS and vested salary share awards that are still subject to a holding period, awards will normally be released in full at the end of the holding period, though the Committee has discretion to determine otherwise, taking into account the circumstances at the time.

Non-Executive Directors

The Company has entered into letters of appointment with its Non-Executive Directors (NEDs). Summary details of terms and notice periods are included below.

NED	Term	Initial date of appointment	Commencement of current contract	Notice period
Annette Court	3 years	21 March 2012	26 April 2020	Three months
Jean Park	3 years	17 January 2014	17 January 2020	One month
Justine Roberts	3 years	17 June 2016	17 June 2019	One month
Andrew Crossley	3 years	27 February 2018	27 February 2021	One month
Michael Brierley	3 years	05 October 2018	05 October 2021	One month
Karen Green	3 years	14 December 2018	14 December 2021	One month
Jayaprakasa Rangaswami	3 years	29 April 2020	29 April 2020	One month
Evelyn Bourke	3 years	30 April 2021	30 April 2021	One month
Bill Roberts	3 years	11 June 2021	11 June 2021	One month

The NEDs are not eligible to participate in the SIP, DFSS or DFSS bonus scheme and do not receive any pension contributions.

Details of the 2021 Policy on NED fees are set out in the table below:

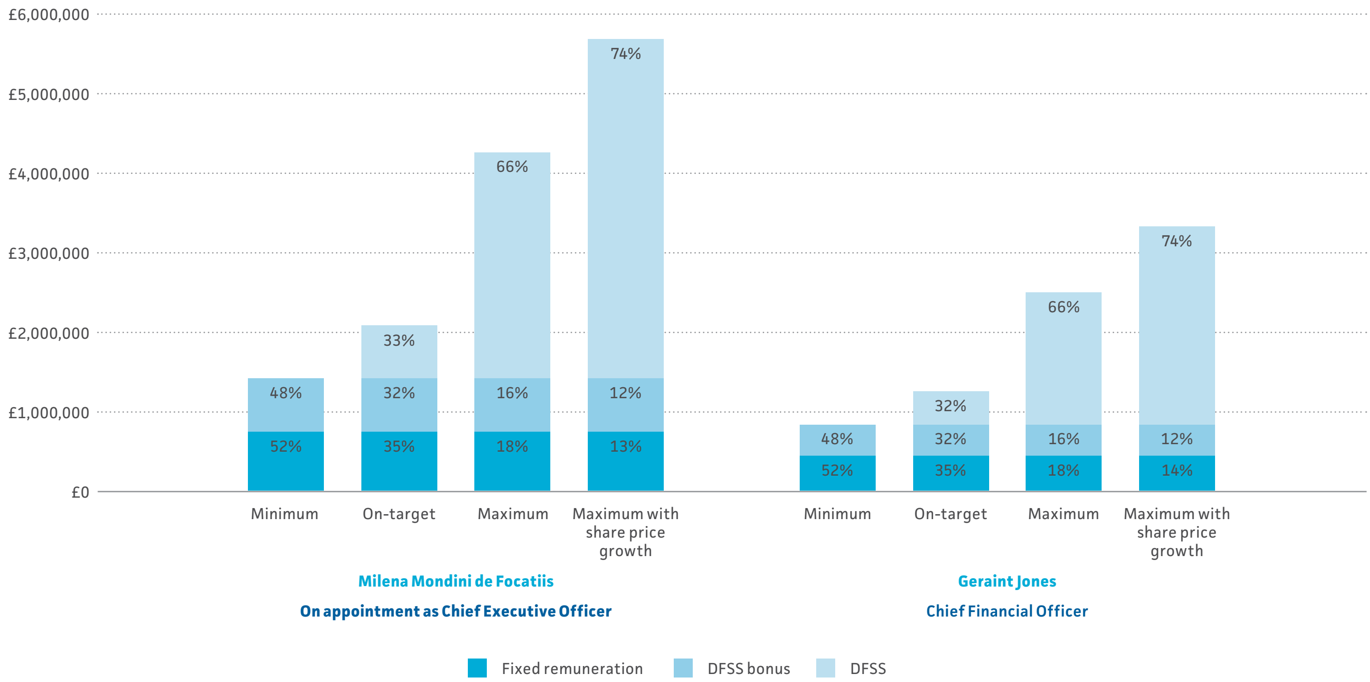
Purpose and link to strategy	Operation	Opportunity and performance metrics
To attract and retain NEDs of the highest calibre with experience relevant to the Company	Fees are reviewed annually. The Group Chair fee is determined by the Committee after consultation with the Executive Directors. The NED fees are determined by the Group Chair together with the Executive Directors. Additional fees are payable for acting as Senior Independent Director or as Chair or member of a Board Committee and may be payable as appropriate in relation to other additional responsibilities (e.g., attending meetings overseas). Fees are paid in a mix of cash and Company shares for the Company Chair, and in cash for other Non-Executive Directors. The Board retains discretion to vary the mix or determine that fees are paid entirely in cash or Company shares.	Fee levels are set by reference to NED fees at companies of a similar size and complexity. In the event that there is a material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil a NED role, the Board has discretion to make an appropriate adjustment to the fee level. The maximum aggregate annual fee for NEDs is capped at the limit provided for in the Company's Articles of Association.

Director's remuneration policy **continued**

Pay-for-Performance: Scenario Analysis

The following charts provide an estimate of the potential future reward opportunities for the Executive Directors, and the potential split between the different elements of pay under four different performance scenarios: 'Minimum', 'On-target', 'Maximum' and 'Maximum with share price growth'.

As described above, Admiral's DFSS bonus is directly aligned with dividends received by our shareholders, with an adjustment for performance on a selection of non-financial measures. Whilst the Executive Directors' final DFSS bonus outcome may be adjusted upwards or downwards for these measures by up to 20% in any given year, it is anticipated that the average adjustment over the long term will be close to 0%.



The value of DFSS awards is calculated based on the average share price in the last three months of 2021 £30.10 and the number of DFSS shares awarded in 2022 (90,000 and 52,500 shares for CEO and CFO respectively).

Component	'Minimum'	'On-target'	'Maximum'	'Maximum with share price growth'
Base salary	· Annual cash salary for 2022			
Pension	· £15,000 annual contribution for CEO and CFO			
Benefits	· Taxable value of annual benefits provided in 2021			
DFSS	· 0% vesting	· 25% average vesting	· 100% vesting	· 100% vesting plus 50% share price appreciation
DFSS bonus	· Based on the DFSS bonus paid 2021			

Approach to Remuneration Relating to New Executive Director Appointments

External Appointments

When appointing a new Executive Director, the Committee may make use of any of the existing components of remuneration as set out in the Policy Table. The Committee's policy is to set the remuneration package for a new Executive Director in accordance with the approved Remuneration Policy at the time of the appointment.

In determining the appropriate remuneration for a new Executive Director, the Committee will consider all relevant factors to ensure that arrangements are in the best interests of the Company and its shareholders. Where an individual is appointed on an initial base salary that is below market, any shortfall may be managed with phased increases over a period of time, subject to the individual's performance and development in the role. This may result in above-average salary increases during this period.

The Committee may also make an award in respect of a new Executive Director appointment to 'buy out' incentive arrangements forfeited on leaving a previous employer. In doing so, the Committee will consider relevant factors, including any performance conditions attached to the forfeited awards and the likelihood of those conditions being met to ensure that the value of the buy-out award is no greater than the fair value of the awards it replaces. The Committee may also avail itself of Listing Rule 9.4.2 R, if appropriate, in respect of buy-out incentive arrangements (i.e., if the terms of participation for the prospective Executive Director are similar to all, or substantially all employees who participate in the plan, then approval by ordinary resolution of the shareholders of the listed company in general meeting is not required).

Internal Appointments

Remuneration for new Executive Directors appointed by way of internal promotion will similarly be determined in line with the Policy for external appointees, as detailed above. Where an individual has contractual commitments made prior to their promotion to the Board, the Company will continue to honour these arrangements. Incentive opportunities for below-Board employees are typically no higher than for Executive Directors, but measures may vary if necessary.

Other Directorships

Executive Directors are permitted to accept appointments as Non-Executive Directors of companies with prior approval of the Group Board. Approval will be given only where the appointment does not present a conflict of interest with the Group's activities, and where the wider exposure gained will be beneficial to the development of the individual.

Considerations of Conditions Elsewhere in the Group

The Committee considers the pay and employment conditions elsewhere in the Group when determining remuneration for Executive Directors.

Considerations of Shareholder Views

When determining remuneration, the Committee takes into account best practice guidelines issued by institutional shareholder bodies. The Committee is open to feedback from shareholders on the Remuneration Policy and will continue to monitor trends and developments in corporate governance and market practice to ensure the remuneration structure for our Executive Directors remains appropriate.

Considerations of Regulatory Requirements

The Committee regularly reviews the Remuneration Policy and structure in the context of Solvency II remuneration guidance, and EBA, PRA, and FCA expectations regarding the supervision of insurance firms. The Chief Risk Officer periodically attends Committee meetings as part of this process and provides support to the Committee in understanding any risk-related implications of remuneration decisions. Whilst the Remuneration Policy includes several features which help ensure compliance with current regulatory guidance, the Committee reserves the discretion to adjust the Remuneration Policy, and its execution, to take into account any developments in such regulatory guidance.

Annual report on remuneration

This section of the report provides details of how Admiral's Remuneration Policy was implemented in 2021 and how the Remuneration Committee intends to implement the proposed Remuneration Policy in 2022 (subject to shareholder approval).

Remuneration Committee Membership in 2021

The Board sets the Group's Remuneration Policy and, through the authority delegated to it by the Board, the Committee is responsible for making recommendations to the Board on the implementation of the Remuneration Policy. Its remit includes recommending the remuneration of the Group Board Chair and the Executive Directors; approving the remuneration of senior management; and determining the composition of and awards made under the performance-related incentive schemes.

At the end of 2021 the Committee consisted of Evelyn Bourke, Owen Clarke, Jean Park and Michael Brierley. The Committee met eight times during the year.

The Group Chair, CEO, CFO and CRO are invited to meetings where the Committee considers it appropriate to obtain their advice on Group strategy and performance and senior executive pay strategy. No director is involved in deciding their own remuneration outcome. The members of the Committee do not have any personal financial interests (other than shareholdings), or any conflicts, that relate to the business of the Committee. The Committee members do not have any day-to-day involvement in the running of the Group.

Committee activities

During the year ended 31 December 2021, in addition to its regular activities, the Committee also:

- Reviewed the strategic, customer and ESG metrics introduced for adjusting of variable pay of Executive Directors;
- Reviewed the implementation of non-financial performance measures for a broader employee population in the UK Insurance Business; and
- Reviewed the design of annual incentives as part of ongoing work on the Group's reward strategy.

As mentioned in the Governance Report, during the year ended 31 December 2021, the Committee also performed its regular activities:

- Reviewed the DFSS vesting and bonus arrangements for Executive Directors, senior management and relevant staff (Material Risk Takers) covered under Solvency II;
- Reviewed workforce remuneration, including alignment of the Group's current remuneration structure with the Living Wage;
- Reviewed Admiral's Gender Pay Gap reporting statistics;
- Reviewed risk events and their impact on variable pay;
- Undertook an evaluation of the Committee's performance during the year;
- Reviewed the Committee's terms of reference;
- Reviewed the Group's Malus and Clawback Framework; and
- Reviewed external remuneration trends and market conditions.

Remuneration topics were discussed with employees at the Employee Consultation Group, which met five times over the year. In prior years the Remuneration Committee Chair has attended one of these meetings. It is the intention of the Chair to attend this group in 2022 to re-connect with our employees in the post-covid period to understand the new normal work environment and associated remuneration issues.

Significant shareholder engagement was undertaken relating to the remuneration policy vote which was successfully implemented for 2021.

Committee Effectiveness Review

As part of the Committee's annual review of its performance and processes, each Committee member and regular attendee completed a questionnaire designed to assess the Committee's performance, including in respect of the activities and general operation of the Committee. The Committee discussed the results of the review at its meeting in January 2022 and concluded that, overall, the Committee remained effective. Several areas of focus and improvement were identified for 2022, including continued oversight of the reward strategy review, challenging management on the setting of performance targets and metrics, and Committee support, with improvement in the clarity of papers highlighted in particular.

Advisors to the Committee

During the year, in order to enable the Committee to reach informed decisions, advice on market data and trends was obtained from independent consultants Willis Towers Watson. Willis Towers Watson reported directly to the Committee Chair and are signatories to and abide by the Code of Conduct for Remuneration Consultants (which can be found at www.remunerationconsultantsgroup.com). Willis Towers Watson also provided advice to the Company in relation to capital modelling and claims metrics pricing. The fees paid to Willis Towers Watson in respect of work carried out in relation to the Committee in 2021 (based on time and materials) totalled £133,883.

The Committee undertakes due diligence periodically to ensure that advisors remain independent of the Company and that the advice provided is impartial and objective. The Committee is satisfied that the advice provided by Willis Towers Watson is independent.

The Company Secretary also circulates market survey results as appropriate.

Summary of Shareholder Voting at the 2021 AGM

The table below shows the results of the advisory vote on the 2020 Annual Report on Remuneration and the binding vote on the 2021 Remuneration Policy at the 2021 AGM.

		For	Against	Total votes cast	Abstentions
Annual Report on Remuneration	Total number of votes	241,874,004	692,157	242,566,161	703,422
	% of votes cast	99.71%	0.29%		
2021 Remuneration Policy	Total number of votes	239,875,066	3,393,084	243,268,150	1,433
	% of votes cast	98.61%	1.39%		

Total Single Figure of Remuneration for Executive Directors (audited)

The table below sets out the total single figure remuneration received by each Executive Director for the years ended 31 December 2021 and 31 December 2020:

Executive Director		1. Base salary	2. Benefits	3. Pension	Total fixed pay	4. SIP	5. DFSS	6. DFSS bonus	Total variable pay	Total remuneration
Milena Mondini de Focatiis	2021	£695,000	£454	£15,643	£711,097	£3,601	£1,068,159	£653,849	£1,725,609	£2,436,705
	2020	£233,750	£163	£6,705	£240,618	£1,795	£952,479	£150,796	£1,105,070	£1,345,688
Geraint Jones	2021	£404,660	£454	£15,000	£420,114	£3,601	£1,260,769	£471,763	£1,736,133	£2,156,247
	2020	£375,450	£425	£14,949	£390,824	£3,606	£1,565,218	£252,703	£1,821,527	£2,212,351
David Stevens*1	2021	–	–	–	–	–	–	–	–	–
	2020	£419,515	£425	£1,345	£421,285	n/a	n/a	n/a	n/a	£421,285

*1 David Stevens did not participate in any incentive plan given his significant shareholdings.

The figures have been calculated as follows:

1. Base salary: amount earned for the year. For Geraint Jones, this also includes 2,500 salary shares awarded on each of 13 March 2020 and 2 September 2020 with a value of £51,450 and £66,000 which have been valued using closing share price at date of grant of £20.58 and £26.40 respectively. Neither David Stevens nor Milena Mondini de Focatiis received salary shares during the year.
2. Benefits: the taxable value of annual benefits received in the year.
3. Pension: the value of the Company's contribution during the year.
4. SIP: the face value at grant.
5. DFSS: the value at vesting of shares vesting on performance over the three-year periods ending 31 December 2021 and 31 December 2020. For the 2021 figures, given that vesting occurs after the 2021 Directors' Remuneration Report is finalised, the figures are based on the average share price in the last three months of 2021 £30.10. The 2020 figures have been trued up based on the actual share price on vest £31.78. For 2021, favourable movements of £322,946 and £381,163 are included in the DFSS value, attributable to an increase in the share price over the vesting period for Milena Mondini de Focatiis and Geraint Jones, respectively. For 2020, £341,091 and £560,518 of the DFSS value is attributable to share price appreciation over the vesting period, for Milena Mondini de Focatiis and Geraint Jones, respectively.

Annual report on remuneration **continued**

6. DFSS bonus: the bonus is equivalent to dividends that were paid in respect of the performance year on all outstanding DFSS shares awarded but not yet vested. The bonus is paid in two tranches annually:
   i) in respect of H1 2021: a bonus of £377,281.93 was paid to Milena Mondini de Focatiis, based on 211,000 unvested shares, a scorecard outcome of 111.06% and the interim dividend of 161p per share; and a bonus of £272,090.81 was paid to Geraint Jones based on 152,500 unvested shares and a scorecard outcome of 110.82% and the interim dividend of 161p per share.
   ii) in respect of H2 2021, due for payment in May 2022: a bonus of £276,566.98 is due to Milena Mondini de Focatiis, based on 211,000 unvested shares, a scorecard outcome of 111.08% and the final dividend of 118p per share; and a bonus of £199,672.52 is due to Geraint Jones based on 152,500 unvested shares and a scorecard outcome of 110.96% and the final dividend of 118p per share.

   The payments in respect of H2 2021 are subject to completion of internal governance procedures.
7. Milena Mondini de Focatiis was appointed to the Board as CEO-Designate on 11 August 2020. Her 2020 remuneration includes salary, pension and benefits in respect of her service as CEO-Designate, DFSS bonus received after appointment and DFSS vesting on performance over the three-year period ending after her appointment. Milena was subsequently appointed as CEO on 1 January 2021. The 2020 figures for Milena are only a partial year as an Executive Director, compared with 2021 which is a full year. This is evident in the difference between the single figure for each year.
8. In line with Milena Mondini de Focatiis' appointment as CEO-Designate, her pension arrangements increased for the year, up to the cap of £15,000 in line with the policy. However, as the year for pension contributions runs from April to March in line with the tax year, as opposed to the performance year, it is an oddity of calculation basis that the pension showing in respect of 2021 is showing as over the policy. Milena's pension arrangements for April 2020 to March 2021 and April 2021 to March 2022 are £15,000, respectively, which is in line with the policy.

Total Single Figure of Remuneration for Non-Executive Directors (audited)

The table below sets out the total single figure remuneration received by each NED for the years ended 31 December 2021 and 31 December 2020.

	Total fees			
	2021		2020	
Director	Fees	Taxable benefits[8]	Fees	Taxable benefits[9]
Annette Court[1]	£336,004	£121	£326,218	£513
Owen Clarke[2]	£102,206	£625	£102,460	£286
Karen Green	£88,000	£366	£86,000	£163
Jean Park[3]	£118,000	£294	£116,000	£887
Justine Roberts	£70,000	£192	£71,742	£98
Manning Rountree[4]	£36,155	£0	£77,600	£4,899
Andrew Crossley[5]	£130,200	£793	£126,095	£1,218
Michael Brierley[5]	£132,600	£27	£125,858	£2,699
Jayaprakasa Rangaswami	£71,777	£109	£43,826	–
Evelyn Bourke[6]	£54,717	£184	–	–
Bill Roberts[7]	£35,947	£0		

1 The 2021 fee for Annette Court is £336,004 (a cash fee of £235,203 and a share fee of £100,801).

2 Owen Clarke's fees are to 31 December 2021.

3 Jean Park's fees for 2020 and 2021 include additional fees relating to her position as Chair of the Group Risk Committee and is in recognition of the increased time commitment required of her as a consequence of Solvency II regulations and the Internal Model Application Process.

4 Manning Rountree's fees are to 17 June 2021.

5 The fees for Andrew Crossley and Michael Brierley include additional fees in relation to their positions as Chairman of the EUI Limited Board of Directors and Admiral Financial Services Limited Board of Directors, respectively.

6 Evelyn Bourke was appointed as an independent Non-Executive Director and member of the Remuneration Committee on 30 April 2021. She was subsequently appointed as Chair of the Remuneration Committee on 1 September 2021.

7 Bill Roberts was appointed as an independent Non-Executive Director on 11 June 2021.

8 Taxable benefits represent those expense reimbursements relating to travel, accommodation and subsistence in connection with the attendance at Board, Subsidiary and Committee meetings during the year, which are deemed by HMRC to be taxable. The amounts in the table are 'grossed-up' to include the UK tax paid by the Company on behalf of the non-executive directors. Non-taxable expense reimbursements have not been included in the table.

Incentive Outcomes for Financial Year to 31 December 2021 (audited)

DFSS Awards Vesting on Performance to 31 December 2021

On 26 September 2019, Milena Mondini de Focatiis was granted an award under the DFSS of 36,000 shares with a value at the date of award of £756,000 (based on a grant date share price of £21.00). This award and the applicable performance conditions related to her previous divisional role rather than her role of CEO and Executive Director.

Vesting of the award was weighted as 67% performance shares, dependant on the achievement of financial performance measures and 33% of the award was non-performance shares.

On 26 September 2019, Geraint Jones was granted an award under the DFSS of 45,000 shares with a value at the date of award of £945,000 (based on a grant date share price of £21.00). Vesting of the award was based 80% on the achievement of financial performance conditions and 20% on a scorecard of non-financial measures.

Financial performance outcomes

The performance conditions applicable to these awards are, EPS growth vs. LIBOR, TSR vs. FTSE 350 (excluding investment companies), and ROE, weighted equally and all measured over the three-year period 1 January 2019 to 31 December 2021.

Over this period, the returns to our shareholders were strong, with TSR in the upper quartile versus FTSE350 companies and with ROE of 52.5%. The combination of these shareholder returns and EPS growth contributed to a vesting level of 97.87% in relation to performance against financial metrics. The Committee reviewed this vesting outcome and concluded that it was appropriate.

The table below details the Company's performance against targets.

	Performance range				
Performance measure	**Threshold**	**Maximum**	**Vesting schedule**	**Actual outturn**	**Vesting Contribution (% of maximum)**
EPS growth vs. LIBOR	Growth in line with LIBOR	Growth of 36 points (equivalent to 10% p.a.) in excess of LIBOR	10% for achieving threshold with straight-line relationship to 100% for maximum performance	45.8 points in excess of LIBOR	100%
TSR vs. FTSE 350 (excluding investment companies)	Median	Upper quartile	25% for median, with straight-line relationship to 100% for upper quartile	77th Percentile	100%
Return on Equity (ROE)	25%	55%	25% for achieving threshold with straight-line relationship to 100% for maximum performance	52.50	93.60%

Non-financial performance outcomes

The individual vesting contribution in relation to the non-financial measures for Geraint Jones for 77.50% for 2019, 66.81 for 2020 and 77.33% for 2021. This aggregated to an overall rating across the three years of 73.88%, which has a weighted outcome of 14.78%.

Further details of the scoring for 2021 can be seen on page 194.

Annual report on remuneration **continued**

Overall Vesting

The combined vesting outcomes for Milena Mondini de Focatiis and Geraint Jones can be seen in the below table.

	Award Weighting		Performance outcomes		Vesting (% of maximum)	
DFSS Vesting Component	**Milena Mondini de Focatiis**	**Geraint Jones**	**Milena Mondini de Focatiis**	**Geraint Jones**	**Milena Mondini de Focatiis**	**Geraint Jones**
Financial performance measures: EPS growth vs. LIBOR, TSR vs. FTSE 350 (excluding investment companies) and Return on Equity (ROE)	67.00%	80.00%	97.87%	97.87%	65.57%	78.30%
Non-financial performance measures	–	20.00%	–	73.88%	–	14.78%
Non-performance shares	33.00%	–	–	–	33.00%	–
Total	100.00%	100.00%	–	–	98.57%	93.08%

The Committee reviewed the vesting outcomes and concluded that they were appropriate, and that no adjustments were required.

Based on performance and scorecard outcomes the total amount that will vest to Milena Mondini de Focatiis in September 2022 will therefore be 98.57% (i.e., 35,487 shares), and the total amount that will vest to Geraint Jones in September 2022 will be 93.08% (i.e., 41,886 shares), subject to their continued employment on the vesting date.

Vested DFSS awards are subject to clawback provisions. Events which may lead to the application of clawback are set out in the Group's Malus and Clawback Framework and include material financial misstatement, responsibility for conduct which results in significant losses, material failure of risk management, misconduct, reputational damage or corporate failure.

DFSS bonus in Respect of 2021

In line with the Remuneration Policy, the Group paid a bonus to all holders of DFSS shares in 2021, which was equivalent to the dividend payable on all outstanding DFSS shares awarded but not yet vested. The 2021 Bonus for Executive Directors also includes a potential +/- 20% adjustment to the DFSS bonus based on performance of a set of non-financial performance metrics, which for 2021 was grouped into four categories: customer, ESG, Strategy and People.

For the customer and people strategic pillars, relevant quantitative data was used to assess performance and an outcome was determined. For ESG, a qualitative assessment of performance against key governance metrics and an assessment internal stakeholder feedback. For the strategy, the Board members derived a collective view on the progress against the strategic priorities.

Details of the measures used in the scorecard and outcomes are summarised in the table below:

				Outcomes (% out weighting for each category)			
				Milena Mondini de Focatiis		Geraint Jones	
Category	**Metrics**	**Target**	**Max**	**H1**	**H2**	**H1**	**H2**
Customer outcomes	· Sales, renewals and post-sales servicing · Claims · Complaints · IT key risk indicators	8.75%	17.5%	12.82%	12.89%	12.82%	12.89%
Customer feedback	· Measured through the Admiral Business Benchmarking survey	8.75%	17.5%	12.87%	12.83%	12.87%	12.83%
Environmental, Social and Governance	· Strategic objectives · Risk event escalation · Attrition · % completion of activity plans · Risk Register · Audit report outcomes	3.25%	7.5%	5.35%	5.36%	5.35%	5.36%
	· Internal stakeholder feedback score	3.25%	7.5%	5.70%	5.70%	5.10%	5.40%
Strategy	Board assessment of the following key strategic priorities; · Progress towards Admiral 2.0 (data and analytics goal) · Diversification – existing non-motor product development (both top line and KPIs), in particular Household and Loans · Diversification – development of new products · Progress towards defining motor mobility strategy	15%	30%	20.90%		20.90%	
People	· Admiral Group Trust Index compared to Best Workplaces in the World Benchmark	10%	20%	20%	20%		
Total		50%	100%	77.64%	77.69%	77.04%	77.39%
Overall scorecard multiplier		100%	120%	111.06%	111.08%	110.82%	110.96%

The overall outcome of the scorecard was assessed to be a 111.06% multiplier to the DFSS bonus paid for H1 2021 and a 111.08% multiplier to the DFSS bonus for H2 2021 (to be paid in 2022) for Milena Mondini de Focatiis and 110.82% multiplier to the DFSS bonus paid for H1 2021 and a 110.96% multiplier to the DFSS bonus for H2 2021 (to be paid in 2022) for Geraint Jones.

In addition, the Executive Directors' DFSS bonus is subject to a further risk adjustment (downwards only) to take into account of risk events which are considered to have a material customer, regulatory or financial impact.

During the year, and in addition to the above, the Committee took into account relevant trigger events as part of the established risk adjustment process, and determined it was not appropriate to apply a downwards adjustment on that basis.

DFSS bonus payments are subject to malus and clawback provisions.

Annual report on remuneration **continued**

Scheme Interests Granted in 2021 (audited)

DFSS

In September 2021, Milena Mondini de Focatiis was granted an award of 90,000 shares and Geraint Jones was granted an award of 52,500 shares under the DFSS. This is the equivalent to £3,109,500 or 447% of Milena's cash salary and £1,813,875 or 448% of Geraint's cash salary respectively (based on share price of £34.55).

The three-year period over which performance will be measured is 1 January 2021 to 31 December 2023. The award is eligible to vest on the third anniversary of the date of grant i.e., September 2024, subject to performance and to continued employment. Vested awards will be subject to an additional two-year post-vest holding period.

The award will vest on three-year EPS growth TSR vs. FTSE 350 (excluding investment companies), ROE and a scorecard of strategic, customer and other non-financial measures, inclusive of customer outcomes, customer feedback, ESG, strategic measures and people metrics. There will also be the potential for downwards adjustment subject to an assessment to take into account of risk events which are considered to have a material customer, regulatory or financial impact over the course of the performance period. The performance conditions are summarised in the table below.

		Performance range		
Performance measure	**Weighting**	**Threshold**	**Maximum**	**Vesting**
EPS growth	26.67%	Growth of 0.5%	Growth of 36%	10% for reaching threshold, rising to 100% at maximum performance
TSR vs. FTSE 350 (excluding investment companies)	26.67%	Median	Upper quartile	25% for median, with straight-line relationship to 100% for upper quartile
Return on Equity (ROE)	26.67%	25%	55%	25% for achieving threshold with straight-line relationship to 100% for maximum performance
Scorecard non-financial measures	20%	Vesting of between 0% and 100% of this element is based on the aggregate outcomes of the scorecards used to determine the DFSS bonus adjustments over the three-year performance period. Further details of the aggregation of these scorecards will be provided upon vesting		

DFSS awards are subject to malus and clawback provisions, which are set out in the Group's Malus and Clawback Framework, as outlined in page 183.

SIP

In March 2021, Milena Mondini de Focatiis and Geraint Jones were granted awards under the SIP of 61 shares with a face value of £1,795.84, which will vest on 12 March 2024, subject to continued employment.

In September 2021 Milena Mondini de Focatiis and Geraint Jones were granted awards under the SIP of 50 shares with a face value of £1,805.50, which will vest on 1 September 2024, subject to continued employment.

Exit Payments (audited)

No exit payments were made to an Executive Director during the year.

Payments to Past Directors (audited)

Following stepping down from the role of CEO on 31 December 2020, David Stevens has continued as an adviser to the Group in a part-time capacity, with a salary of £70,033 per annum.

Implementation of Remuneration Policy for 2022

Executive Directors

Salary, Pension and Benefits

Salaries for the Executive Directors in 2022 have been determined in line with the Remuneration Policy. Milena Mondini de Focatiis' salary was increased by 3.00% to £715,850 effective 1 January 2022 and Geraint Jones' salary was increased by 3.00% to £416,800 effective 1 January 2022.

Due consideration was given to ensure these increases are in line with the proposed increases for employees across the Group for 2022.

The Executive Directors will continue to participate in the Group Personal Pension Plan on a consistent basis as other employees, where employee contributions are matched up to a maximum 6% of base salary with a cap on the maximum employer contribution of £15,000 per annum. The Company will offer individuals a choice between pension contributions and cash in lieu. Both Executive Directors will continue to receive benefits in line with the Policy.

DFSS

The Committee intends to make awards under the DFSS to Milena Mondini de Focatiis and Geraint Jones in September 2022 of 90,000 and 52,500 shares, respectively. The Committee will confirm the size for each of the 2022 DFSS awards closer to the award date. In determining whether the award size should differ from the above number of shares, the Committee will consider any large share price change over the prior year, and, in particular, whether this is due to external factors out of management control. The actual 2022 DFSS awards will be disclosed in the 2022 Annual Report on Remuneration.

It is currently anticipated that the vesting of 2022 DFSS awards for Milena Mondini de Focatiis and Geraint Jones will continue to be assessed across the three-year performance period depending 75% on three-year EPS growth, TSR vs. FTSE 350 (excluding investment companies) and ROE, and 25% on a scorecard of strategic, customer and other non-financial metrics. As per award size, the Committee will confirm the performance conditions and targets to be attached to the 2022 DFSS award closer to the award date and will disclose them in the 2022 Annual Report on Remuneration.

The Committee is mindful of the potential impact of the forthcoming change to the IFRS 17 accounting standard on the Group's reported financial results. At this stage the nature and degree of any such impact has not been confirmed. For DFSS awards which will straddle the change in accounting standard, the Committee intends to set targets on the current basis. However, it will keep these under review and apply its discretion to ensure that the targets remain no more or less stretching than originally anticipated as a result of the accounting change.

During 2021 the Committee took the opportunity to review the ESG measures to be included in the non-financial metrics with a view to enhancing these for 2022. As a result, new measures will be introduced for 2022 focusing on Diversity, both in senior management and across the Group, and the reduction in Emissions. Further information on the Group's sustainability approach strategy can be found on page 46.

The table below summarises the strategic, customer, ESG and other non-financial metrics which will apply to 2022 DFSS awards. There will also be the potential for downwards adjustment subject to an assessment to take into account of risk events which are considered to have a material customer, regulatory or financial impact over the course of the performance period.

Strategic Pillar	Measures	Weighting %
Customer – 34%	Customer outcomes (CRMI)	17%
	Customer feedback (NPS)	17%
Strategy – 33%	Overall scoring from the board on scorecard of measures around: · Progress towards Admiral 2.0 (data and analytics goal) · Diversification – existing non-motor product development (both top line and KPIs), in particular Household and Loans · Diversification – development of new products · Progress towards defining motor mobility strategy	33%
ESG – 33%	Great Place to Work Trust Index	18%
	Diversity	7.5%
	Environment – Emissions	7.5%

Annual report on remuneration **continued**

DFSS bonus

As in prior years, Milena Mondini de Focatiis and Geraint Jones will be eligible to receive DFSS bonus in 2022. The bonus is calculated to be equivalent to dividends that would have been payable during the year on all outstanding DFSS shares and any salary shares awarded but not vested. The DFSS bonus will include a +/- 20% adjustment based on performance against a set of non-financial performance metrics. The details of the metrics and any adjustment applied will be provided in the 2022 Annual Report on Remuneration.

The same non-financial measures as above will apply, as will the potential for downwards adjustment subject to an assessment to take into account of risk events which are considered to have a material customer, regulatory or financial impact over the course of the performance period.

Chair and Non-Executive Directors

Fees for the Board Chair and other Non-Executive Directors were reviewed in January 2022, having previously been last reviewed in 2021. Increases were made, effective 1 January 2022, to reflect the increased time commitment of these roles.

	2022 fee (p.a.)	2021 fee (p.a.)
Chair	£346,084[1]	£336,004
NED base fee	£70,000	£65,000
Additional fee for chairing:		
· Audit Committee	£25,000	£23,000
· Group Risk Committee	£43,000[2]	£43,000
· Remuneration Committee	£25,000	£23,000
· Nomination and Governance Committee	£10,000	£10,000
Additional fee for membership of:		
· Audit Committee	£15,000	£12,600
· Group Risk Committee	£15,000	£12,600
· Remuneration Committee	£10,000	£10,000
· Nomination and Governance Committee	£5,000	£5,000
Additional fee for being Senior Independent Director	£15,000	£13,500

1 The 2022 fee for the Board Chair increased by 3% from £336,004 to £346,084 and comprises a cash fee of £242,259 and a share fee of £103,825 with which the Chair is required under a Share Agreement entered into with the Group to use the net proceeds in two equal instalments to purchase Group shares after the Group's Full Year Results and Half Year Results are announced each year. The Board Chair does not receive any additional fees (e.g. for committee membership) as these are included in the overall Chair fee.

2 The fee payable for 2022 to Jean Park continues to include an additional fee of £20,000 per annum in recognition of the increased time commitment required as a consequence of the Internal Model Application Process.

CEO pay ratio

The table below sets out the pay ratios for the CEO for the periods ended 31 December 2020 and 31 December 2021.

Year	Method	Lower quartile	Median	Upper quartile
2021	Option A	95:1	81:1	50:1
2020	Option A	17:1	15:1	10:1

The lower quartile, median and upper quartile employees were determined using calculation methodology A which involved calculating the actual full-time equivalent remuneration for all UK employees for 2021. From this analysis, three employees were then identified as representing the 25th, 50th and 75th percentile of the UK employee population. Admiral chose this method as it is the preferred approach of the government and that of investor bodies and Admiral had the systems in place to undertake this method. It is also consistent with the approach used to calculate the ratios for 2018 to 2020.

The Committee has considered the pay data for the three employees identified and believes that it fairly reflects pay at the relevant quartiles amongst our UK workforce. The three individuals identified were full-time employees during the year. None received an exceptional incentive award which would otherwise inflate their pay figures. No adjustments or assumptions were made by the Committee with the total remuneration of these employees calculated in accordance with the methodology used to calculate the single figure of the CEO. It should be noted that the lower quartile employees were in receipt of DFSS bonus and/or DFSS vesting in the year.

The employee pay levels for 2021 are detailed below:

	CEO	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
Salary	£695,000	£18,952	£18,334	£22,423
Total Remuneration[1]	£2,436,705	£25,470	£29,881	£48,071

1 The single figure of remuneration for the CEO includes actual salary and pension costs paid during 2021, in line with The Companies (Miscellaneous Reporting) regulations 2018. For other employees, salary and pension costs are included on an FTE basis, in line with the legislation. While the basis of calculation differs between CEO and other employees, management considers this a fair comparison of remuneration.

The pay ratio for 2021 has increased sharply from the 2020 figure. As the prior CEO David Stevens declined to participate in the share schemes due to his significant shareholding as a founder, the CEO pay ratio was relatively modest for 2020.

It is worth noting the salary for the median employee is lower than that of the lower quartile employee. This is due to the identification of individuals being done on a total remuneration basis.

A significant proportion of the Milena Mondini de Focatiis' remuneration is dependent on the Company's performance and therefore it may vary more materially, resulting in movements in the CEO pay ratio from year to year moving forwards. However, the reward policies and structures applying to the CEO are broadly aligned with those of the wider workforce and therefore consistent performance is likely to lead to a broadly consistent CEO pay ratio.

Relative Importance of Spend on Pay

The table below shows the percentage change in dividends and total employee remuneration spend from the financial year ended 31 December 2020 to the financial year ended 31 December 2021.

	2021 £m	2020 £m	% change
Distribution to shareholders	816	453	80%
Employee remuneration	500	451	10%

The Directors are proposing a final dividend for the year ended 31 December 2021 of 118 pence per share, bringing the total dividend for 2021 to 279 pence per share (2020: 156.5 pence per share).

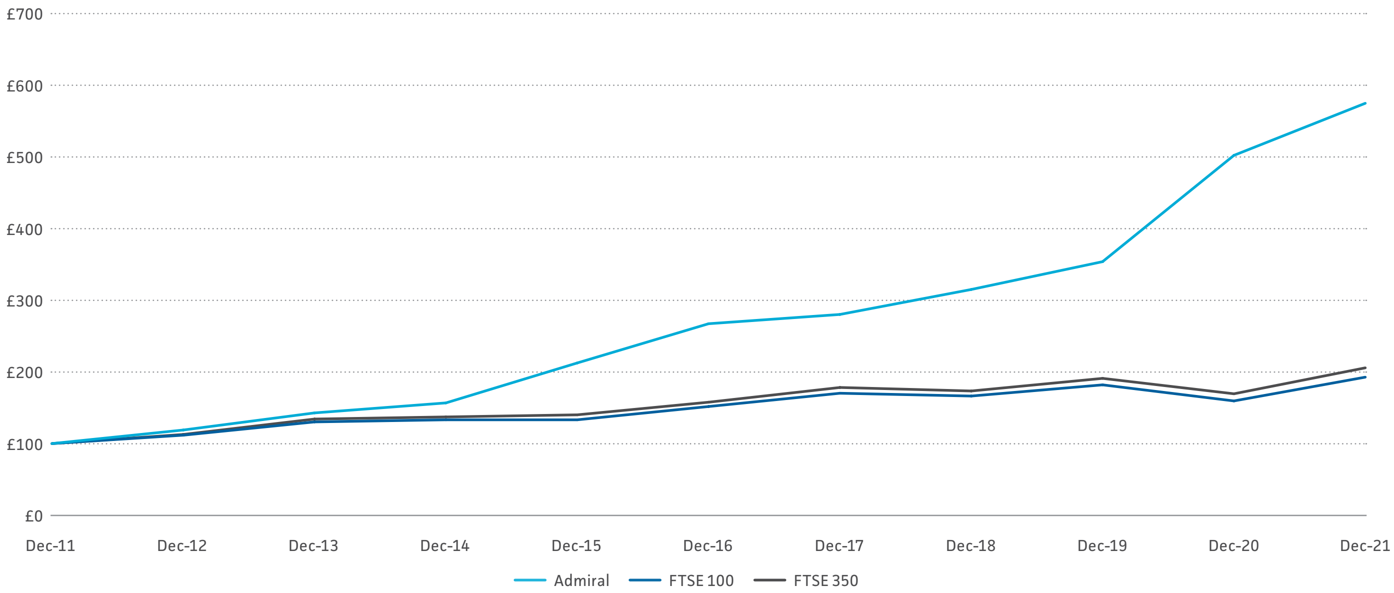
Annual report on remuneration **continued**

Pay for Performance

The following graph sets out a comparison of Total Shareholder Return (TSR) for Admiral Group plc shares with that of the FTSE 100 and FTSE 350 indices, of which the Company is a constituent, over the ten-year period to 31 December 2021. The Directors consider these to be the most appropriate indices against which the Company should be compared. TSR is defined as the percentage change over the period, assuming reinvestment of income.

10-year TSR performance: Admiral vs. FTSE100 and FTSE350 indices

Growth in the value of a hypothetical £100 holding over ten years to 31 December 2021



CEO	2012	2013	2014	2015	2016		2017	2018	2019	2020	2021
Incumbent	Henry Engelhardt	Henry Engelhardt	Henry Engelhardt	Henry Engelhardt	Henry Engelhardt[1]	David Stevens[2]	David Stevens	David Stevens	David Stevens	David Stevens	Milena Mondini de Focatiis[5]
CEO single figure of remuneration	£373,759	£387,546	£393,260	£397,688	£148,776	£246,023	£395,019	£403,662	£413,724	£421,285	£2,436,705
DFSS vesting outcome (% of maximum)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	98.57%[6]

CFO	2012	2013	2014		2015	2016	2017	2018	2019	2020	2021
Incumbent	Kevin Chidwick	Kevin Chidwick	Kevin Chidwick	Geraint Jones[3]	Geraint Jones	Geraint Jones	Geraint Jones	Geraint Jones	Geraint Jones	Geraint Jones	Geraint Jones
CFO single figure of remuneration	£1,431,218	£1,444,443	£1,204,164	£363,551	£539,704	£599,139	£1,184,445	£1,461,813	£1,773,303	£2,212,351[4]	£2,156,247
DFSS vesting outcome (% of maximum)	100%	100%	70%	85%	69%	50% and 0%	74.20%	87.60%	88.8%	98.5%	93.08%[6]

1 Henry Engelhardt stepped down from the Board on 13 May 2016. His 2016 remuneration includes salary and benefits in respect of his service as CEO.
2 David Stevens was appointed as the CEO on 13 May 2016. His 2016 remuneration includes salary, pension and benefits in respect of his service as CEO.
3 Geraint Jones was appointed to the Board as CFO on 13 August 2014. His 2014 remuneration includes salary, pension and benefits in respect of his service as CFO, his full year DFSS and his full year DFSS bonus.
4 This figure has been trued up since the 2020 report for the value of the 2018 DFSS based on the actual share price on vest of £31.78.
5 Milena Mondini De Focatiis was appointed as the CEO on 1 January 2021. Her 2021 remuneration includes salary, pension and benefits in respect of her service as CEO.
6 98.57% of Milena Mondini De Focatiis' and 91.31% Geraint Jones' 2019 DFSS award will vest in September 2022 subject to their continued employment on the vesting date.

There are no annual bonus outcomes to report in the table as the Admiral DFSS bonus is not structured as a traditional annual bonus scheme and consequently a vesting outcome (as a percentage of max) is meaningless.

Annual change of each Director's pay compared to the annual change in average employee pay

The following table summarises the annual percentage change of each Director's remuneration compared to the annual percentage change of the average remuneration of the Company's employees, calculated on a full-time equivalent basis.

Financial year-ended 31 December		2021 (% change)	
Percentage change in Director's remuneration	**Base salary/ fees**	**Taxable benefits**	**DFSS bonus**
Executive Directors			
Milena Mondini de Focatiis*	197.33%	178.53%	333.60%
Geraint Jones	7.78%	6.82%	86.69%
Non-Executive Directors			
Annette Court	3.00%	-76.36%	N/A
Owen Clarke	-0.25%	118.72%	N/A
Evelyn Bourke	N/A	N/A	N/A
Karen Green	2.33%	124.10%	N/A
Jean Park	1.72%	-66.89%	N/A
Jayaprakasa Rangaswami	63.78%	N/A	N/A
Justine Roberts	-2.43%	96.18%	N/A
Manning Rountree	-53.41%	-100.00%	N/A
Andrew Crossley	3.26%	-34.92%	N/A
Michael Brierley	5.36%	-99.02%	N/A
Bill Roberts	N/A	N/A	N/A
Percentage change in employees' remuneration	4.39%	4.42%	27.31%

Milena Mondini de Focatiis was appointed to the Board as CEO-Designate on 11 August 2020. Her 2020 remuneration figure includes salary, pension and benefits in respect of her service as CEO-Designate, DFSS bonus received after appointment and DFSS vesting on performance over the three-year period ending after her appointment. Milena was subsequently appointed as CEO on 1 January 2021. The 2020 figures for Milena are only a partial year as an Executive Director, compared with 2021 which is a full year. This is evident in the difference between the single figure for each year.

While the changes in taxable benefits for Non-Executive Directors are large on a percentage point basis, these are changes in small amounts (generally low hundreds of Pounds) and relate to tax on business expenses – i.e., travel to Board meetings.

Dilution

The Company currently uses newly issued shares to fund the DFSS, SIP and salary shares. The Company has controls in place to ensure that shares awarded under the incentive schemes operated by the Company within any rolling ten-year period do not exceed 10% of the number of ordinary shares in the capital of the Company in issue at the time of each award. It is currently anticipated that a combination of attrition and actual vesting will result in dilution of less than 10%. As required by the rules of our share schemes, the Company will in any event ensure that the actual dilution level does not exceed 10% in any rolling ten-year period by funding of any vested (and future) share scheme awards as appropriate with market-purchased shares.

Annual report on remuneration **continued**

Interests held by Directors (audited)

The Company has adopted Executive Director shareholding guidelines whereby all Executive Directors are required to acquire and retain a beneficial shareholding in the Company equal to at least 400% of base salary (excluding salary shares, where applicable), which can be built up over a period of five years from the later of the introduction of the guidelines and the individual's date of appointment. Both Executive Directors meet the shareholding requirement.

As at 31 December 2021, the Directors held the following interests:

	Shares held					
Director	**Beneficially owned outright**	**Subject to continued employment only**	**Subject to performance conditions**	**Shareholding requirement (% of 2021 salary)**	**Current shareholding (% of 2021 salary)**	**Requirement met?**
Milena Mondini de Focatiis	67,387[1]	35,672[3]	175,000	400%	> 400%	Yes[5]
Geraint Jones	99,243[1]	51,886[2]	97,500	400%	> 400%	Yes
Annette Court	12,519					
Evelyn Bourke	2,981					
Owen Clarke	110,852					
Jean Park	4,000					
Jayaprakasa Rangaswami	0					
Justine Roberts	0					
Manning Rountree	0					
Andrew Crossley	1,079					
Michael Brierley	3,690					
Karen Green	0					
Bill Roberts	5,000					

1 Total includes SIP shares both matured and awarded.
2 Total reflects shares from the 2019 DFSS award (performance test has been applied, and award is due to vest in September 2022) and salary shares awarded in 2019 and 2020.
3 Total reflects shares from the 2019 DFSS award (performance test has been applied, and award is due to vest in September 2022).
4 The final column in the above table relates to meeting the current Remuneration Policy requirement of 400% of salary.
5 Milena Mondini de Focatiis has five years from her appointment as Executive Director (11 August 2020) to meet the guideline.
6 There have been no changes in the Directors' holdings in the share capital of the Company, as set out in the table above, between 31 December 2021 and the date of this Report.

There have been no changes to Directors' shareholdings since 31 December 2021.

None of the Directors had an interest in the shares of any subsidiary undertaking of the Company or in any significant contracts of the Group.

Executive Directors' Interests in Shares under the DFSS and SIP and salary share awards (audited)

Type	At start of year	Awarded during year	Vested/ matured during year	At end of year	Price at award (£)	Value at award date (£)	Value at 31 Dec 2021 or maturity (£)[1]	Date of Award[2]	Final vesting/ maturity date
Milena Mondini de Focatiis									
DFSS	36,000	–	29,970	–	£20.40	£734,400	£1,023,775	26/09/2018	26/09/2021
DFSS	36,000	–	–	36,000	£21.00	£756,000	£1,136,520	26/09/2019	26/09/2022
DFSS	85,000	–	–	85,000	£23.08	£1,961,800	£2,683,450	24/04/2020	24/04/2023
DFSS	–	90,000	–	90,000	£34.55	£3,109,500	£2,841,300	23/09/2021	23/09/2024
SIP equiv. (through DFSS)	96	–	96	–	£18.70	£1,795	£2,830	09/03/2018	09/03/2021
SIP equiv. (through DFSS)	87	–	87	–	£20.59	£1,791	£3,192	24/08/2018	24/08/2021
SIP	84	–	–	84	£21.46	£1,803	£2,652	18/03/2019	18/03/2022
SIP	83	–	–	83	£21.45	£1,780	£2,620	30/08/2019	30/08/2022
SIP	88	–	–	88	£20.58	£1,811	£2,778	13/03/2020	13/03/2023
SIP	68	–	–	68	£26.40	£1,795	£2,147	02/09/2020	02/09/2023
SIP	–	61	–	61	£24.99	£1,524	£1,926	12/03/2021	12/03/2024
SIP	–	50	–	50	£36.11	£1,806	£1,579	01/09/2021	01/09/2024
Geraint Jones									
DFSS	50,000	–	49,250	–	£20.40	£1,020,000	£1,682,380	26/09/2018	26/09/2021
DFSS	45,000	–	–	45,000	£21.00	£945,000	£1,420,650	26/09/2019	26/09/2022
DFSS	45,000	–	–	45,000	£27.37	£1,231,650	£1,420,650	24/09/2020	24/09/2023
DFSS	–	52,500	–	52,500	£34.55	£1,813,875	£1,657,425	23/09/2021	23/09/2024
Salary Shares	2,500	–	2,500	–	£18.70	£46,750	£73,700	09/03/2018	09/03/2021
Salary Shares	2,500	–	2,500	–	£20.59	£51,475	£91,725	24/08/2018	24/08/2021
Salary Shares	2,500	–	–	2,500	£21.46	£53,650	£78,925	18/03/2019	18/03/2022
Salary Shares	2,500	–	–	2,500	£21.45	£53,625	£78,925	30/08/2019	30/08/2022
Salary Shares	2,500	–	–	2,500	£20.58	£51,450	£78,925	13/03/2020	13/03/2023
Salary Shares	2,500	–	–	2,500	£26.40	£66,000	£78,925	02/09/2020	02/09/2023
SIP	96	–	96	–	£18.70	£1,795	£2,830	09/03/2018	09/03/2021
SIP	87	–	87	–	£20.59	£1,791	£3,192	24/08/2018	24/08/2021
SIP	84	–	–	84	£21.46	£1,803	£2,652	18/03/2019	18/03/2022
SIP	83	–	–	83	£21.45	£1,780	£2,620	30/08/2019	30/08/2022
SIP	88	–	–	88	£20.58	£1,803	£2,778	13/03/2020	13/03/2023
SIP	68	–	–	68	£26.40	£1,782	£2,147	02/09/2020	02/09/2023
SIP	–	61	–	61	£24.99	£1,524	£1,926	12/03/2021	12/03/2024
SIP	–	50	–	50	£36.11	£1,806	£1,579	01/09/2021	01/09/2024

1 The value at maturity relates only to shares vested.
2 For SIP and Salary Shares, the price at award reflects the average closing share price over the five days prior to the award date.

The closing price of Admiral shares on 31 December 2021 was £31.57 per share.

By order of the Board,

Evelyn Bourke
Chair of the Remuneration Committee
3 March 2022

Director's report

The Directors present their Annual Report and the audited Financial Statements for the year ended 31 December 2021

Information included in the Strategic Report

As permitted by legislation, some of the matters required to be included in the Directors' Report have instead been included in the Strategic Report as the Board considers them to be of strategic importance. Specifically, these are:

Disclosure	Page reference
Future business developments	Page 35 – 44.
Greenhouse gas emissions, energy consumption and energy efficiency action	Pages 107, 112 and 113.
Employment of disabled persons (as defined by the Disability Discrimination Act 1995)	Page 55.
Engagement with colleagues	Page 89 – 92.
Engagement with suppliers, customers and others in a business relationship with the Company	Pages 87 – 89, 93 – 94 and 95 – 96.

Disclosure of information under Listing Rule 9.8.4

Sub-section of Listing Rule 9.8.4	Detail	Page reference
1	Interest capitalised by the Group	–
7	Allotment of shares for cash pursuant to Group employee share schemes	Page 287.
12, 13	Shareholder waiver of dividend	Page 206.

Group results and dividends

The profit for the year, after tax but before dividends, amounted to £996.7 million (2020: £527.8 million). The Directors declared and paid dividends of £720.9 million during 2021 (2020 £425.7 million). Refer to note 12b for further details.

The Directors have proposed a final dividend of £347 million (118.0 pence per share). Subject to shareholders' approval at the 2022 Annual General Meeting (AGM), the final dividend will be paid on 6 June 2022 to shareholders on the register at the close of business on 6 May 2022.

Further information on the Groups' dividend policy is located in note 12e and on page 23 of the Strategic Report.

Research and development

Details of costs incurred in respect of research and development can be found in note 11 on page 281.

Political donations

No political donations were made during the year.

Interest Capitalised

No interest was capitalised by the Group during the year.

Significant contracts of material interest to shareholders

The Group considers its co-insurance and reinsurance contracts to be significant and of material interest to shareholders. A number of the Group's contractual arrangements with reinsurers include features that, in certain scenarios, allow for reinsurers to recover losses incurred to date. The overall impact of such scenarios would not lead to an overall net economic outflow from the Group. No other contractual arrangements are considered to be significant to the running of the Group's business.

Financial instruments

The objectives and policies for managing risks in relation to financial instruments held by the Group are set out in note 6 to the Financial Statements.

Directors and their interests

The present Directors of the Company are shown on page 134 – 139 of this Report, whilst Directors' interests in the share capital of the Company are set out in the Remuneration Report on pages 202 – 203. A list of Directors in the financial period to 31 December 2021 is shown on page 134.

Going concern

Under Provision 30 of the 2018 UK Corporate Governance Code, the Board confirms that it considers the Going Concern basis of accounting appropriate. In considering this requirement, the Directors have taken into account the following.

In particular, as part of this assessment the Board considered updated projections of performance and profitability a number of times during the pandemic, with some key highlights including:

- The Group's profit projections, including:
  - The ongoing impact of the pandemic, including the return of claims frequency towards pre-pandemic levels across all of the Group's insurance businesses
  - Changes in premium rates and projected policy volumes across the Group's insurance businesses, including early indications of the impact of the FCA general insurance pricing reform which came into effect at the start of 2022
  - Potential impacts on the cost of settling claims across all insurance businesses, including the impact of inflationary pressures

  - Projected trends in other revenue generated by the Group's insurance business from fees and the sale of ancillary products
  - Projected contributions to profit from businesses other than the UK Car insurance business
  - Expected trends in unemployment in the context of credit risks and the growth of the Group's Loans business
- The sale of the Group price comparison businesses, Penguin Portals and Preminen along with the intention to return the remaining amount of net proceeds back to shareholders
- The Group's solvency position, which has been closely monitored through periods of market volatility, in particular, early in the pandemic. The Group continues to maintain a strong solvency position above target levels
- The adequacy of the Group's liquidity position after considering all of the factors noted above
- The results of business plan scenarios and stress tests on the projected profitability, solvency and liquidity positions including the impact of severe downside scenarios that assume severe adverse economic, credit and trading stresses
- The regulatory environment, in particular focusing on regulatory guidance issued by the FCA and the PRA in the UK and ongoing communications between management and regulators
- A review of the Company's principal risks and uncertainties and the assessment of emerging risks

Following consideration of the above, the Directors have reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report, and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements.

Share Capital, AGM and related matters

Major Shareholders

Other than as stated below, as far as the Company is aware, there are no persons with significant direct or indirect holdings in the Company. Information provided to the Company pursuant to the Financial Conduct Authority's (FCA) Disclosure and Transparency Rules (DTRs) is published on a Regulatory Information Service and on the Company's website.

The Company received notifications in accordance with the FCA's DTRs of the following notifiable interests in the voting rights in the Company's issued share capital:

	As at 31 December 2021	
	Number of Shares	**%**
Henry Engelhardt & Diane Briere de l'Isle	25,605,472	8.5%
Mawer Investment Management Ltd.	18,397,582	6.1%
BlackRock Inc.	16,342,137	5.5%
FMR LLC	15,197,215	5.1%
Münchener Rückversicherungs- Gesellschaft AG	14,947,781	5.0%
Moondance Foundation	11,900,000	4.0%
N.M. Rothschild & Sons Ltd.	10,360,747	3.5%
Vanguard Group Holdings	9,338,688	3.1%
David & Heather Stevens	8,422,950	2.8%

Notes:

1 % as at date of notification. The DTRs require notification when the % voting rights (through shares and financial instruments) held by a person reaches, exceeds of falls below an applicable threshold specified in the DTRs.

2 Notifications received by the Company in accordance with the FCA's DTRs in the period from 31 December 2021 to 24 February 2022 were as follows:

Shareholder	Date of notification	Number of shares as at date of notification	% of shares as at date of notification
BlackRock Inc.	31 January 2022	15,331,477	5.1%
BlackRock Inc.	8 February 2022	15,216,185	5.07%
BlackRock Inc.	9 February 2022	15,278,989	5.09%

There are no people who hold shares carrying special rights with regard to control of the Company.

The interests of Directors and Officers and their connected persons in the issued share capital of the Company are given in the Remuneration Report on page 202.

Further information on the rights attaching to shares under the employee share schemes are provided in the Remuneration Report.

Director's report **continued**

Directors' interests

The interests of Directors and Officers and their connected persons in the issued share capital of the Company are given in the Remuneration Report on page 202.

Shares held in Employee Benefit Trust

The EBT does not use its voting rights in respect of the shares it holds in the EBT at general meetings, however, it may choose to do so if recommended by the company via a letter of wishes. If any offer is made to shareholders to acquire their shares, the trustee will not be obliged to accept or reject the offer in respect of any shares which are at that time subject to subsisting awards but will have regard to the interests of the award holders and will have power to consult them to obtain their views on the offer. Subject to the above, the trustee may take action with respect to any offer it thinks fair. The trustee has waived its right to dividends on the shares held in the trust.

Additional information for shareholders

The following provides the additional information required for shareholders in accordance with the Takeovers Directive and the respective UK law.

At 31 December 2021, the Company's issued share capital comprised a single class of shares referred to as ordinary shares. Details of the share capital and shares issued during the year can be found in note 12d. The rights and obligations attached to the Company's ordinary shares are set out in the Articles of Association of the Company, copies of which can be obtained from Companies House.

If a poll is called at a general meeting, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. The notice of the general meeting specifies deadlines for exercising voting rights either by proxy notice or present in person or by proxy in relation to resolutions to be passed at general meeting. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the Annual General Meeting and published on the Company's website after the meeting.

There are no restrictions on the transfer of ordinary shares in the Company other than:

- Certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws).
- Pursuant to the Listing Rules of the FCA whereby certain employees and directors of the Company require the approval of the Company to deal in the Company's securities.

The Company has not purchased any of its own shares during the period.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occur because of a takeover bid.

There are a number of agreements that alter or terminate upon a change of control of the Company following a takeover bid, such as commercial contracts (entered into in the normal course of business). None are considered to be significant in terms of their impact on the business of the Group as a whole.

Powers of the Company Directors

The Directors are responsible for managing the business of the Company and may exercise all powers of the Company subject to the provisions of relevant statutes, to any directions given by special resolution and to the Company's Memorandum and Articles. The Articles, for example, contain specific provisions and restrictions concerning the Company's power to borrow money. Powers relating to the issuing of new shares and buyback of shares are also included in the Articles and such authorities are renewed by shareholders at the Annual General Meeting each year.

Power to issue shares

At the last Annual General Meeting, held on 30 April 2021, authority was given to the Directors to allot unissued relevant securities in the Company up to a maximum of £198,014, representing the Investment Association's Guidelines limit of approximately two thirds of the issued share capital as at 22 March 2021. This authority expires on the date of the Annual General Meeting to be held on 28 April 2022 and the Directors will seek to renew this authority for the following year.

A further special resolution passed at that meeting granted authority to the Directors to allot equity securities in the Company (up to a maximum of 5% of the issued share capital of the Company) for cash, without regard to the pre-emption provisions of the Companies Act 2006. This authority also expires on the date of the Annual General Meeting to be held on 28 April 2022 and the Directors will seek to renew this authority for the following year.

In line with the principles published by the Pre-Emption Group in March 2015, and their template resolutions published in May 2016, allowing a company the ability to seek authority over a further 5% of the issued ordinary share capital on a non-pre-emptive basis subject to certain conditions, it is the intention of the Company, at the AGM on 28 April 2022, to seek this additional authority by special resolution and will confirm in the Notice of AGM that such additional shares are only issued in connection with a specified acquisition or capital investment.

Appointments of Directors

The Company's Articles of Association (the Articles) give the Directors power to appoint and replace Directors. Under the Terms of Reference of the Group Nomination and Governance Committee, any appointment must be recommended by the Group Nomination and Governance Committee for approval by the Board of Directors. At the Group's Annual General Meeting on 26 April 2018, new Articles of Association were approved by shareholders which provide that all Directors will retire and offer themselves for re-election at each Annual General Meeting, in accordance with the UK Corporate Governance Code and the Company's current practice. Therefore, all Directors will be submitting themselves for either election or re-election by shareholders at the forthcoming AGM.

Articles of Association

The Articles may only be amended by special resolution of the shareholders.

Directors' indemnities and insurance

Directors and Officers insurance cover is in place for all Directors to provide cover against certain acts or omissions on behalf of the Company. A Deed Poll of Indemnity was executed in October 2015, indemnifying each of the Directors, and Company Secretary, in relation to certain losses and liabilities that they might incur in the course of acting as Directors of the Company. The Deed Poll of Indemnity is categorised as qualifying third party provisions as defined by Section 234 of the Companies Act 2006 and remains in force for all past and present Directors of the Company.

The Board is of the view that it is in the best interests of the Group to attract and retain the services of the most able and experienced Directors by offering competitive terms of engagement, including the granting of such indemnities. Neither the Deed Poll of Indemnity nor insurance cover would provide any coverage in the event that a Director is proved to have acted fraudulently or dishonestly.

Annual General Meeting (AGM)

It is proposed that the next AGM be held at Tŷ Admiral, David Street, Cardiff, CF10 2EH on Thursday 28 April 2022 at 2.00pm, notice of which will be sent to shareholders with the Annual Report.

Reporting, accountability and audit

UK Corporate Governance Code

Admiral is subject to the UK Corporate Governance Code (the Code), published by the Financial Reporting Council (FRC) in July 2018 and available on their website, www.frc.org.uk. The Company's Annual Report and Accounts, taken as a whole, addresses the requirements of the 2018 Code.

The UK Corporate Governance Code 2018 (the Code) was applicable for the Group during the year under review, and the Group has applied the principles and complied with the provisions of the Code except with regard to non-compliance with provisions 19 and 32 as set out in the Corporate Governance Report on page 140.

The Directors confirm that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Board is ultimately responsible for the Group's system of risk management and internal control and, through the Group Audit Committee, has reviewed the effectiveness of the Group's internal control and risk management arrangements relating to the financial reporting process and the principal risks facing the business. The Board is satisfied that the Group's internal control and risk management framework is prudent and effective and that, through the Group Audit Committee and Group Risk Committee, risk can be assessed, managed and assurance given that all material controls are reviewed and monitored.

Information on the composition and operation of the Board and its Committees is located in the following sections:

- Corporate Governance Report on pages 140 – 164 in respect of the Board.
- Nomination and Governance Committee Report on pages 154 – 162.
- Audit Committee Report on pages 165 – 171.
- Risk Committee Report on pages 172 – 176.
- Remuneration Committee Report on pages 177 – 203.

The Group's gender diversity information for the financial year, together with an explanation of the policies related to diversity, are set out in the Strategic Report on page 54 – 56 and in the Nomination and Governance Committee Report on pages 159 – 161.

Director's report continued

Branches

The Group has several branches located in Canada, India, France and Italy, through its subsidiary structure. Further details of the Company's subsidiaries, associated undertakings and branches are contained in note 12f.

Directors' responsibilities

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 they are required to prepare the Group Financial Statements in accordance with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework.

Under company law, the 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 their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable and prudent.
- for the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the UK.
- for the parent company financial statements, state whether applicable UK Accounting Standards, including FRS 101 Reduced Disclosure Framework, have been followed, subject to any material departures disclosed and explained in the parent company financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Responsibility statement

The Directors confirm that to the best of their 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 Directors' Report and the Strategic Report include a fair review of the development and performance of the business and the position of the Company, and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Following completion of the tender for the Group's audit services and the Board's approval of the Audit Committee's recommendation to re-appoint the Company's auditor, Deloitte LLP has indicated willingness to continue in office and resolutions to reappoint it and to authorise the Directors to fix its remuneration will be proposed at the Annual General Meeting.

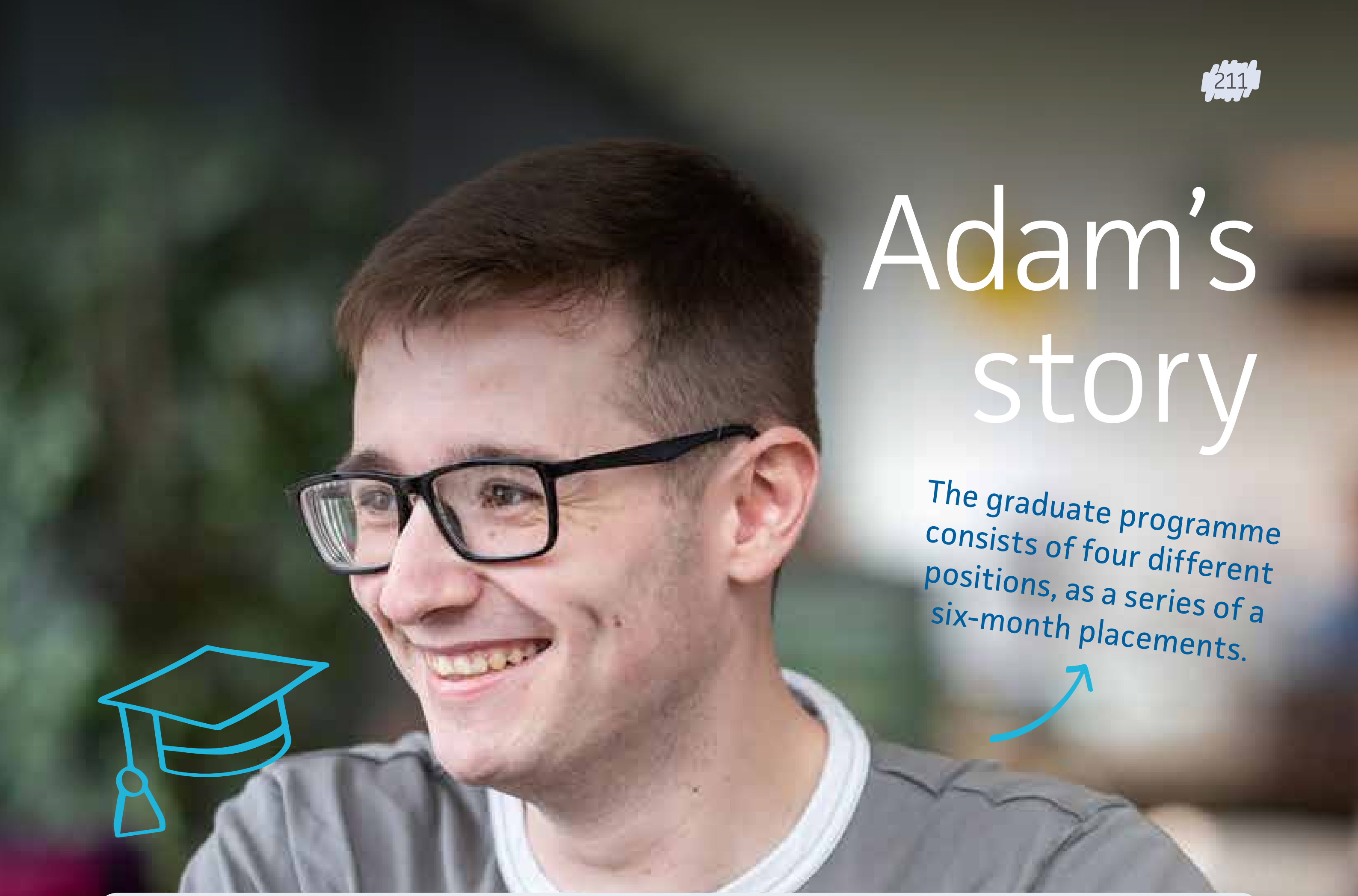
By Order of the Board,

Mark Waters
Company Secretary
3 March 2022

Geraint Jones
Chief Financial Officer
3 March 2022

Financial Statements

Quick navigation



Adam's story

The graduate programme consists of four different positions, as a series of a six-month placements.

Spotted on the cover

We sit down with Adam from Group procurement, as he talks about engaging with different stakeholders on the Admiral's graduate scheme.

Hi I'm Adam

I joined Admiral's graduate scheme in 2021 following my studies at Cardiff University. I was intrigued to find out more about Admiral as they are a visible employer in Cardiff, a careers partner of the University and because I knew that a few older graduates who had secured successful placements and started their careers in that way.

The graduate programme consists of four different positions, as a series of a six-month placements. After the programme finishes, most graduates tend to permanently join one of the departments that they have experienced during the scheme. I decided to join group procurement initially and it was a good choice, as over the last six months I've engaged with different stakeholders all over the business and learnt a great deal about our supply chain. I also feel like I have contributed to the direction of travel that the group is moving towards in that respect. At my interview I liked the fact that I didn't necessarily need business experience, and that to learn and be part of a team the main requirement was attitude, and a willingness to pull in the same direction as everyone else.

The things that I enjoy about Admiral are the things that surprise me the most – I like that we are encouraged to work flexible hours, and to build social elements like chatting over coffee into our manager catch ups and debriefs. If I was to describe Admiral, I would say inclusive, relaxed and fast paced. I feel challenged in a different way to studying and I'm interested to see what future opportunities the graduate programme may bring.

"Over the last six months I've engaged with different stakeholders all over the business and learnt a great deal about our supply chain."

Independent auditor's report
to the members of Admiral Group Plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Admiral Group plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Consolidated and Parent Company Income Statements;
- the Consolidated and Parent Company Statements of Comprehensive Income;
- the Consolidated and Parent Company Statements of Financial Position;
- the Consolidated Cash Flow Statement;
- the Consolidated and Parent Company Statements of Changes in Equity;
- the related notes 1 to 14 to the Group financial statements, excluding the capital adequacy disclosures in note 12e calculated in accordance with the Solvency II regime which are marked as unaudited; and
- the related notes 1 to 15 to the Parent Company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group for the year are disclosed in note 9c to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: · Valuation of gross insurance claims reserves. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk

Materiality	The materiality that we used for the Group financial statements was £36.2 million which was determined on the basis of 5% of profit before tax ('PBT') from continuing operations and discontinued operations, excluding 'profit on sale'.
Scoping	We identified five reporting components which we determined should be subjected to full scope audits this year. Specific audit procedures were completed in respect of seven further components which, although not financially significant, did present some specific audit risks which needed to be addressed. The components within the scope of our audit procedures account for 99% of the Group's profit before tax, 99% of the Group's revenue and 99% of the Group's net assets.
Significant changes in our approach	We previously identified a key audit matter associated with the change in reserving process to use an internally projected best estimate, during 2020. As there has been no further change in the reserving process, and we did not identify any material findings related to this risk in the prior period, this no longer represents a key audit matter. We also previously identified a key audit matter associated with the scenarios and assumptions used in the determination of the loan loss provision during 2020. We did not identify any material findings related to this risk in the prior period and, in the current period, we have not identified this as a key audit matter due to the quantum of the loan loss provision in the context of our determined materiality. The number of reporting components determined to be subjected to full scope audit this year has reduced. This is due to one component, Inspop.com Limited, being disposed of in the year which is therefore no longer within our audit scope; one component, Elephant Insurance Company LLC, which has not grown at a commensurate rate to the Group and therefore is of less significance this year; and one component, Admiral Financial Services Limited, due to the quantum of the loan loss provision in this entity in the current year, the component is no longer subject to a full scope audit. Furthermore, the number of reporting components which were not financially significant, but which did present some specific audit risks, has reduced. This is due to the disposal of a number of components in the Group, which are therefore no longer within our audit scope.
The impact of climate change on our audit	In planning our audit, we have considered the impact of climate change on the Group's operations and subsequent impact on its financial statements. The Group sets out its assessment of the potential impact on pages 111 to 112 of the Emerging Risks section. In conjunction with our TCFD specialists, we have held discussions with the Group to understand management's: · process for identifying affected operations, including the governance and controls over this process, and the subsequent effect on the financial reporting for the Group; and · long-term strategy to respond to climate change risks as they emerge including the effect on the Group's forecasts. Our audit work has involved: · challenging the completeness of the physical and transition risks identified and considered in the Group's climate risk assessment and the conclusion that there is no material impact of climate change risk on the current year financial reporting; · assessing the Group's qualitative analysis, which supports the Group's conclusion that there is no material financial statement impact of climate risk on expected credit losses; and · assessing disclosures in the annual report and challenging the consistency between the financial statements and the remainder of the annual report. We have not been engaged to provide assurance over the accuracy of TCFD disclosures set out on pages 107 to 113 of the Annual Report. As part of our procedures, we are required to read these disclosures and to consider whether they are materially inconsistent with the financial statements or our knowledge obtained during the course of our audit; we did not identify any material inconsistencies as a result of these procedures.

Independent auditor's report **continued**

to the members of Admiral Group Plc

4. Conclusions relating to going concern

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.

Our evaluation of the Directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We obtained an understanding of the relevant controls relating to management's going concern assessment process;
- We evaluated management's going concern assessment in light of Covid-19; this included obtaining evidence such as underlying business plans and forecasts and challenging their reliability to support the key assumptions;
- We assessed management's reverse stress testing over the projected profitability, solvency and liquidity positions and the likelihood of the various scenarios that could adversely impact upon the Group's liquidity and solvency headroom;
- We inspected the Group ORSA ('Own Risk and Solvency Assessment') to support our understanding of the key risks faced by the Group, its ability to continue as a going concern, and the longer-term viability of the Group; and
- We obtained and inspected correspondence between the Group and its regulators, the FCA and PRA, as well as reviewing the Group Risk Committee meeting minutes, to identify any items of interest which could potentially indicate either non-compliance with legislation or potential litigation or regulatory action held against the Group.

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 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 relation to the reporting on how the Group has 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.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) that we identified. These matters included 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 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.

5.1. Valuation of gross insurance claims reserves

Key audit matter description	The Group's gross insurance claims reserves total £3,045 million as at 31 December 2021 (2020 year-end: £2,920 million). The judgements which are made by management in determining the valuation of claims reserves are by far the most significant in terms of their impact on the Group's financial position. Setting these claims reserves is an inherently subjective exercise and small changes in underlying assumptions may have a material impact on the overall year-end result reported. Specifically, our significant areas of focus are management's selection of the frequency and severity assumptions for large bodily injury claims arising in the UK Car Insurance business. These particular claims result in higher individual claims reserves and are more judgemental, in terms of the development of the ultimate losses, due to the longer-term nature of the Group's exposure (compared to property damage claims). In line with the Group's accounting policy, management adds a margin to the actuarial best estimate to arrive at the booked gross claims reserves. This margin reflects the inherent uncertainty in estimating the ultimate losses on claims, over and above that which can be projected actuarially based on underlying claims development data. This is a significant area of management judgement and, therefore, a focus of our audit. Specifically, the consistency of the level of prudence within the margin for the UK Car Insurance reserves, related to large bodily injury claims, is our key area of focus. Refer to page 169 in the Audit Committee report where this is included as a significant issue and note 3 and note 5d in the financial statements which refer to this matter.
How the scope of our audit responded to the key audit matter	We obtained an understanding and tested the operating effectiveness of relevant controls relating to the key actuarial assumptions identified and the setting of the management margin applied as an uplift on the projected actuarial best estimate. We obtained and inspected the reports from both management, and management's external expert actuary, and have involved our actuarial specialists to challenge management's key assumptions. We also assessed the objectivity and competence of management's expert. We benchmarked management's frequency assumptions against available industry data and considered the comparison in the context of the risk profile of the Group's portfolio and the year-on-year changes in these assumptions. We undertook a graphical analysis of incurred development patterns to assess and challenge management's severity assumptions. We benchmarked the average cost per claim assumptions against available third-party industry data in the context of this incurred development analysis. We challenged management's qualitative and quantitative support for the margin held over the actuarial best estimate reserves through review of management's accounting judgement papers and testing the key internal controls governing the claims distribution model. We analysed the consistency of prudence within the booked margin against previous reporting periods in the context of the underlying uncertainty in incurred claims development and challenged management's support for the booked position.
Key observations	Based on the procedures described above, we consider that the valuation of gross insurance claims reserves remain appropriate and in line with the Group's prudent accounting policy.

Independent auditor's report **continued**

to the members of Admiral Group Plc

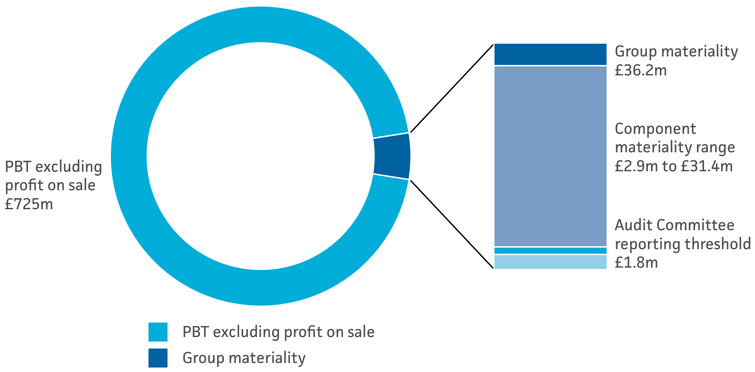
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Materiality	£36.2 million (2020: £31.8 million)	£2.9 million (2020: £2.9 million)
Basis for determining materiality	5% of profit before tax from continuing operations and discontinued operations, excluding 'profit on sale' (2020: 5% of profit before tax from continuing and discontinued operations).	3% (2020: 3%) of two-year average of net assets (2020: two-year average of net assets).
Rationale for the benchmark applied	We consider profit before tax to be the critical benchmark of the performance of the Group and consider this benchmark to be suitable having compared to other benchmarks: our materiality equates to 1% of gross earned premium and 3% of equity (2020: 1% of gross earned premium and 3% of equity). We have excluded profit on disposal from the discontinued operations due to the quantum of this balance as it would be distortive to the determination of materiality for the financial statements as a whole.	The Parent Company primarily exists as the holding company which carries investments in Group subsidiaries and is the issuer of listed securities. We consider that net assets is the critical benchmark for the Company. The measure uses a two-year average of net assets which we consider appropriate given the inherent volatility associated with the timing of dividend payments.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent Company financial statements
Performance materiality	70% (2020: 70%) of Group materiality	70% (2020: 70%) of Parent Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: · our risk assessment, including our assessment of the Group's overall control environment and that we consider it appropriate to rely on controls over a number of business processes; and · our past experience of the audit, which has indicated a low number of uncorrected misstatements identified in prior periods.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.8 million (2020: £1.3 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

The five (2020: eight) significant components of the Group which were identified in our audit planning are Admiral Insurance (Gibraltar) Limited, Admiral Insurance Company Limited, EUI Limited, Admiral Europe Compañía de Seguros, and the Admiral Group plc parent entity. The following entities, which were considered significant components in the prior period, have not been identified as significant in the current period:

- Inspop.com Limited: This was disposed of by the Group in the period and therefore does not form part of our audit scope;
- Admiral Financial Services Limited: Due to the quantum of the loan loss provision in this entity in the current year, the component is no longer subject to a full scope audit; and
- Elephant Insurance Company LLC: This company has not grown at a commensurate rate to the Group and therefore is no longer considered significant to the Group.

Each of these significant components was subjected to a full-scope audit, completed to individual component materiality levels which ranged from £2.9 million to £31.4 million (2020: £2.6 million to £25.1 million) dependent upon the relative significance of each individual component.

Additionally, we have completed specific audit procedures, designed to address specific audit risks, for seven (2020: seven) further components.

The components within the scope of our audit procedures account for 99% (2020: 98%) of the Group's profit before tax, 99% (2020: 97%) of the Group's revenue and 99% (2020: 97%) of the Group's net assets.

For the remaining components, which were not subject to audit or specified audit procedures, we performed analysis at an aggregated Group level to re-assess our evaluation that there were no significant risks of material misstatement presented by any of these components.

7.2. Working with other auditors

We engaged local component auditors, being Deloitte member firms in the US and Spain, to perform the audit work in these respective territories on our behalf. Typically, each year we visit the operations in Rome, Madrid, Seville and Richmond but, given the presence of Covid-19, this was not possible for 2021. In response to this limitation, we directed and supervised the work of the component auditors by increasing the frequency of phone calls with the component audit teams, participating in video conferences and viewing certain key audit documentation remotely.

Independent auditor's report **continued**

to the members of Admiral Group Plc

8. Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

9. Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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.

10. Auditor's 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 auditor's 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.

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 auditor's report.

11. Extent to which the audit was considered capable of 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 above, 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.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error;
- results of our enquiries of management, internal audit, and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;

  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, actuarial, IT and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: valuation of gross insurance claims reserves. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, and relevant tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's operating licence, PRA and FCA regulations and regulatory solvency requirements.

11.2. Audit response to risks identified

As a result of performing the above, we identified the valuation of gross insurance claims reserves as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, the Financial Conduct Authority and the Prudential Regulation Authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

Independent auditor's report **continued**

to the members of Admiral Group Plc

13. Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

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 with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 204 to 205;
- the Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on pages 124 to 127;
- the Directors' statement on fair, balanced and understandable set out on page 207;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 175;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 207; and
- the section describing the work of the Audit Committee set out on pages 167 to 168.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received 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
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by shareholders' approval at the Annual General Meeting on 30 April 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is six years, covering the years ending 31 December 2016 to 31 December 2021.

15.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS. We have been engaged to provide assurance on whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS and will report separately to the members on this.

David Rush
(Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

3 March 2022

Consolidated income statement
For the year ended 31 December 2021

Continuing operations	Note	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Insurance premium revenue		2,492.3	2,265.3
Insurance premium ceded to reinsurers		(1,637.3)	(1,513.7)
Net insurance premium revenue	5	855.0	751.6
Other revenue	8	314.8	329.4
Profit commission	5	304.5	134.0
Interest income	7	36.6	36.8
Interest expense	7	(6.1)	(7.2)
Net interest income from loans		30.5	29.6
Investment return – interest income at effective interest rate	6	40.6	33.9
Investment return – other	6	4.6	26.8
Net revenue		1,550.0	1,305.3
Insurance claims and claims handling expenses	5	(1,506.8)	(1,318.6)
Insurance claims and claims handling expenses recoverable from reinsurers		1,174.5	1,025.4
Net insurance claims	5	(332.3)	(293.2)
Operating expenses and share scheme charges	9	(970.1)	(814.6)
Operating expenses and share scheme charges recoverable from co- and reinsurers	9	491.1	456.6
Expected credit losses	6,9	(13.3)	(33.6)
Net operating expenses and share scheme charges		(492.3)	(391.6)
Total expenses		(824.6)	(684.8)
Operating profit		725.4	620.5
Finance costs	6	(13.7)	(14.3)
Finance costs recoverable from co- and reinsurers	6	1.8	2.0
Net finance costs		(11.9)	(12.3)
Profit before tax from continuing operations		713.5	608.2
Taxation expense	10	(130.2)	(106.2)
Profit after tax from continuing operations		583.3	502.0
Profit before tax from discontinued operations		11.3	29.4
Gain on disposal		404.4	–
Taxation expense		(2.3)	(3.6)
Profit after tax from discontinued operations	13	413.4	25.8
Profit after tax from continuing and discontinued operations		996.7	527.8

Continuing operations	Note	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Profit after tax attributable to:			
Equity holders of the parent		997.9	528.8
Non-controlling interests (NCI)		(1.2)	(1.0)
		996.7	527.8
Earnings per share – from continuing operations			
Basic	12	196.7p	170.7p
Diluted	12	196.1p	170.4p
Earnings per share – from continuing and discontinued operations			
Basic	12	335.5p	179.5p
Diluted	12	334.5p	179.2p
Dividends declared and paid (total)	12	720.9	425.7
Dividends declared and paid (per share)	12	247.0p	147.5p

Consolidated statement of comprehensive income

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 £m	31 December 2020 £m
Profit for the period – from continuing and discontinued operations		996.7	527.8
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Movements in fair value reserve		(50.1)	40.6
Deferred tax charge in relation to movement in fair value reserve	10	1.4	(1.8)
Exchange differences on translation of foreign operations		(10.4)	3.5
Movement in hedging reserve		6.6	(2.4)
Other comprehensive income for the period, net of income tax		(52.5)	39.9
Total comprehensive income for the period		944.2	567.7
Total comprehensive income for the period attributable to:			
Equity holders of the parent		945.7	568.6
Non-controlling interests		(1.5)	(0.9)
		944.2	567.7

Consolidated statement of financial position

As at 31 December 2021

		As at	
	Note	31 December 2021 £m	31 December 2020 £m
ASSETS			
Property and equipment	11	103.2	140.4
Intangible assets	11	179.9	166.7
Deferred income tax	10	9.3	–
Corporation tax asset	10	10.6	22.9
Reinsurance assets	5	2,176.1	2,083.2
Loans and advances to customers	7	556.8	359.8
Insurance and other receivables	6	1,208.5	1,182.0
Financial investments	6	3,742.6	3,506.0
Cash and cash equivalents	6	372.7	298.2
Assets associated with disposal group held for sale	13	–	83.0
Total assets		8,359.7	7,842.2
EQUITY			
Share capital	12	0.3	0.3
Share premium account		13.1	13.1
Other reserves	12	44.0	94.9
Retained earnings		1,348.8	1,004.4
Total equity attributable to equity holders of the parent		1,406.2	1,112.7
Non-controlling interests		2.3	10.7
Total equity		1,408.5	1,123.4
LIABILITIES			
Insurance contract liabilities	5	4,215.0	4,081.3
Subordinated and other financial liabilities	6	670.9	488.6
Trade and other payables	6, 11	1,960.0	1,991.2
Lease liabilities	6	105.3	122.8
Deferred income tax	10	–	0.9
Liabilities associated with disposal group held for sale	13	–	34.0
Total liabilities		6,951.2	6,718.8
Total equity and total liabilities		8,359.7	7,842.2

The accompanying notes form part of these financial statements.

These financial statements were approved by the Board of Directors on 3 March 2022 and were signed on its behalf by:

Geraint Jones
Chief Financial Officer
Admiral Group plc

Company Number: 03849958

Consolidated cash flow statement

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 £m	Year ended Restated 31 December 2020 £m
Profit after tax – from continuing and discontinued operations		996.7	527.8
Adjustments for non-cash items:			
– Depreciation of property, plant and equipment and right-of-use assets	11	23.6	23.6
– Impairment of property, plant and equipment and right-of-use assets	11	23.8	3.1
– Amortisation and impairment of intangible assets	11	44.7	19.2
– Gain on disposal of Comparison entities held for sale	13	(404.4)	–
– Movement in expected credit loss provision	6	13.3	25.8
– Share scheme charges	9	65.2	54.0
– Accrued interest income from loans and advances to customers		(0.8)	0.2
– Interest expense on funding for loans and advances to customers		6.1	7.2
– Investment return	6	(45.2)	(60.7)
– Finance costs, including unwinding of discounts on lease liabilities		12.0	12.4
– Taxation expense	10	132.5	109.8
Change in gross insurance contract liabilities	5	133.7	106.3
Change in reinsurance assets	5	(92.9)	(11.5)
Change in insurance and other receivables	6, 11	(9.2)	25.1
Change in gross loans and advances to customers	7	(205.2)	77.3
Change in trade and other payables, including tax and social security	11	(56.1)	40.2
Cash flows from operating activities, before movements in investments		637.8	959.8
Purchases of financial instruments		(3,710.2)	(2,389.2)
Proceeds on disposal/maturity of financial instruments		3,397.1	2,160.6
Interest and investment income received	6	46.6	52.6
Cash flows from operating activities, net of movements in investments		371.3	783.8
Taxation payments		(126.7)	(175.0)
Net cash flow from operating activities		244.6	608.8
Cash flows from investing activities:			
Purchases of property, equipment and software	11	(69.2)	(43.1)
Proceeds from sale of Comparison entities		471.8	–
Net costs paid on sale of Comparison entities		(14.8)	–
Net cash used in investing activities		387.8	(43.1)
Cash flows from financing activities:			
Non-controlling interest capital contribution		–	2.4
Proceeds on issue of/ (Repayment of) loan backed securities	6	185.9	(46.3)
Proceeds from other financial liabilities	6	–	0.1
Finance costs paid, including interest expense paid on funding for loans	6,7	(20.2)	(19.2)
Repayment of lease liabilities	6	(9.6)	(9.4)
Equity dividends paid	12	(720.9)	(425.7)
Net cash used in financing activities		(564.8)	(498.1)
Net increase in cash and cash equivalents		67.6	67.6
Cash and cash equivalents at 1 January		351.7	281.7
Cash and cash equivalents included in disposal of comparison entities		(41.3)	–
Effects of changes in foreign exchange rates		(5.3)	2.4
Cash and cash equivalents at end of period	6	372.7	351.7

Consolidated statement of changes in equity

For the year ended 31 December 2021

	Notes	Share capital £m	Share premium account £m	Fair value reserve £m	Hedging reserve £m	Foreign exchange reserve £m	Retained profit and loss £m	Total £m	Non-controlling interests £m	Total equity £m
			Attributable to the owners of the Company							
At 1 January 2020		0.3	13.1	46.6	(1.2)	9.7	840.9	909.4	9.2	918.6
Profit/(loss) for the period – from continuing and discontinued operations		–	–	–	–	–	528.8	528.8	(1.0)	527.8
Other comprehensive income										
Movements in fair value reserve		–	–	40.6	–	–	–	40.6	–	40.6
Deferred tax charge in relation to movement in fair value reserve	10	–	–	(1.8)	–	–	–	(1.8)	–	(1.8)
Movement in hedging reserve		–	–	–	(2.4)	–	–	(2.4)	–	(2.4)
Currency translation differences		–	–	–	–	3.4	–	3.4	0.1	3.5
Total comprehensive income for the period		–	–	38.8	(2.4)	3.4	528.8	568.6	(0.9)	567.7
Transactions with equity holders										
Dividends	12	–	–	–	–	–	(425.7)	(425.7)	–	(425.7)
Share scheme credit		–	–	–	–	–	53.8	53.8	–	53.8
Deferred tax credit on share schemes credit	10	–	–	–	–	–	6.6	6.6	–	6.6
Contributions by NCIs		–	–	–	–	–	–	–	2.2	2.2
Changes in ownership interests without a change in control		–	–	–	–	–	–	–	0.2	0.2
Total transactions with equity holders		–	–	–	–	–	(365.3)	(365.3)	2.4	(362.9)
Balance at 1 January 2021		0.3	13.1	85.4	(3.6)	13.1	1,004.4	1,112.7	10.7	1,123.4
Profit/(loss) for the period – from continuing and discontinued operations		–	–	–	–	–	997.9	997.9	(1.2)	996.7
Other comprehensive income										
Movements in fair value reserve		–	–	(50.1)	–	–	–	(50.1)	–	(50.1)
Deferred tax charge in relation to movement in fair value reserve	10	–	–	1.4	–	–	–	1.4	–	1.4
Movement in hedging reserve		–	–	–	6.6	–	–	6.6	–	6.6
Currency translation differences		–	–	–	–	(10.1)	–	(10.1)	(0.3)	(10.4)
Total comprehensive income for the period		–	–	(48.7)	6.6	(10.1)	997.9	945.7	(1.5)	944.2
Transactions with equity holders										
Dividends	12	–	–	–	–	–	(720.9)	(720.9)	–	(720.9)
Share scheme credit	9	–	–	–	–	–	63.1	63.1	–	63.1
Deferred tax credit on share schemes credit	10	–	–	–	–	–	6.0	6.0	–	6.0
Transfer to gain on disposal of assets held for sale		–	–	–	–	1.3	(2.0)	(0.7)	0.1	(0.6)
Change in ownership interests on sale of comparison		–	–	–	–	–	–	–	(6.7)	(6.7)
Change in ownership interests without a change in control		–	–	–	–	–	0.3	0.3	(0.3)	–
Total transactions with equity holders		–	–	–	–	1.3	(653.5)	(652.2)	(6.9)	(659.1)
As at 31 December 2021		0.3	13.1	36.7	3.0	4.3	1,348.8	1,406.2	2.3	1,408.5

Notes to the financial statements

For the year ended 31 December 2021

1. General information

Admiral Group plc is a public limited company incorporated in England and Wales. Its registered office is at Tŷ Admiral, David Street, Cardiff, CF10 2EH and its shares are listed on the London Stock Exchange. The nature of Admiral Group operations and its principal activities is set out in the Business model section on page 04.

The consolidated financial statements have been prepared and approved by the Directors in accordance with United Kingdom adopted international accounting standards in conformity with the requirements of the Companies Act 2006. The Company has elected to prepare its parent company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

2. Basis of preparation

The consolidated financial statements have been prepared on a Going Concern basis. In making this assessment, the Directors' have considered in detail the impact of the pandemic on the Group's financial position and performance, including the projection of the Group's profits, regulatory capital surpluses and sources of liquidity for the next 12 months and beyond.

The following areas were focused on as part of this review:

- The Group's profit projections, including:
  - The ongoing impact of the pandemic, including the return of claims frequency towards pre-pandemic levels across all of the Group's insurance businesses
  - Changes in premium rates and projected policy volumes across the Group's insurance businesses, including early indications of the impact of the FCA general insurance pricing reform which came into effect at the start of 2022
  - Potential impacts on the cost of settling claims across all insurance businesses, including the impact of inflationary pressures
  - Projected trends in other revenue generated by the Group's insurance business from fees and the sale of ancillary products
  - Projected contributions to profit from businesses other than the UK Car insurance business
  - Expected trends in unemployment in the context of credit risks and the growth of the Group's Loans business
- The sale of the Group price comparison businesses, Penguin Portals and Preminen along with the intention to return the remaining amount of net proceeds back to shareholders
- The Group's solvency position, which has been closely monitored through periods of market volatility, in particular, early in the pandemic. The Group continues to maintain a strong solvency position above target levels
- The adequacy of the Group's liquidity position after considering all of the factors noted above
- The results of business plan scenarios and stress tests on the projected profitability, solvency and liquidity positions including the impact of severe downside scenarios that assume severe adverse economic, credit and trading stresses
- The regulatory environment, in particular focusing on regulatory guidance issued by the FCA and the PRA in the UK and ongoing communications between management and regulators
- A review of the Company's principal risks and uncertainties and the assessment of emerging risks

Following consideration of the above, the Directors have reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report, and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements.

Further information regarding the Company's business activities, together with the factors likely to affect its future development, performance and position, is set out in the Strategic Report. Further information regarding the financial position of the Company, its cash flows, liquidity position and borrowing facilities are also described in the Strategic Report. In addition, notes 6 and 12 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The accounting policies set out in the notes to the financial statements have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

The financial statements are prepared on the historical cost basis, except for the revaluation of financial assets classified as fair value through profit or loss or as fair value through other comprehensive income. The Group and Company financial statements are presented in pounds sterling, rounded to the nearest £0.1 million.

Cash flows from operating activities before movements in investments comprise all cash flows arising from the Group's insurance and reinsurance activities, and from loans and advances issued to customers. Cash flows from financing activities include the cash flows on issues of loan backed securities, lease liabilities and other financial liabilities.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power over the entity.

In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group has securitised certain loans and advances to customers by the transfer of the loans to special purpose entities ('SPEs') controlled by the Group. Securitisation enables a subsequent issuance of debt by the SPEs to investors who gain the security of the underlying assets as collateral. These SPEs are fully consolidated into the Group financial statements under IFRS 10, as the Group controls the entity in line with the above definition.

The preparation of financial statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is reviewed. To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, the movement is recognised by adjusting the carrying amount of the related asset or liability in the period in which the change occurs.

Restatement of prior year Consolidated cash flow statement

A prior period classification error within the Consolidated cash flow statement has been identified impacting the year ended 31 December 2020. In the prior period, amounts that should have been presented as interest and investment income received were incorrectly presented as proceeds on disposal/maturity of financial instruments. The prior periods have been restated, resulting in an increase of £42.5 million in interest and investment income received, and a corresponding decrease in proceeds on disposal/maturity of financial instruments. The error has had no impact on the Consolidated statement of financial position, Consolidated income statement or the Earnings per share calculations within.

Adoption of new and revised standards

The Group has adopted the following IFRSs and interpretations during the year, which have been issued and endorsed:

- Amendments to IFRS 16 Leases: Covid-19 Related Rent Concessions beyond 30 June 2021

The application of this amendment has not had a material impact on the Group's results, financial position and cash flows.

Notes to the financial statements **continued**

For the year ended 31 December 2021

2. Basis of preparation continued

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 17 *Insurance Contracts* (effective 1 January 2023)
- Amendments to IAS 1 *Classification of Liabilities as Current or Non-current and Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies* (effective 1 January 2023)
- Amendments to IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates* (effective 1 January 2023)
- Amendments to IAS 12 *Income Taxes: Deferred Tax related to Assets and Liabilities arising from a single transaction* (effective 1 January 2023)
- Amendments to IFRS 3 *Reference to the Conceptual Framework* (effective 1 January 2022)
- Amendments to IAS 16 *Property, Plant and Equipment–Proceeds before Intended Use* (effective 1 January 2022)
- Amendments to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract* (effective 1 January 2022)
- Annual Improvements to IFRS Standards 2018–2020 Cycle: *Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture* (effective 1 January 2022)

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

IFRS 17 – Insurance contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023, requiring a transition balance sheet at 1 January 2022.

The Group continues to assess the impact of IFRS 17 on its results and financial position.

3. Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies as described in the notes to the financial statements, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

- **Classification of the Group's contracts with reinsurers as reinsurance contracts**

A contract is required to transfer significant insurance risk in order to be classified as such. Management reviews all terms and conditions of each such insurance and reinsurance contract in order to be able to make this judgement. In particular, all reinsurance contracts (both excess of loss and quota share contracts) held by the Group have been assessed and it has been concluded that all contracts transfer significant insurance risk and have therefore been classified and accounted for as reinsurance contracts within these financial statements.

- **Consolidation of the Group's special purpose entities ('SPEs')**

The Group has set up SPEs in relation to the Admiral Loans business, whereby the Group securitises certain loans by the transfer of the loans to the respective SPEs. The securitisation enables a subsequent issue of debt by the SPEs to investors who gain the security of the underlying assets as collateral.

The accounting treatment of SPEs has been assessed and it has been concluded that the entities should be fully consolidated into the Group's financial statements under IFRS 10. This is due to the fact that despite not having legal ownership, the Group has control of the SPEs, being exposed to the returns and having the ability to affect those returns through its power over the SPEs.

The SPEs have therefore been fully consolidated into the Group's financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

- **Calculation of insurance claims provisions and reinsurance assets**

The Group's reserving policy requires management to set provisions for outstanding claims for the purpose of the financial statements, above the projected best estimate outcome to allow for unforeseen adverse claims development. In the application of this policy, management applies judgement in:

- calculating the best estimate of the gross ultimate total cost of settling claims that have been incurred prior to the balance sheet date;
- calculating the best estimate of the non-proportional excess of loss reinsurance recoveries relating to outstanding claims, and;
- determining where, above the projected best estimate outcomes of gross outstanding claims and reinsurance recoveries, the insurance claims provisions should sit in line with the Group's reserving methodology.

Estimation techniques are used in the calculation of the provisions for claims outstanding, which represent a projection of the ultimate estimated total cost of settling claims that have been incurred prior to the balance sheet date and remain unsettled at the balance sheet date, along with a margin to allow for unforeseen adverse claims development.

Notes to the financial statements **continued**

For the year ended 31 December 2021

3. Critical accounting judgements and key sources of estimation uncertainty continued

The primary areas of estimation uncertainty are as follows:

1) Calculation of gross best estimate claims provisions

The key area where estimation techniques are used is in the ultimate projected cost of reported claims, which includes the emergence of claims that occurred prior to the balance sheet date, but had not been reported at that date.

The Group, utilising internal actuarial teams, projects the best estimate claims reserves using a variety of different recognised actuarial projection techniques (for example incurred and paid chain ladders, and initial expected assumptions) to allow an actuarial assessment of their potential outcome. This includes an allowance for unreported claims. The projection techniques are subject to review by an independent external actuarial specialist to provide an impartial assessment.

Claims are segmented into groups with similar characteristics and which are expected to develop and behave similarly, for example bodily injury (attritional and large) and damage claims, with specific projection methods selected for each head of damage. Key sources of estimation uncertainty arise from both the selection of the projection methods and the assumptions made in setting claims provisions through the review of historical development of underlying case reserve estimates, overlaid with emerging market trends.

Allowance is made for changes arising from the internal and external environment which may cause future claim cost inflation to deviate from that seen in historic data. Examples of these factors include:

- Changes in the reporting patterns of claims impacting the frequency of bodily injury claims;
- Emerging inflationary trends on the average cost of bodily injury and damage claims;
- The likelihood of bodily injury claims settling as Periodic Payment Orders;
- Changes in the regulatory or legal environment that lead to changes in awards for bodily injury claims and associated legal costs;
- Changes to the underlying process and methodologies employed in setting and reviewing case reserve estimates.

Implicit assumptions in the actuarial projections include average cost per claim and average claim numbers by accident year, future rates of claims inflation and loss ratios by accident year and underwriting year. These metrics are reviewed and challenged as part of the process for making allowance for the uncertainties noted.

2) Calculation of excess of loss reinsurance recoveries

The Group uses excess of loss reinsurance in order to mitigate the impact of large claims. The reinsurance is non-proportional and recoveries are made on individual claims above the relevant thresholds.

As for the underlying gross claims, actuarial teams project the best estimate excess of loss reinsurance recoveries using a variety of actuarial projection techniques that focus on both the ultimate frequency of reported recoveries and the average size of the recovery.

Key sources of estimation uncertainty arise from both the selection of the projection methods and the assumptions made in calculating the recoveries through the review of historical development of underlying case reserve estimates, overlaid with emerging market trends.

The most significant element of the estimation relates to large bodily injury claims. The key assumption in the calculation of excess of loss recoveries relates to the numbers of large claims in the Group's UK Motor insurance business that will attract recoveries, where the high retention means that a small number of additional large claims would potentially result in a material increase in the excess of loss recoveries.

3) Calculation of the margin held for adverse development

A wide range of factors inform management's recommendation in setting the margin held above actuarial best estimates, which is subject to approval from the Group's Reserving and Audit Committees, including:

- Reserve KPIs such as the level of margin as a percentage of the ultimate reserve;
- Results of stress testing of key assumptions underpinning key actuarial assumptions within best estimate reserves;

- A review of a number of individual and aggregated reserve scenarios which may result in future adverse variance to the ultimate best estimate reserve;
- Qualitative assessment of the level of uncertainty and volatility within the reserves and the change in that assessment compared to previous periods.

In addition, for the Group's UK Car Insurance business, the Group's internal reserve risk distribution is used to determine the approximate confidence level of the recommended booked reserve position which enables comparison of the reserve strength to previous periods and of it's compliance with IFRS 4.

For sensitivities in respect of the claims reserves, refer to note 5d(ii) of the financial statements. These sensitivities are provided based on booked loss ratios, as it is impractical to disaggregate the assumptions further, but for the disaggregated assumptions it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumption could require a material adjustment to the carrying amount. For further detail on objectives, policies and procedures for managing insurance risk, refer to note 5 of the financial statements.

Future changes in claims reserves also impact profit commission income, as the measurement of this income is dependent on the loss ratio booked in the financial statements, and cash receivable is dependent on actuarial projections of ultimate loss ratios.

- **Calculation of expected credit loss provision**

The Group is required to calculate an expected credit loss ('ECL') allowance in respect of the carrying value of the Admiral loans book in line with the requirements of IFRS 9. Due to the size of the loan book and the increased uncertainty given the impact of Covid, the calculation of the ECL is deemed to be a critical accounting judgement and includes key sources of estimation uncertainty. Management applies judgement in:

- Determining the appropriate modelling solution for measuring the ECL;
- Calibrating and selecting appropriate assumptions;
- Setting the criteria for what constitutes a significant increase in credit risk;
- Identification of key scenarios to include and determining the credit loss in these instances.

The key areas of estimation uncertainty are in the calculation of the probability of default (PD) in the base scenario for stage 1 and 2 assets, and the determination, impact assessment and weighting of the forward-looking scenarios.

Refer to the analysis in note 7 to the financial statements for further detail on the Group's ECL methodology applied in the period.

4. Group consolidation and operating segments

4a. Accounting policies

(i) Group consolidation

The consolidated financial statements comprise the results and balances of the Company and all entities controlled by the Company, being its subsidiaries and SPEs (together referred to as the Group), for the year ended 31 December 2021 and comparative figures for the year ended 31 December 2020. The financial statements of the Company's subsidiaries and its SPEs are consolidated in the Group financial statements.

The Company controls 100% of the voting share capital of all its principal subsidiaries, except Admiral Law Limited, Inspop USA LLC and comparenow.com Insurance Agency LLC (indirect holding).

An SPE is fully consolidated into the Group financial statements under IFRS 10, where the Group has control over the SPE.

The parent company financial statements present information about the Company as a separate entity and not about its Group. In accordance with IAS 24, transactions or balances between Group companies that have been eliminated on consolidation are not reported as related party transactions in the consolidated financial statements.

Notes to the financial statements **continued**

For the year ended 31 December 2021

4. Group consolidation and operating segments continued

(ii) Foreign currency translation

Items included in the financial records of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in pounds sterling, the Group's presentational currency, rounded to the nearest £0.1 million.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Non-monetary items measured at cost are translated at their historic rate and non-monetary items held at fair value are translated using the foreign exchange rate on the date that the fair value was established.

The financial statements of foreign operations whose functional currency is not pounds sterling are translated into the Group presentation currency (pound sterling) as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- Income and expenses for each income statement are translated at average monthly exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transaction).
- All resulting exchange differences are recognised in other comprehensive income and in a separate component of equity except to the extent that the translation differences are attributable to non-controlling interests.

On disposal of a foreign operation, the cumulative amount recognised in equity relating to that particular operation is recognised in the income statement.

4b. Segment reporting

The Group has five reportable segments, as described below. These segments represent the principal split of business that is regularly reported to the Group's Board of Directors, which is considered to be the Group's chief operating decision maker in line with IFRS 8 Operating Segments.

UK Insurance

The segment consists of the underwriting of Motor insurance, Household and, Travel insurance and other products that supplement these insurance policies within the UK. It also includes the generation of revenue from additional products and fees from underwriting insurance in the UK. The Directors consider the results of these activities to be reportable as one segment as the activities carried out in generating the revenue are not independent of each other and are performed as one business. This mirrors the approach taken in management reporting.

International Insurance

The segment consists of the underwriting of car and home insurance and the generation of revenue from additional products and fees from underwriting car insurance outside of the UK. It specifically covers the Group operations Admiral Seguros in Spain, ConTe in Italy, L'olivier Assurance in France and Elephant Auto in the US. None of these operations are reportable on an individual basis, based on the threshold requirements in IFRS 8.

Admiral Loans

The segment relates to the Admiral Loans business launched in 2017, which provides unsecured personal loans and car finance products in the UK, primarily through the comparison channel.

Other

The 'Other' segment is designed to be comprised of all other operating segments that are not separately reported to the Group's Board of Directors and do not meet the threshold requirements for individual reporting. It includes compare.com, the US comparison business, and Admiral Pioneer.

Discontinued operations (Comparison)

As set out in note 13 to the financial statements, on 29 December 2020 the Group announced its planned sale of the majority of its comparison businesses. The sale was completed on 30 April 2021. The comparison operations are presented as discontinued operations in both 2021 and 2020. The results for 2021 are reflective of the profit on disposal and four months of trading prior to disposal.

The segment relates to the comparison businesses disposed of including: Confused.com in the UK, Rastreator in Spain, LeLynx in France, and the Preminen entities, which have a head office in Spain and operations in Mexico, and Penguin Portals, the intermediate holding company of Confused.com, LeLynx and Rastreator.

Taxes are not allocated across the segments and, as with the corporate activities, are included in the reconciliation to the consolidated income statement and consolidated statement of financial position.

An analysis of the Group's revenue and results for the year ended 31 December 2021, by reportable segment, is shown below. The accounting policies of the reportable segments are materially consistent with those presented in the notes to the financial statements for the Group.

	Year ended 31 December 2021							
	UK Insurance £m	International Insurance £m	Admiral Loans £m	Other £m	Discontinued operations*5 £m	Eliminations*6 £m	Total (continuing) £m	Total £m
Turnover*1	2,751.7	690.3	37.6	27.9	67.2	(7.8)	3,507.3	3,566.9
Net insurance premium revenue	612.6	230.0	–	12.4	–	–	855.0	855.0
Other revenue and profit commission	577.8	34.6	1.0	6.1	67.2	(7.8)	619.3	678.9
Net interest income	–	–	27.8	–	–	2.7	30.5	30.5
Investment return*2	40.8	0.5	–	–	–	(2.7)	38.6	38.6
Net revenue	1,231.2	265.1	28.8	18.5	67.2	(7.8)	1,543.4	1,603.0
Net insurance claims	(144.5)	(176.2)	–	(11.6)	–	–	(332.3)	(332.3)
Expenses	(246.7)	(100.5)	(34.3)	(20.6)	(55.5)	7.8	(401.9)	(449.8)
Gain on disposal	–	–	–	–	404.4	–	–	404.4
Segment profit/(loss) before tax	840.0	(11.6)	(5.5)	(13.7)	416.1	–	809.2	1,225.3
Other central revenue and expenses, including share scheme charges							(88.3)	(88.7)
Investment and interest income							4.0	4.0
Finance costs*3							(11.4)	(11.4)
Consolidated profit before tax*4							713.5	1,129.2
Taxation expense							(130.2)	(132.5)
Consolidated profit after tax							583.3	996.7
Other segment items:								
– Intangible and tangible asset additions	94.8	47.6	0.6	1.2	–	–	144.2	144.2
– Depreciation and amortisation	65.5	44.5	0.7	0.2	–	–	110.9	110.9

*1 Turnover is an Alternative Performance Measure presented before intra-group eliminations and consists of total premiums written (including co-insurers' share) and Other revenue. Refer to the glossary and note 14 for further information.

*2 Investment return is reported net of impairment on financial assets, in line with management reporting.

*3 £0.6 million of IFRS 16 interest expense (being the Group's net share of IFRS 16 interest expense) included within Finance Costs in the income statement has been reallocated to individual segments within expenses, in line with management segmental reporting.

*4 Profit before tax above of £1,129.2 million is presented cumulative of profit before tax from continuing operations (£713.5 million) and discontinued operations (£415.7 million, including £0.4 million of central expenses).

*5 See note 13 for further detail on discontinued operations.

*6 Eliminations are in respect of the intra-group trading between the Group's comparison and UK and International Insurance entities and intra-group interest. Of the £7.8 million elimination of other revenue and profit commission, £7.6 million relates to discontinued operations, with the remaining £0.2 million relating to Compare.com

Notes to the financial statements **continued**

For the year ended 31 December 2021

4. Group consolidation and operating segments continued

Revenue and results for the corresponding reportable segments for the year ended 31 December 2020 are shown below.

	Year ended 31 December 2020							
	UK Insurance £m	International Insurance £m	Admiral Loans £m	Other £m	Discontinued operations*5 £m	Eliminations*6 £m	Total (continuing) £m	Total £m
Turnover*1	2,672.0	648.8	38.4	6.8	183.9	(22.2)	3,365.8	3,527.7
Net insurance premium revenue	539.8	211.8	–	–	–	–	751.6	751.6
Other revenue and profit commission	427.9	27.4	1.6	6.7	183.9	(22.2)	463.4	625.3
Net interest income	–	–	26.7	–	–	2.9	29.6	29.6
Investment return*2	50.8	–	0.5	–	–	(3.3)	48.0	48.0
Net revenue	1,018.5	239.2	28.8	6.7	183.9	(22.6)	1,292.6	1,454.5
Net insurance claims	(150.2)	(143.0)	–	–	–	–	(293.2)	(293.2)
Expenses	(170.0)	(87.4)	(42.6)	(9.8)	(151.4)	22.2	(309.6)	(439.0)
Segment profit/(loss) before tax	698.3	8.8	(13.8)	(3.1)	32.5	(0.4)	689.8	722.3
Other central revenue and expenses, including share scheme charges							(74.8)	(77.9)
Investment and interest income							4.9	4.9
Finance costs*3							(11.7)	(11.7)
Consolidated profit before tax*4							608.2	637.6
Taxation expense							(106.2)	(109.8)
Consolidated profit after tax							502.0	527.8
Other segment items:								
Intangible and tangible asset additions	59.1	43.0	0.2	0.5	1.6	–	102.8	104.4
Depreciation and amortisation	57.2	41.5	0.9	0.4	1.8	–	100.0	101.8

*1 Turnover is an Alternative Performance Measure presented before intra-group eliminations and consists of total premiums written (including co-insurers' share) and Other revenue. Refer to the glossary and note 14 for further information.

*2 Investment return is reported net of impairment on financial assets, in line with management reporting.

*3 £0.7 million of IFRS 16 interest expense (being the Group's net share of IFRS 16 interest expense) included within Finance Costs in the income statement has been reallocated to individual segments within expenses, in line with management segmental reporting.

*4 Profit before tax above of £637.6 million is presented cumulative of profit before tax from continuing operations (£608.2 million) and discontinued operations (£29.4 million, including £3.1 million of central expenses).

*5 See note 13 for further detail on discontinued operations.

*6 Eliminations are in respect of the intra-group trading between the Group's comparison and UK and International Insurance entities. Of the £22.2 million elimination of other revenue and profit commission, £22.0 million relates to discontinued operations, with the remaining £0.2 million relating to Compare.com.

Segment revenues

The UK and International Insurance reportable segments derive all insurance premium income from external policyholders. Revenue within these segments is not derived from an individual policyholder that represents 10% or more of the Group's total revenue.

The total of Discontinued operations (Comparison) revenues from transactions with other reportable segments is £7.6 million (2020: £22.0 million) which has been eliminated on consolidation, along with £0.2 million (2020: £0.2 million) of revenues from Compare.com that are also eliminated on consolidation.

Revenues from external customers for products and services are consistent with the split of reportable segment revenues.

Information about geographical locations

All material revenues from external customers, and net assets attributed to a foreign country, are shown within the International Insurance reportable segment shown on the previous pages.

Segment assets and liabilities

The identifiable segment assets and liabilities at 31 December 2021 are as follows:

	As at 31 December 2021						
	UK Insurance £m	International Insurance £m	Admiral Loans £m	Other £m	Discontinued operations £m	Eliminations £m	Total £m
Reportable segment assets	6,428.8	1,059.0	762.2	150.8	–	(635.0)	7,765.8
Reportable segment liabilities	5,342.8	934.8	629.4	429.3	–	(589.5)	6,746.8
Reportable segment net assets	1,086.0	124.2	132.8	(278.5)	–	(45.5)	1,019.0
Unallocated assets and liabilities							389.5
Consolidated net assets							1,408.5

Unallocated assets and liabilities consist of other central assets and liabilities, plus deferred and current corporation tax balances. These assets and liabilities are not regularly reviewed by the Board of Directors in the reportable segment format.

Eliminations represent inter-segment funding, balances included in insurance and other receivables and deemed loan receivables in respect of securitised loan receivables.

The segment assets and liabilities at 31 December 2020 are as follows:

	As at 31 December 2020						
	UK Insurance £m	International Insurance £m	Admiral Loans £m	Other £m	Discontinued operations £m	Eliminations £m	Total £m
Reportable segment assets	6,446.7	1,006.0	427.3	226.1	112.6	(702.9)	7,515.8
Reportable segment liabilities	5,359.5	858.4	426.5	461.4	57.0	(654.2)	6,508.6
Reportable segment net assets	1,087.2	147.6	0.8	(235.3)	55.6	(48.7)	1,007.2
Unallocated assets and liabilities							116.2
Consolidated net assets							1,123.4

5. Premium, claims and profit commissions

5a. Accounting policies

(i) Revenue – premiums

Premiums relating to insurance contracts are recognised as revenue, net of expected cancellations and insurance premium tax, proportionally over the period of cover. Premiums with an inception date after the end of the period are held in the statement of financial position as deferred revenue. Outstanding collections from policyholders related to unexpired risk are recognised within policyholder receivables. A corresponding unearned premium provision is recognised (see note 5a(iii)).

In the UK, in 2020 the Group announced a Stay at Home premium refund for all existing motor insurance customers, which amounted to £97.3 million net of insurance premium tax. The impact of this was to reduce gross insurance premium revenue (i.e. excluding co-insurer share of total premiums written) by £70.0m, and to reduce net insurance premium revenue by £21.1 million. The full impact of the refund has been reflected in the prior period. See note 14d for further details.

Notes to the financial statements **continued**

For the year ended 31 December 2021

5. Premium, claims and profit commissions continued

(ii) Revenue – profit commission

Some of the co-insurance and reinsurance contracts under which motor premiums are shared or ceded, profit commission may be earned on a particular year of account, which is usually subject to performance criteria such as loss ratios and expense ratios. The commission is dependent on the ultimate outcome of any year, with revenue being recognised when loss and expense ratios used in the preparation of the financial statements move below a contractual threshold.

Profit commission receivable from reinsurance contracts is accounted for in line with IFRS 4, whereas profit commission receivable from co-insurance contracts is in line with IFRS 15. Further detail of the policy under IFRS 15 is set out in note 8.

(iii) Insurance contracts and reinsurance assets

Premiums

The proportion of premium receivable on in-force policies relating to unexpired risks is reported in insurance contract liabilities and reinsurance assets as the unearned premium provision – gross and reinsurers' share respectively.

Claims

Claims and claims handling expenses are charged as incurred, based on the estimated direct and indirect costs of settling all liabilities arising on events occurring up to the balance sheet date.

The provision for claims outstanding comprises provisions for the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. Anticipated reinsurance recoveries are disclosed separately as assets.

Whilst the Directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided.

Adjustments to the amounts of claims provisions established in prior years are reflected in the income statement for the period in which the adjustments are made and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

A provision for unexpired risk is made where necessary for the estimated amount required over and above unearned premiums (net of deferred acquisition costs) to meet future claims and related expenses.

Co-insurance

The Group has entered into certain co-insurance contracts under which insurance risks are shared on a proportional basis, with the co-insurer taking a specific percentage of premium written and being responsible for the same proportion of each claim. The co-insurer therefore takes direct insurance risk from the policyholder and is directly responsible to the claimant for its proportion of the claim. As the contractual liability is several and not joint, neither the premiums nor claims relating to the co-insurance are included in the income statement. Under the terms of these agreements, the co-insurers reimburse the Group for the same proportionate share of the costs of acquiring and administering the business.

Reinsurance assets

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on the insurance contracts issued by the Group are classified as reinsurance contracts. A contract is only accounted for as a reinsurance contract where there is significant insurance risk transfer between the insured and the insurer.

Reinsurance assets are comprised of balances due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a consistent manner with the outstanding claims provisions or settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract.

The Group assesses its reinsurance assets for impairment on a regular basis, and in detail every six months. If there is objective evidence that the asset is impaired, then the carrying value will be written down to its recoverable amount.

On commutation of reinsurance contracts, the reinsurer is discharged from all obligations relating to the contract. Reinsurance assets and liabilities relating to the commuted contracts are settled in the period in which the commutation agreement is signed.

5b. Net insurance premium revenue

	31 December 2021 £m	31 December 2020*1 £m
Total insurance premiums including co-insurers' share*2	3,098.7	2,957.2
Group gross premiums written excluding co-insurance	2,513.6	2,344.0
Outwards reinsurance premiums	(1,643.0)	(1,555.9)
Net insurance premiums written	870.6	788.1
Change in gross unearned premium provision	(21.3)	(78.7)
Change in reinsurers' share of unearned premium provision	5.7	42.2
Net insurance premium revenue	855.0	751.6

*1 See note 14d for the impact of the Stay at Home premium refund issued to UK Motor insurance customers on premiums written and net insurance premium revenue.
*2 Alternative Performance Measures – refer to the end of the report for definition and explanation, and to note 14a for reconciliation to group gross premiums written.

The Group's share of its insurance business was underwritten by Admiral Insurance (Gibraltar) Limited, Admiral Insurance Company Limited, Admiral Europe Compania Seguros ('AECS') and Elephant Insurance Company. The vast majority of contracts are short term in duration, lasting for 10 or 12 months.

5c. Profit commission

	31 December 2021 £m	31 December 2020 £m
Underwriting year (UK Motor only)		
2016 and prior	65.7	63.3
2017	28.7	23.3
2018	18.6	5.5
2019	27.6	20.9
2020	150.0	11.7
2021	–	–
Total UK Motor profit commission*1	290.6	124.7
Total UK Household and International profit commission*1	13.9	9.3
Total profit commission	304.5	134.0

*1 From the total UK Motor profit commission of £290.6 million (2020: £ 124.7 million), £162.9 million (2020: £ 102.3 million) relates to co-insurance arrangements and £127.7 million (2020: £ 22.4 million) to reinsurance arrangements. The UK Household and International profit commission relates solely to reinsurance arrangements.

Sensitivities of the recognition of profit commission to movements in the booked loss ratio are shown in note 5d(ii).

5d. Reinsurance assets and insurance contract liabilities

(i) Objectives, policies and procedures for the management of insurance risk

The Group's primary business is the issuance of insurance contracts that transfer risk from policyholders to the Group and its co-insurance partners.

Insurance risk involves uncertainty over the occurrence, amount or timing of claims arising on insurance contracts issued. It is primarily comprised of Reserve risk; the risk that the value of insurance liabilities established is insufficient to cover the ultimate cost of claims incurred at the balance sheet date, and premium risk; the risk that the claims experience on business written but not earned is higher than allowed for in the premiums charged to policyholders.

The Board of Directors is responsible for the management of insurance risk, although as mentioned in note 6, it has delegated the detailed oversight of risk management to the Group Risk Committee.

Notes to the financial statements **continued**

For the year ended 31 December 2021

5. Premium, claims and profit commissions continued

The Group also has a Group Reserving Committee as well as local Reserving Committees which are comprised of senior managers within the finance, claims, pricing and actuarial functions in the respective businesses. The Reserving Committees primarily recommends the approach for Insurance reserving but also reviews the systems and controls in place to support accurate reserving and considers material reserving issues such as large bodily injury claims frequency and severity.

The Board implements certain policies to mitigate and control the level of insurance risk accepted by the Group. These include pricing policies and claims management and administration processes, in addition to reserving policies and co- and reinsurance arrangements as detailed below.

Reserve risk

Reserve risk is mitigated through a series of processes and controls. The key processes are as follows:

- Regular management and internal actuarial review of individual and aggregate case claim reserves, including regular reporting of management information and exception reporting of significant movements;
- Regular management and internal actuarial review of large claims, including claims settled or potentially settled by PPOs for which the uncertainty is increased by factors such as the lifetime of the claimant and movements in the indexation for the cost of future care of the claimant;
- Bi-annual external actuarial review of best estimate claims reserves using a variety of recognised actuarial techniques;
- Internal actuarial analysis of reserve uncertainty through qualitative analysis, scenario testing and a range of stochastic reserving techniques;
- Ad hoc external reviews of reserving related processes and assumptions;
- Use of a reserving methodology which informs management's reserving decisions for the purposes of the Group's financial statements. As described in note 3, critical accounting judgements and estimates, the methodology determines that reserves should be set above projected best estimate outcomes to allow for unforeseen adverse claims development.

As noted above, the Group shares a significant amount of the insurance business generated with external underwriters. As well as these proportional arrangements, excess of loss reinsurance programmes are also purchased to protect the Group against very large individual claims and catastrophe losses.

Claims reserving

Admiral's reserving policy (both within the claims function and in the financial statements) is initially to reserve conservatively, above internal and independent projections of actuarial best estimates. This is designed to create a margin held in reserves to allow for unforeseen adverse development in open claims and typically results in Admiral making above industry average reserve releases. Admiral's booked claims reserves continue to include a significant margin above projected best estimates of ultimate claims costs.

The margin held above ultimate outcomes in the financial statement reserves remains both significant and prudent. In relative terms, it is modestly lower than that held at the end of 2020, reflecting the assessment of a slightly lower level of uncertainty in the claims reserves than in recent periods.

As profit commission income is recognised in the income statement in line with loss ratios accounted for on Admiral's own claims reserves, the reserving policy also results in profit commission income being deferred and recognised over time.

Premium risk

As noted above, the Group defines premium risk as the risk that claims cost on business written but not yet earned is higher than allowed for in the premiums charged to policyholders. This also includes catastrophe risk, the risk of incurring significant losses as a result of the occurrence of manmade catastrophe, or natural weather events.

Key processes and controls operating to mitigate premium risk are as follows:

- Experienced and focused senior management and teams in relevant business areas including pricing and claims management;
- A data-driven and analytical approach to regular monitoring of claims and underwriting performance;
- Capability to identify and resolve underperformance promptly through changes to key performance drivers, in particular pricing.

In addition, as mentioned above, excess of loss reinsurance programmes are also purchased to protect the Group against very large individual claims and catastrophe losses.

Other elements of insurance risk include reinsurance risk, the risk of placement of ineffective reinsurance arrangements, or the economic risk of reduced availability of co-insurance and reinsurance arrangements in future periods.

The Group mitigates these risks by ensuring that it has a diverse range of financially secure reinsurance partners, including a long-term relationship with Munich Re and a number of other large reinsurers.

Concentration of insurance risk

The Directors do not believe there are significant concentrations of insurance risk. This is because, the risks are spread across a large number of policies and a wide regional base. The International Car Insurance, UK Household, and UK Travel business further contribute to the diversification of the Group's insurance risk.

Information regarding reinsurance credit risk is provided in note 6j to the financial statements.

(ii) Sensitivity of recognised amounts to changes in assumptions

Underwriting year loss ratios – UK Car Insurance

The following table sets out the impact on equity and post-tax profit or loss at 31 December 2021 that would result from a 1%, 3% and 5% increase and decrease in the UK Car Insurance loss ratios used for each underwriting year for which material amounts remain outstanding. This includes the impact on profit commission of the respective changes in booked loss ratios, which are also shown separately below.

	Underwriting year			
Total impact on Income Statement (including profit commission)	**2018**	**2019**	**2020**	**2021**
Booked loss ratio	73%	72%	66%	90%
Impact of 1% deterioration in booked loss ratio (£m)	(15.8)	(15.2)	(16.6)	(1.9)
Impact of 3% deterioration in booked loss ratio (£m)	(47.3)	(45.4)	(49.7)	(5.7)
Impact of 5% deterioration in booked loss ratio (£m)	(76.9)	(70.7)	(82.0)	(9.6)
Impact of 1% improvement in booked loss ratio (£m)	15.8	15.2	16.6	1.9
Impact of 3% improvement in booked loss ratio (£m)	47.8	46.0	49.7	5.7
Impact of 5% improvement in booked loss ratio (£m)	80.4	77.4	82.8	9.6

As above, the impact is stated net of reinsurance and includes the change in net insurance claims along with the associated profit commission movements that result from changes in loss ratios. The figures are stated net of tax at the current rate.

The following table sets out the impact on equity and post-tax profit or loss at 31 December 2021 that would result from a 1%, 3% and 5% increase and decrease in the UK Car Insurance loss ratios used for each underwriting year for which material amounts remain outstanding, on profit commission only.

	Underwriting year			
Impact on profit commission only	**2018**	**2019**	**2020**	**2021**
Booked loss ratio	73%	72%	66%	90%
Impact of 1% deterioration in booked loss ratio (£m)	(4.0)	(5.9)	(12.8)	–
Impact of 3% deterioration in booked loss ratio (£m)	(12.1)	(17.3)	(38.3)	–
Impact of 5% deterioration in booked loss ratio (£m)	(18.2)	(23.7)	(62.9)	–
Impact of 1% improvement in booked loss ratio (£m)	4.0	5.9	12.8	–
Impact of 3% improvement in booked loss ratio (£m)	12.6	17.9	38.3	–
Impact of 5% improvement in booked loss ratio (£m)	21.6	30.5	63.8	–

Notes to the financial statements **continued**

For the year ended 31 December 2021

5. Premium, claims and profit commissions continued

Sensitivities to key assumptions in the best estimate reserves have not been presented, given the significant and prudent margin held above best estimate reserves and the co- and reinsurance arrangements that are also considered when determining the net impact on the income statement. The underwriting year sensitivities presented above are considered to provide relevant and transparent information on the changes to key inputs to the financial statements.

(iii) Analysis of recognised amounts

	31 December 2021 £m	31 December 2020 £m
Gross		
Claims outstanding*1	3,045.0	2,919.9
Unearned premium provision	1,170.0	1,161.4
Total gross insurance liabilities	4,215.0	4,081.3
Recoverable from reinsurers		
Claims outstanding	1,415.7	1,319.3
Unearned premium provision	760.4	763.9
Total reinsurers' share of insurance liabilities	2,176.1	2,083.2
Net		
Claims outstanding*2	1,629.3	1,600.6
Unearned premium provision	409.6	397.5
Total insurance liabilities – net	2,038.9	1,998.1

*1 Gross claims outstanding at 31 December 2021 is presented before the deduction of salvage and subrogation recoveries totalling £87.6 million (2020: £70.5 million).

*2 Admiral typically commutes quota share reinsurance contracts in its UK Car Insurance business 24–36 months following the start of the underwriting year. After commutation, claims outstanding from these contracts are included in Admiral's net claims outstanding balance. Refer to note (v) below.

(iv) Analysis of claims incurred

The following tables illustrate the development of gross and net UK Insurance and International Insurance claims incurred for the past ten financial periods, including the impact of re-estimation of claims provisions at the end of each financial year. The first table shows actual gross claims incurred and the second shows actual net claims incurred. Figures are presented on an underwriting year basis.

	Financial year ended 31 December										
Analysis of claims incurred (gross amounts)	**2012 £m**	**2013 £m**	**2014 £m**	**2015 £m**	**2016 £m**	**2017 £m**	**2018 £m**	**2019 £m**	**2020 £m**	**2021 £m**	**Total £m**
Underwriting year (UK Insurance)											
2012 and prior	(789.2)	(249.6)	129.2	127.7	11.8	91.1	57.7	25.5	14.6	9.7	
2013	–	(431.1)	(325.5)	53.6	44.4	34.2	35.2	8.2	15.4	22.0	(543.6)
2014	–	–	(438.2)	(347.1)	25.6	17.1	52.0	15.7	22.5	19.0	(633.4)
2015	–	–	–	(428.4)	(411.2)	21.7	53.3	58.0	34.0	25.8	(646.8)
2016	–	–	–	–	(529.4)	(463.7)	82.1	54.8	46.1	50.3	(759.8)
2017	–	–	–	–	–	(691.8)	(615.0)	123.1	79.5	82.5	(1,021.7)
2018	–	–	–	–	–	–	(818.8)	(546.9)	52.8	80.3	(1,232.6)
2019	–	–	–	–	–	–	–	(812.4)	(476.2)	89.8	(1,198.8)
2020	–	–	–	–	–	–	–	–	(697.4)	(519.5)	(1,216.9)
2021	–	–	–	–	–	–	–	–	–	(881.7)	(881.7)
UK Insurance gross claims incurred	(789.2)	(680.7)	(634.5)	(594.2)	(858.8)	(991.4)	(1,153.5)	(1,074.0)	(908.7)	(1,021.8)	
Underwriting year (International Insurance)											
2012 and prior	(112.2)	(52.6)	11.5	7.0	10.6	4.4	4.8	3.1	(0.4)	–	
2013	–	(68.2)	(57.8)	4.2	7.7	3.3	5.8	1.3	0.2	0.8	(102.7)
2014	–	–	(85.2)	(65.5)	4.4	5.8	5.5	2.0	(0.4)	0.5	(132.9)
2015	–	–	–	(92.6)	(101.6)	7.7	3.1	0.1	(0.1)	0.1	(183.3)
2016	–	–	–	–	(138.9)	(125.3)	11.7	6.9	3.6	1.4	(240.6)
2017	–	–	–	–	–	(174.1)	(147.3)	16.5	8.6	5.0	(291.3)
2018	–	–	–	–	–	–	(204.9)	(165.7)	20.1	6.2	(344.3)
2019	–	–	–	–	–	–	–	(293.8)	(141.2)	13.3	(421.7)
2020	–	–	–	–	–	–	–	–	(233.6)	(160.6)	(394.2)
2021	–	–	–	–	–	–	–	–	–	(285.7)	(285.7)
International Insurance gross claims incurred	(112.2)	(120.8)	(131.5)	(146.9)	(217.8)	(278.2)	(321.3)	(429.6)	(343.2)	(419.0)	
Other gross claims incurred	(1.7)	(2.2)	(7.1)	(5.4)	(0.1)	(3.6)	(1.1)	–	–	–	
Claims handling costs	(26.0)	(22.9)	(21.4)	(22.6)	(27.1)	(35.5)	(37.9)	(64.5)	(66.7)	(66.0)	
Total gross claims incurred	(929.1)	(826.6)	(794.5)	(769.1)	(1,103.8)	(1,308.7)	(1,513.8)	(1,568.1)	(1,318.6)	(1,506.8)	

Notes to the financial statements **continued**

For the year ended 31 December 2021

5. Premium, claims and profit commissions continued

	Financial year ended 31 December										
Analysis of claims incurred (net amounts)	**2012 £m**	**2013 £m**	**2014 £m**	**2015 £m**	**2016 £m**	**2017 £m**	**2018 £m**	**2019 £m**	**2020 £m**	**2021 £m**	**Total £m**
Underwriting year (UK Insurance)											
2012 and prior	(344.3)	(57.9)	129.2	126.8	41.8	96.7	50.5	22.1	11.6	10.1	
2013	–	(184.4)	(135.0)	38.4	49.3	36.4	34.7	4.4	13.7	19.3	(123.2)
2014	–	–	(187.0)	(144.1)	(16.4)	25.3	38.4	17.2	18.6	13.6	(234.4)
2015	–	–	–	(182.1)	(162.0)	(2.6)	42.6	48.2	26.1	27.8	(202.0)
2016	–	–	–	–	(219.4)	(180.7)	48.1	50.7	46.6	41.8	(212.9)
2017	–	–	–	–	–	(214.3)	(182.9)	77.8	67.1	72.6	(179.7)
2018	–	–	–	–	–	–	(261.0)	(165.2)	40.6	62.3	(323.3)
2019	–	–	–	–	–	–	–	(258.1)	(142.5)	56.9	(343.7)
2020	–	–	–	–	–	–	–	–	(218.5)	(169.1)	(387.6)
2021	–	–	–	–	–	–	–	–	–	(321.2)	(321.2)
UK Insurance net claims incurred	(344.3)	(242.3)	(192.8)	(161.0)	(306.7)	(239.2)	(229.6)	(202.9)	(136.7)	(185.9)	
Underwriting year (International Insurance)											
2012 and prior	(48.6)	(22.5)	4.6	3.4	4.4	2.2	2.3	1.4	(0.1)	–	
2013	–	(26.6)	(23.5)	1.7	4.8	0.9	3.0	0.7	0.1	0.3	(38.6)
2014	–	–	(31.6)	(23.3)	1.8	1.8	2.2	0.8	(0.1)	0.2	(48.2)
2015	–	–	–	(33.4)	(39.6)	5.1	1.3	1.3	–	0.1	(65.2)
2016	–	–	–	–	(47.9)	(43.5)	6.3	2.4	1.5	0.6	(80.6)
2017	–	–	–	–	–	(60.7)	(51.5)	5.5	3.2	2.3	(101.2)
2018	–	–	–	–	–	–	(71.2)	(58.4)	7.8	2.7	(119.1)
2019	–	–	–	–	–	–	–	(89.6)	(50.1)	4.9	(134.8)
2020	–	–	–	–	–	–	–	–	(95.4)	(52.7)	(148.1)
2021	–	–	–	–	–	–	–	–	–	(81.9)	(81.9)
International Insurance net claims incurred	(48.6)	(49.1)	(50.5)	(51.6)	(76.5)	(94.2)	(107.6)	(135.9)	(133.1)	(123.5)	
Other net claims incurred	(0.8)	(2.1)	(6.9)	(5.4)	(0.2)	(2.6)	(1.1)	–	–	–	
Claims handling costs	(10.8)	(9.5)	(8.9)	(9.4)	(11.2)	(11.1)	(11.8)	(20.5)	(23.4)	(22.9)	
Total net claims incurred	(404.5)	(303.0)	(259.1)	(227.4)	(394.6)	(347.1)	(350.1)	(359.3)	(293.2)	(332.3)	

The table below shows the development of UK Car Insurance loss ratios for the past six financial periods, presented on an underwriting year basis.

	Financial year ended 31 December					
UK Car Insurance loss ratio development	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Underwriting year (UK Car only)						
2016	88%	84%	77%	73%	68%	64%
2017	–	87%	83%	75%	70%	65%
2018	–	–	92%	81%	78%	73%
2019	–	–	–	92%	76%	72%
2020	–	–	–	–	72%	66%
2021	–	–	–	–	–	90%

(v) Analysis of claims reserve releases

The following table analyses the impact of movements in prior year claims provisions on a gross and net basis. Figures are presented on an underwriting year basis.

	Financial year ended 31 December					
Gross	**2016 £m**	**2017 £m**	**2018 £m**	**2019 £m**	**2020 £m**	**2021 £m**
Underwriting year (UK Motor insurance)						
2016 and prior	135.7	214.0	245.1	141.8	116.2	112.5
2017	–	–	25.4	110.6	69.8	75.0
2018	–	–	–	83.2	57.3	64.1
2019	–	–	–	–	54.8	76.2
2020	–	–	–	–	–	52.9
Total gross release (UK Motor Insurance)	135.7	214.0	270.5	335.6	298.1	380.7
Total gross release (UK Household Insurance)	–	1.6	4.6	8.3	9.2	6.0
Total gross release (UK Travel Insurance)	–	–	–	–	–	2.2
Total gross release (International Insurance)	21.0	23.2	35.2	39.1	53.2	52.0
Total gross release	156.7	238.8	310.3	383.0	360.5	440.9

Notes to the financial statements **continued**

For the year ended 31 December 2021

5. Premium, claims and profit commissions continued

	Financial year ended 31 December					
Net	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m
Underwriting year (UK Motor Insurance)						
2016 and prior	75.4	165.9	213.0	141.8	116.2	112.5
2017	–	–	8.0	75.8	67.7	72.4
2018	–	–	–	25.8	40.7	61.9
2019	–	–	–	–	17.0	54.6
2020	–	–	–	–	–	15.9
Total net release (UK Motor Insurance)	75.4	165.9	221.0	243.4	241.6	317.3
Total net release (UK Household Insurance)	–	0.5	1.4	2.5	2.8	2.5
Total net release (UK Travel Insurance)	–	–	–	–	–	2.2
Total net release (International Insurance)	9.9	9.5	13.5	14.4	18.6	16.4
Total net release	85.3	175.9	235.9	260.3	263.0	338.4
Analysis of net releases on UK Motor Insurance:						
– Net releases on Admiral net share (UK Motor)	58.3	92.1	111.4	121.7	104.3	128.1
– Releases on commuted quota share reinsurance contracts (UK Motor)	17.1	73.8	109.6	121.7	137.3	189.2
Total net release as above	75.4	165.9	221.0	243.4	241.6	317.3

Admiral typically commutes quota share reinsurance contracts in its UK Car Insurance business 24 or 36 months following the start of the underwriting year. After commutation, any changes in claims costs on the commuted proportion of the business are reflected within claims costs and are separately analysed here. Releases on the share of business originally reinsured but since commuted are analysed by underwriting year as follows:

	Financial year ended 31 December					
	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m
Underwriting year						
2016 and prior	17.1	73.8	109.6	80.2	67.9	66.3
2017	–	–	–	41.5	46.0	50.1
2018	–	–	–	–	23.4	43.5
2019	–	–	–	–	–	29.3
Total releases on commuted quota share reinsurance contracts (UK motor)	17.1	73.8	109.6	121.7	137.3	189.2

Profit commission is analysed in note 5c.

(vi) Reconciliation of movement in claims provision

	31 December 2021		
	Gross £m	Reinsurance £m	Net £m
Claims provision at start of period	2,919.9	(1,319.3)	1,600.6
Claims incurred (excluding claims handling costs and releases)	1,881.8	(1,234.0)	647.8
Reserve releases	(440.9)	102.5	(338.4)
Movement in claims provision due to commutation	–	318.4	318.4
Claims paid and other movements	(1,315.8)	716.7	(599.1)
Claims provision at end of period	3,045.0	(1,415.7)	1,629.3

	31 December 2020		
	Gross £m	Reinsurance £m	Net £m
Claims provision at start of period	2,899.4	(1,354.2)	1,545.2
Claims incurred (excluding claims handling costs and releases)	1,612.4	(1,079.6)	532.8
Reserve releases	(360.5)	97.5	(263.0)
Movement in claims provision due to commutation	–	352.7	352.7
Claims paid and other movements	(1,231.4)	664.3	(567.1)
Claims provision at end of period	2,919.9	(1,319.3)	1,600.6

(vii) Reconciliation of movement in net unearned premium provision

	31 December 2021		
	Gross £m	Reinsurance £m	Net £m
Unearned premium provision at start of period	1,161.4	(763.9)	397.5
Written in the period	2,513.6	(1,643.0)	870.6
Earned in the period	(2,492.3)	1,637.3	(855.0)
Translation differences	(12.7)	9.2	(3.5)
Unearned premium provision at end of period	1,170.0	(760.4)	409.6

	31 December 2020		
	Gross £m	Reinsurance £m	Net £m
Unearned premium provision at start of period	1,075.6	(717.5)	358.1
Written in the period	2,344.0	(1,555.9)	788.1
Earned in the period	(2,265.3)	1,513.7	(751.6)
Translation differences	7.1	(4.2)	2.9
Unearned premium provision at end of period	1,161.4	(763.9)	397.5

Notes to the financial statements **continued**
For the year ended 31 December 2021

6. Investment income and costs

6a. Accounting policies

i) Financial assets

Classification and measurement

The classification and subsequent measurement of the financial asset under IFRS 9 depends on:

a. the Group's business model for managing the financial assets; and

b. the contractual cash flow characteristics of the financial asset.

Based on these factors, the financial asset is classified into one of the following categories:

- Amortised cost – assets which are held in order to collect contractual cash flows and the contractual terms of the financial asset give rise to cash flows which are solely payments of principal and interest on the principal amount outstanding (SPPI), where the asset is not designated as fair value through profit or loss (FVTPL).

For the Group, these include deposits with credit institutions, cash and cash equivalents, insurance receivables, trade and other receivables and loans and advances to customers.

The interest income generated from these assets is included in investment returns, with the exception of loans and advances to customers, where the interest receivable is recognised in interest income.

Impairment is recognised on these assets using the expected credit loss model.

- Fair value through other comprehensive income (FVOCI) – assets which are held both to collect contractual cash flows and to sell the asset, where the contractual terms of the financial asset give rise to cash flows which are solely payments of principal and interest on the principal amount outstanding (SPPI), where the asset is not designated as FVTPL.

For the Group, these assets include government and corporate debt, including private debt.

In addition, IFRS 9 allows an irrevocable election at initial recognition to designate equity investments at FVOCI that otherwise would be held at FVTPL, provided these are not held for trading. The Group has made this election for certain equity investments.

Movements in the carrying amount are taken through OCI, with the exception of recognition of impairment gains or losses, interest revenue and foreign exchange gains or losses which are recognised in profit or loss.

- Fair value through profit or loss (FVTPL) – assets which do not meet the criteria for amortised cost or FVOCI, or which are designated as FVTPL.

For the Group these assets include liquidity funds investing in short duration assets, other funds and derivative financial instruments.

A gain or loss on disposal of an investment measured at FVOCI is presented within investment return in the period in which it arises.

Impairment

The expected credit loss model is used to calculate any impairment to be recognised for all assets measured at amortised cost, as well as financial investments measured at FVOCI. The general approach, which utilises the three-stage model, is used for Loans and advances to customers (see note 7) whilst impairment for the remaining assets is measured using the simplified approach.

Derecognition

A financial asset is derecognised when the rights to receive cash flows from that asset have expired, or when the Group transfers the asset and all the attached substantial risks and rewards relating to the asset to a third party.

ii) Financial liabilities

Classification and subsequent measurement

All financial liabilities are classified as subsequently measured at amortised cost using the effective interest method, except for derivatives that are classified at fair value through profit or loss and subsequently measured at fair value.

Movements in the amortised cost are recognised through the income statement.

Derecognition

A financial liability is derecognised when the obligation under that liability is discharged, cancelled or expires.

iii) Investment return and finance costs

Investment return from financial assets comprises distributions as well as net realised and unrealised gains on financial assets classified as FVTPL, interest income and net realised gains from financial assets classified as FVOCI, and interest income from financial assets classified as amortised cost.

Finance costs from financial liabilities comprise interest expense on subordinated notes, loan backed securities, credit facilities and lease liabilities, calculated using the effective interest rate method. The effective interest rate method calculates the amortised cost of a financial asset or liability (or group of financial assets or financial liabilities) and allocates the interest income or expense over the expected life of the asset or liability.

6b. Investment return

	31 December 2021 £m			31 December 2020 £m		
	At EIR	Other	Total	At EIR	Other	Total
Investment return						
On assets classified as FVTPL	–	3.6	3.6	–	8.5	8.5
On assets classified as FVOCI*1*3	40.0	2.3	42.3	32.5	5.0	37.5
On assets classified as amortised costs*1	0.6	–	0.6	1.4	–	1.4
Net unrealised losses						
Unrealised losses on forward contracts	–	–	–	–	–	–
Accrual for reinsurers' share of investment return	–	(1.6)	(1.6)	–	12.9	12.9
Interest receivable on cash and cash equivalents*1	–	0.3	0.3	–	0.4	0.4
Total investment and interest income*2	40.6	4.6	45.2	33.9	26.8	60.7

*1 Interest received during the year was £46.6 million (2020: £52.6 million).
*2 Total investment return excludes £2.7 million of intra-group interest (2020: £2.9 million).
*3 Realised gains on sales of debt securities classified as FVOCI are £2.3 million (2020: £5.0 million).

6c. Finance costs

Continuing operations	31 December 2021 £m	31 December 2020 £m
Interest payable on subordinated loan notes and other credit facilities*1*2	11.4	11.7
Interest payable on lease liabilities	2.3	2.6
Interest recoverable from co-insurers and reinsurers	(1.8)	(2.0)
Total finance costs on continuing operations	11.9	12.3

*1 Interest paid during the year was £14.1 million (2020: £14.0 million).
*2 See note 7e for details of credit facilities.

Finance costs represent interest payable on the £200.0 million (2020: £200.0 million) subordinated notes and other financial liabilities.

Interest payable on lease liabilities represents the unwinding of the discount on lease liabilities under IFRS 16 and does not result in a cash payment.

Notes to the financial statements **continued**

For the year ended 31 December 2021

6. Investment income and costs continued

6d. Expected credit losses

	Note	31 December 2021 £m	31 December 2020 £m
Expected credit losses on financial investments	6f	2.6	7.8
Expected credit losses on Loans and advances to customers*1	7b	10.7	25.8
Total expense for expected credit losses		13.3	33.6

*1 Includes £2.5 million (2020: £7.8 million) of write-offs, with total movement in the expected credit loss provision being £10.7 million (2020: £25.8 million).

See note 6f and note 7b for details of the impairment methodology.

6e. Financial assets and liabilities

The Group's financial assets and liabilities can be analysed as follows:

Continuing operations	31 December 2021 £m	31 December 2020 £m
Financial investments measured at FVTPL		
Money market and other funds	1,055.6	1,339.3
Derivative financial instruments	5.2	–
Equity investments (designated FVTPL)	2.2	–
	1,063.0	1,339.3
Financial investments classified as FVOCI		
Debt securities	2,408.6	1,912.7
Government gilts*1	166.4	177.3
	2,575.0	2,090.0
Equity investments (designated FVOCI)	19.3	11.3
	2,594.3	2,101.3
Financial assets measured at amortised cost		
Deposits with credit institutions	85.3	65.4
Total financial investments	3,742.6	3,506.0
Other financial assets		
Insurance receivables	956.6	977.9
Trade and other receivables (measured at amortised cost)	251.9	204.1
Insurance and other receivables	1,208.5	1,182.0
Loans and advances to customers (note 7)	556.8	359.8
Cash and cash equivalents	372.7	298.2
Total financial assets from continuing operations	5,880.6	5,346.0
Financial liabilities		
Subordinated notes	204.4	204.3
Loan backed securities	446.5	260.7
Other borrowings	20.0	20.0
Derivative financial instruments	–	3.6
Subordinated and other financial liabilities	670.9	488.6
Trade and other payables*2	1,960.0	1,991.2
Lease liabilities	105.3	122.8
Total financial liabilities	2,736.2	2,602.6

*1 Government gilts include UK government issued securities which are owned by the parent company and reviewed separately by the Group Investment Committee.

*2 Trade and other payables total balance of £1,960.0 million (2020: £1,991.2 million) above includes £1,528.4 million (2020: £1,502.6 million) in relation to tax and social security, deferred income and reinsurer balances that are outside the scope of IFRS 9.

The maturity profile of financial assets and liabilities under the scope of IFRS 4 and 9 at 31 December 2021 is as follows:

	On demand £m	< 1 year £m	Between 1 and 2 years £m	> 2 years £m
Financial investments				
Money market funds and derivative financial instruments	–	1,057.9	1.7	1.1
Deposits with credit institutions	–	75.3	10.0	–
Debt securities	–	713.2	304.5	1,390.8
Government gilts*1	–	–	57.9	108.4
Total financial investments	–	1,846.4	374.1	1,500.3
Trade and other receivables	–	1,208.5	–	–
Loans and advances to customers	–	171.3	174.7	210.8
Cash and cash equivalents	372.7	–	–	–
Total financial assets	372.7	3,226.2	548.8	1,711.1
Financial liabilities				
Subordinated notes	–	11.0	11.0	211.0
Loan backed securities	–	170.2	126.7	172.0
Other borrowings	–	20.0	–	–
Trade and other payables*2	–	1,706.5	–	–
Total financial liabilities	–	1,907.7	137.7	383.0

*1 Government gilts include UK government issued securities which are owned by the parent company and reviewed separately by the Group Investment Committee.

*2 Of the £1,706.5 million held within trade and other payables in the maturity table, £1,274.9 million do not meet the definition of a financial liability under IFRS 9 but fall within the scope of IFRS 4 hence are included in the above maturity profile.

The maturity profile of financial assets and liabilities under the scope of IFRS 4 and 9 at 31 December 2020 was as follows:

	On demand £m	< 1 year £m	Between 1 and 2 years £m	> 2 years £m
Financial investments				
Money market funds and derivative financial instruments	–	1,339.3	–	–
Deposits with credit institutions	–	55.4	10.0	–
Debt securities	–	202.7	429.1	1,280.9
Government gilts	–	–	–	177.3
Total financial investments	–	1,597.4	439.1	1,458.2
Trade and other receivables	–	204.1	–	–
Loans and advances to customers	–	116.9	125.6	117.3
Cash and cash equivalents	298.2	–	–	–
Total financial assets	298.2	1,918.4	564.7	1,575.5
Financial liabilities				
Subordinated notes	–	11.0	11.0	222.0
Loan backed securities	–	102.7	83.8	86.1
Other borrowings	–	20.3	–	–
Trade and other payables*1	–	1,751.4	–	–
Total financial liabilities	–	1,885.4	94.8	308.1

*1 Of the £1,751.4 million held within trade and other payables, £1,262.8 million do not meet the definition of a financial liability under IFRS 9 but fall within the scope of IFRS 4 hence are included in the above maturity profile.

Notes to the financial statements **continued**

For the year ended 31 December 2021

6. Investment income and costs continued

The maturity profile of gross insurance liabilities at the end of 2021 is as follows:

	< 1 year £m	1–3 years £m	> 3 years £m
Claims outstanding	909.9	829.8	1,305.3
Unearned premium provision	1,170.0	–	–
Total gross insurance liabilities	2,079.9	829.8	1,305.3

The maturity profile of gross insurance liabilities at the end of 2020 was as follows:

	< 1 year £m	1–3 years £m	> 3 years £m
Claims outstanding	874.3	816.3	1,229.3
Unearned premium provision	1,161.4	–	–
Total gross insurance liabilities	2,035.7	816.3	1,229.3

6f. Financial investments

	31 December 2021			
	FVTPL £m	FVOCI £m	Amortised Cost*2 £m	Total £m
AAA– AA	500.6	906.9	21.2	1,428.7
A	401.0	1,007.9	426.2	1,835.1
BBB	42.6	477.9	10.6	531.1
Sub BBB	22.0	71.7	–	93.7
Not rated*1	96.8	129.9	–	226.7
Total financial investments	1,063.0	2,594.3	458.0	4,115.3

*1 £72.3 million of the unrated exposure stems from money market funds, which are rated AAA, but the underlying securities are not. The remaining unrated exposure is a mixture of private debt (£127.5 million) and other holdings (£26.8 million).

*2 Investments held at amortised cost comprise deposits with credit institutions, and cash.

	31 December 2020			
	FVTPL £m	FVOCI £m	Amortised Cost*2 £m	Total £m
AAA– AA	471.9	889.7	38.8	1,400.4
A	637.0	756.7	325.9	1,719.6
BBB	52.3	380.1	52.3	484.7
Sub BBB	31.7	–	0.1	31.8
Not rated*1	146.4	74.8	–	221.2
Total financial investments	1,339.3	2,101.3	417.1	3,857.7

*1 The majority (£136.7 million) of the unrated exposure stems from money market funds, which are rated AAA, but the underlying securities are not. These specific exposures are repurchase agreements. The remaining unrated exposure is a mixture of private debt (£70.3 million) and other holdings (£14.2 million).

*2 Investments held at amortised cost comprise deposits with credit institutions, and cash (including cash held by discontinued operations of £53.5 million).

Classification and measurement

At initial recognition, the Group measures financial investments at fair value plus or minus, in the case of financial instruments not measured at fair value through profit and loss, directly attributable transaction costs. Transaction costs of financial instruments measured at fair value through profit and loss are expensed to the profit and loss when incurred.

Money market funds and derivative financial instruments are measured at FVTPL. The regulatory capital within the Group is used to invest in these instruments in addition to any surplus funds which may be held. Buying and selling activity occurs depending on timing of different cash flows.

Debt securities are measured at FVOCI and as such fall under the scope of the ECL model. These assets are held to match policyholder liabilities or interest on debt liabilities. If sold before maturity, gains or losses on these assets impact the P&L.

Private Equity investments have been designated as being reported through FVOCI due to these being long term, strategic investments. Dividends are recognised in the Income Statement whilst a change in fair values will be reflected in OCI. Other funds are measured at FVTPL.

Impairment

All financial investments held at FVOCI and at amortised cost have been assessed for impairment using the expected credit loss model under IFRS 9. The assessment has been made based on the credit ratings of the entities and externally available credit loss ratios.

The calculated impairment loss within the fair value is recognised through the Income Statement whilst fair value movements are recognised in other comprehensive income. Deposits are held with well rated institutions and are held at book value, with impairment calculated in a similar manner to debt securities.

All assets which require a calculation of impairment, are considered based on an external credit rating agency or an assessment from Admiral's external asset managers. The credit rating of all assets is regularly monitored. As at the year-end reporting date, the vast majority of financial assets are of investment grade and considered low risk under IFRS 9. These therefore remain within stage 1 and a 12-month expected loss is used to calculate the impairment provision required.

Any assets downgraded below BBB are considered by the Group to have significantly increased in credit risk, and therefore are stage 2 under IFRS 9.

The impairment provision at 31 December 2021 is £11.3 million (£8.7 million at 31 December 2020). Given there is no material change in the credit quality or type of financial assets in the year and the movement in provision is immaterial, no further disclosure has been made.

Fair value measurement

IFRS 13 requires assets and liabilities that are held at fair value to be classified according to a hierarchy which reflects the observability of significant market inputs, based on three levels. The Group policy is to recognise transfer between fair value hierarchy levels as at the end of the reporting period. There were no transfers between fair value hierarchy levels in the reporting period (2020: none).

The table below shows how the financial assets held at fair value have been measured using the fair value hierarchy:

			Represented*1	
	31 December 2021		31 December 2020	
	FVTPL*2 £m	FVOCI £m	FVTPL £m	FVOCI £m
Level one (quoted prices in active markets)	1,060.8	2,449.5	1,339.3	2,026.5
Level two (use of observable inputs)	–	–	–	–
Level three (use of significant unobservable inputs)	2.2	144.8	–	74.8
Total	1,063.0	2,594.3	1,339.3	2,101.3

*1 £63.5 million has been reclassified between Level one and Level three as at 31 December 2020.

*2 Gains through the Income Statement are recognised within Investment return. See note 6b for further information.

Notes to the financial statements **continued**

For the year ended 31 December 2021

6. Investment income and costs continued

Fair value measurement using significant unobservable inputs (level three)

Level three investments consist of debt securities and equity investments. Debt securities are comprised primarily of investments in debt funds which are valued at the proportion of the Group's holding of the Net Asset Value (NAV) reported by the investment vehicle. In addition, there is a small allocation of privately placed bonds which do not trade on active markets, these are valued using discounted cash-flow models designed to appropriately reflect the credit and illiquidity of these instruments. The key unobservable input across private debt securities is the discount rate which is based on the credit performance of the assets.

Equity securities are comprised of investments in Private Equity and Infrastructure Equity funds, which are valued at the proportion of the Group's holding of the NAV reported by the investment vehicle. These are based on several unobservable inputs including market multiples and cash flow forecasts.

There were no significant inter-relationships between unobservable inputs that materially affect fair values.

The table below presents the movement in the period relating to financial instruments valued using a level three valuation:

Level three investments	Equity Securities £m	Debt Securities £m	Total £m
Balance as at 1 January 2021	11.3	63.5	74.8
Gains/(losses) recognised in IS	0.2	1.4	1.6
Gains/(losses) recognised in OCI	2.6	1.5	4.1
Purchases	8.5	80.9	89.4
Disposals	(0.6)	(21.8)	(22.4)
Translation differences	(0.5)	–	(0.5)
Balance as at 31 December 2021	21.5	125.5	147.0

Level three investments	Equity Securities £m	Debt Securities £m	Total £m
Balance as at 1 January 2020	7.5	51.4	58.9
Gains/(losses) recognised in IS	–	1.5	1.5
Gains/(losses) recognised in OCI	0.5	(1.4)	(0.9)
Purchases	3.3	27.0	30.3
Disposals	(0.7)	(15.0)	(15.7)
Translation differences	0.7	–	0.7
Balance as at 31 December 2020	11.3	63.5	74.8

6g. Cash and cash equivalents

Continuing operations	31 December 2021 £m	31 December 2020 £m
Cash at bank and in hand*1	372.7	298.2
Total cash and cash equivalents	372.7	298.2

*1 Cash at bank and in hand includes £37.6 million (2020: £25.7 million) related to special purpose entities which is not available for use by the Group.

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term deposits with original maturities of three months or less. All cash and cash equivalents are measured at amortised cost.

An assessment has been completed for impairment purposes in line with that set out in note 6f above. Given the short-term duration of these assets and low risk of these assets, no impairment provision has been recognised.

For cash at bank and cash deposits and other receivables, the fair value approximates to the book value due to their short maturity.

6h. Other assets

Insurance and other receivables

Continuing operations	31 December 2021 £m	31 December 2020 £m
Insurance receivables*1	956.6	977.9
Trade and other receivables	221.5	179.0
Prepayments and accrued income	30.4	25.1
Total insurance and other receivables	1,208.5	1,182.0

*1 Insurance receivables at 31 December 2021 include £87.6 million in respect of salvage and subrogation recoveries (2020: £70.5 million).

Insurance receivables

Insurance receivables are measured at historic cost. Given the short-term duration of these assets no bad debt provision has been recognised.

Trade and other receivables

Classification. Trade and other receivables are measured at amortised cost, being made up of multiple types of receivable balances.

Impairment. Where a provision is required for these receivables, it is calculated in line with the simplified method for trade receivables per IFRS 9, whereby lifetime expected credit losses are recognised irrelevant of the credit risk. In this case, the provision is based on a combination of

(i) aged debtor analysis,

(ii) historic experience of write-offs for each receivable,

(iii) any specific indicators of credit deterioration observed, and

(iv) management judgement.

The level of provision is immaterial.

The amortised cost carrying amount of receivables is a reasonable approximation of fair value.

Contract balances

The following table provides information about receivables and contract assets from contracts with customers. Both balances are included in Trade and other receivables.

Continuing operations	31 December 2021 £m	31 December 2020 £m
Receivables	16.8	13.8
Contract assets	23.8	23.7

The contract asset relates to the Group's right to consideration for work undertaken in the law companies on behalf of clients which is ongoing or where the final fee has not yet been billed. The contract asset is transferred to trade receivables once the fee has been billed.

Notes to the financial statements **continued**

For the year ended 31 December 2021

6. Investment income and costs continued

Significant changes in the contract asset balance during the period are as follows:

Contract asset balance	31 December 2021 £m
At 1 January 2021	23.7
Revenue recognised	23.9
Transferred to trade receivables	(24.9)
Write-backs	1.1
At 31 December 2021	23.8

The amount of revenue recognised in 2021 from performance obligations satisfied (or partially satisfied) in previous periods in relation to the above contract balances is £nil (2020: £nil). See note 5c for details of profit commission recognised on previous underwriting years.

6i. Financial and lease liabilities

	31 December 2021				
	Subordinated notes £m	Loan backed securities £m	Other borrowings and derivatives £m	Lease liabilities £m	Total £m
Financial liability at the start of the period	204.3	260.7	23.6	122.8	611.4
Interest payable per Income Statement	11.1	5.5	0.9	2.3	19.8
Cash flows	(11.0)	180.3	(0.9)	(12.3)	156.1
Other foreign exchange and non-cash movements	–	–	(3.6)	(7.5)	(11.1)
Financial liability at the end of the period	204.4	446.5	20.0	105.3	776.2

	31 December 2020				
	Subordinated notes £m	Loan backed securities £m	Other borrowings and derivatives £m	Lease liabilities £m	Total £m
Financial liability at the start of the period	204.2	304.5	21.4	137.1	667.2
Interest payable per Income Statement	11.1	6.2	1.6	2.6	21.5
Cash flows	(11.0)	(50.0)	(1.5)	(12.4)	(74.9)
Other foreign exchange and non-cash movements	–	–	2.1	(0.4)	1.7
Transferred to assets associated with disposal group held for sale	–	–	–	(4.1)	(4.1)
Financial liability at the end of the period	204.3	260.7	23.6	122.8	611.4

Subordinated notes

Financial liabilities are inclusive of £200.0 million subordinated notes issued on 25 July 2014 at a fixed rate of 5.5% with a redemption date of 25 July 2024.

The notes are unsecured subordinated obligations of the Group and rank pari passu without any preference among themselves. In the event of a winding-up or bankruptcy, they are to be repaid only after the claims of all other creditors have been met.

There have been no defaults on any of the notes during the year. The Group has the option to defer interest payments on the notes but to date has not exercised this right.

The fair value of subordinated notes (level one valuation based on quoted prices in active markets) at 31 December 2021 is £217.1 million (2020: £222.9 million).

Other borrowings

The Group holds a revolving credit facility of £200.0 million which expires in April 2023. The Group also holds a separate credit facility of £20.0 million which expires in August 2022. £20.0 million was drawn under this agreement as at 31 December 2021 (2020: £20.0 million), which is shown within other borrowings in the table above.

The carrying value is a reasonable approximation of fair value.

Loan backed securities

Asset backed senior loan note facilities of £650.0 million have been established in relation to the Admiral Loans business (see note 3 for details of the accounting treatment of SPEs). As at the year end, £446.5 million (2020: £260.7 million) of these facilities had been utilised.

The carrying value is a reasonable approximation of fair value.

Lease liabilities

The Group leases various properties, with rental contracts typically for fixed periods of 5 to 25 years although these may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

For each lease, a right-of-use asset and corresponding lease liability is recognised at the date at which the leased asset becomes available for use by the Group.

The lease liability is initially measured at the present value of remaining lease payments, which include the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of a similar value in a similar economic environment, with similar terms and conditions. Generally, the Group uses its incremental borrowing rate as the discount rate.

Subsequently, lease payments are allocated to the lease liability, split between repayments of principal and interest. A finance cost is charged to the profit and loss so as to produce a constant period rate of interest on the remaining balance of the lease liability.

Whereby a change in lease term is identified, the lease liability is recalculated based on the present value of the remaining lease payments.

6j. Objectives, policies and procedures for managing financial assets and liabilities

The Group's activities expose it primarily to financial risks of credit, interest rate, liquidity and foreign exchange risk. The Board of Directors has delegated the task of supervising risk management and internal control to the Group Risk Committee. There is also an Investment Committee that makes recommendations to the Group and subsidiary Boards on investment strategy, and oversees the Group's investments.

There are several key elements to the risk management environment throughout the Group. These are detailed in full in the Corporate Governance Statement. Specific considerations for the risks arising from financial assets and liabilities are detailed below.

Credit risk

The Group defines credit risk as the risk of financial loss if another party fails to perform its obligations. The key areas of exposure to credit risk for the Group result through its reinsurance programme, investments, bank deposits, loans and advances to customers and policyholder receivables.

The Directors consider credit quality and counterparty exposure frequently and in significant detail. The Directors consider that the policies and procedures in place to manage credit exposure continue to be appropriate for the Group's risk appetite and, during 2021 and historically, no material credit losses have been experienced by the Group.

Notes to the financial statements **continued**

For the year ended 31 December 2021

6. Investment income and costs continued

The impact on equity of a 100 basis point increase in credit spreads at the relevant valuation date, is as follows:

	31 December 2021 £m	31 December 2020 £m
Reduction in equity	71.0	53.8

Also see notes 7 and 6f for further information on credit risk in relation to loans and advances to customers, and financial investments.

Financial investments and cash

Credit and counterparty risk is managed by the Group by investing in high quality money market funds, and setting suitable parameters for asset managers to adhere to when purchasing debt securities. Cash balances and deposits are placed only with highly rated credit institutions. The detailed holdings are reviewed regularly by the Investment Committee.

Invested assets

As noted above, the Group primarily invests the following asset types:

- Debt securities are held within segregated mandates and investment funds. This includes private debt. The guidelines of the investments ensure management of credit risk. Generally, the duration of the securities is relatively short and similar to the duration of the on book claims liabilities.
- Liquidity funds, which in turn invest in a mixture of short-dated fixed and variable rate securities, such as cash deposits, certificates of deposits, floating rate notes and other commercial paper.
- Government bonds which are classified as FVOCI.
- Deposits with well rated institutions and are short in duration (one to five years). These are classified as held at amortised cost. Therefore, neither the carrying value of the asset, nor the interest return will be impacted by fluctuations in interest rates.

Reinsurance assets

To mitigate the risk arising from exposure to reinsurers (in the form of reinsurance recoveries and profit commissions), the Group only conducts business with companies of appropriate financial strength ratings. In addition, many reinsurance contracts are operated on a funds withheld basis, which substantially reduces credit risk, as the Group retains the cash received from policyholders as collateral.

Loans and advances to customers

The risk appetite for the lending business is set to ensure that the risk taken is commensurate with the expected returns. Management has defined an amber and a red loan loss limit, representing points at which action is required. These limits have been defined by management to reflect the business maturity, the business' ambitions and the economic climate. Risk appetite is assessed at least annually, while the limits are continuously monitored.

Insurance assets

A further principal form of credit risk is in respect of amounts due from policyholders, largely due to the potential for default by instalment payers. The impact of this is mitigated by the large customer base and low average level of balance recoverable. There is also mitigation by the operation of numerous high- and low-level controls in this area, including payment on policy acceptance as opposed to inception and automated cancellation procedures for policies in default.

The amount of bad debt expense relating to policyholder debt charged to the income statement in 2021 and 2020 is insignificant.

Trade and other receivables

Trade receivables and other debtors are also subject to credit risk, although this is mitigated by a review of the credit worthiness of all counterparties prior to them being accepted.

Other assets

All other assets are assessed as low credit risk under IFRS 9, with no significant amounts past due or impaired. No further disclosure is provided due to this having an immaterial impact on the financial statements.

The Group's credit risk exposure to assets with external ratings is as follows:

	Rating	31 December 2021 £m	31 December 2020 £m
Financial institutions – credit institutions	AAA	458.1	315.8
Financial institutions – credit institutions	AA	804.3	907.3
Financial institutions – credit institutions	A	1,835.1	1,719.6
Financial institutions – credit institutions	BBB and below	851.5	737.7
UK Government gilts	AA	166.3	177.3
Reinsurers	AA	685.5	666.1
Reinsurers	A	210.3	144.1
Reinsurers	BBB and below	5.4	10.2

The Group's maximum exposure to credit risk at 31 December 2021 is £5,675.4 million (2020: £5,125.7 million), being the carrying value of financial investments and cash, the carrying value of loans and advances to customers, and the excess of reinsurance assets over amounts owed to reinsurers under funds withheld arrangements. The Group does not use credit derivatives or similar instruments to mitigate exposure.

There were no further significant financial assets that were past due at the close of either 2021 or 2020.

Interest rate risk

The Group considers interest rate risk to be the risk that unfavourable movements in interest rates could adversely impact on the capital values of financial assets and liabilities.

The impact on equity of a 50 basis point increase in interest rates at the relevant valuation date, is as follows:

	31 December 2021 £m	31 December 2020 £m
Reduction in equity	51.0	47.1

The impact reflects movements in the Group's asset portfolio and is stated before any offsetting movements in liabilities. The Group's solvency II balance sheet, which includes technical provisions discounted using Bank of England and EIOPA yield curves reflects a low sensitivity to interest rates as a result of well-matched durations of assets and liabilities.

Loans and advances to customers

The Group's loan portfolio consists of fixed rate loans, which are funded at a floating variable rate. The Group has interest rate swap arrangements, the risk management objective of which is to eliminate the majority of the interest rate risk variability in the cash flows payable on the loan backed securities. This relates to the difference between fixed rate on loans written and floating variable rate on funding.

Hedge accounting

Hedge accounting is applied when the criteria specified in IFRS 9 are met. In line with IFRS 9, the gain or loss on the hedged position as at the balance sheet date is recognised through other comprehensive income.

This results in a hedging reserve in relation to the interest rate swap.

For the Group's loan backed securities and related interest rate swaps, (which are bilateral agreements) the Group moved the relationships with the counterparties to amend the reference benchmark interest rate from GBP LIBOR to SONIA. This was completed on 15 June 2020.

Notes to the financial statements **continued**

For the year ended 31 December 2021

6. Investment income and costs continued

Financial liabilities

The Group also holds a financial liability in the form of £200.0 million of subordinated notes with a ten year maturity and fixed rate coupon of 5.5%. This liability is valued at amortised cost and therefore neither the carrying value of the deposits, nor the interest payable, will be impacted by fluctuations in interest rates.

Other financial assets and liabilities

There is no significant exposure to interest rate risk for other financial assets and liabilities due to these being held at amortised cost.

Liquidity risk

Liquidity risk is defined as the risk that the Group does not have sufficient available financial resources to enable it to meet its obligations as they fall due, or can only secure them at excessive cost.

The Group holds appropriate liquidity buffers at the parent company and subsidiary levels.

The Group is strongly cash-generative due to the large proportion of revenue arising from non-underwriting activity. Further, as noted above, a significant portion of insurance funds are invested in investment funds with same day liquidity, meaning that a large proportion of the Group's cash and investments are immediately available.

A breakdown of the Group's other borrowings, trade payables and other payables is shown in note 11.

The subordinated notes have a maturity date of July 2024, whereas all trade and other payables will mature within three to six months of the balance sheet date. (Refer to the maturity profile at the start of this note for further detail.)

In practice, the Group's Directors expect actual cash flows to be consistent with this maturity profile except for amounts owed to co-insurers and reinsurers. Of the total amounts owed to co-insurers and reinsurers of £1,436.8 million (2020: £1,503.7 million), £1,169.8 million (2020: £1,175.1 million) is held under funds withheld arrangements and therefore not expected to be settled within 12 months.

A maturity analysis for insurance contract liabilities is included in note 6e. The maturity profile for financial assets is included at the start of this note.

The Group's Directors believe that the cash flows arising from these assets will be consistent with this profile. Liquidity risk is not, therefore, considered to be significant.

Foreign exchange risk

Foreign exchange risk arises from unfavourable movements in foreign exchange rates that could adversely impact the valuation of overseas assets and liabilities.

The Group is exposed to foreign exchange risk through its operations overseas. Although the relative size of the international operations means that the risks are relatively small, increasingly volatile foreign exchange rates could result in larger potential gains or losses. Assets held to fund insurance liabilities are held in the currency of the liabilities; however, surplus assets held as regulatory capital in foreign currencies remain exposed.

The Group's exposure to net assets and profits in currencies other than the reporting currency is immaterial other than for US dollars and euros. The Group's exposure to net assets held in dollars at the balance sheet date was £21.3 million (2020: £31.5 million); the exposure to net assets held in euros (for both continued and discontinued operations) was £102.8 million (2020: £134.7 million).

If the sterling exchange rates against US dollars had strengthened/weakened by 10%, the Group's profit before tax for the year would increase/decrease by £1.9 million (2020: £0.9 million).

If the sterling rates with euros had strengthened/weakened by 10%, the Group's profit before tax for the year would increase/decrease by £1.1 million (2020: £1.7 million).

7. Loans and advances to customers

7a. Accounting policies

Loans and advances to customers relate to the Admiral Loans business, consisting of unsecured personal loans and car finance products.

Classification

Loans and advances to customers are measured at amortised cost. This is because assets are held in order to collect contractual cash flows and the contractual terms of the financial asset demand cash inflows which are solely payments of principal and interest on the principal amount outstanding.

Interest income and expense

Interest income received in relation to loans and advances to customers is calculated using the effective interest method which allocates interest, direct and incremental fees and costs over the expected lives of the assets and liabilities. There has been no change in recognition of interest income from the comparative period.

Interest expense is calculated using the process appropriate to each source of funding, which is not linked to individual accounts.

Finance leases

Included within loans and advances to customers are personal contract purchase and hire purchase arrangements which are classified as finance leases under IFRS 16. A receivable equal to the net investment in the lease has been recognised. The net investment is equal to the gross investment in the lease discounted at the rate implicit in the lease.

Lease interest income is recognised within interest income in the income statement over the term of the lease using the effective interest rate method.

The title to the underlying vehicle remains with the Group until the lessee has made all contractual payments, at which point ownership is transferred to the lessee. In the event of breach of contract, such as non-payment, the vehicle itself acts as collateral for the finance lease, becoming available for repossession in most cases.

Some of the ways in which the Group maintains its rights to the vehicle, and thus manages the risk of loss associated with the finance lease, include:

- The Group does not enter into any finance leases with a maximum loan-to-value limit, reducing the risk of shortfall on termination of the contract.
- The Group requires the lessee to insure the underlying vehicle at all times, reducing the risk of non-recovery if the asset is stolen or destroyed.
- The estimated future value of each vehicle, which is sourced externally, is considered in the pricing of the lease contracts to provide protection against deterioration in that value.

7b. Loans and advances to customers

	31 December 2021 £m	31 December 2020 £m
Loans and advances to customers – gross carrying amount	607.0	401.8
Loans and advances to customers – provision	(50.2)	(42.0)
Total loans and advances to customers net of provision	556.8	359.8

Loans and advances to customers are comprised of the following:

	31 December 2021 £m	31 December 2020 £m
Unsecured personal loans	566.9	371.3
Finance leases	40.1	30.5
Total loans and advances to customers, gross	607.0	401.8

Notes to the financial statements **continued**

For the year ended 31 December 2021

7. Loans and advances to customers continued

Fair value measurement

The loans and advances are recognised at fair value at the point of origination and then subsequently on an amortised cost basis. This is deemed a reasonable approximation of fair value.

Expected credit losses

The expected credit loss model is a three-stage model based on forward looking information regarding changes in the credit quality since origination. Credit risk is measured using a Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) defined as follows:

- Probability of Default (PD): The likelihood of an account defaulting; calibrated through analysis of historic customer behaviour. Where customers have already met the definition of default this is 100%. For customers that are not in default the PD is determined through analysis of historic data at a credit grade level. A behavioural PD is then used after two months based on observed default rates by month on book and risk grade.
- Exposure at Default (EAD): The amount of balance at the time of default. For loans that are in arrears the EAD is taken as the current balance plus any expected interest arrears. For up-to-date loans the EAD is calculated as the expected balance three months prior to each period, plus three months of interest arrears to account for the time it takes to default following falling into arrears.
- Loss Given Default (LGD): The amount of the asset not recovered following a borrower's default, determined through analysis of historic recovery performance.

The PD is applied to the EAD to calculate the expected loss excluding recoveries. The LGD is then applied to this loss to calculate the total expected loss including recoveries. A forward-looking provision is also calculated, as set out later in this note.

Loan assets are segmented into three stages of credit impairment:

- Stage 1 – no significant increase in credit risk of the financial asset since inception.
- Stage 2 – significant increase in credit risk of the financial asset since inception.
- Stage 3 – financial asset is credit impaired.

For assets in stage 1, the allowance is calculated as the expected credit losses from events within 12 months after the reporting date. For assets in stages 2 and 3 the allowance is calculated as the expected credit loss from events in the remaining lifetime of each asset.

Enhancements to Expected Credit Loss methodology

There have been several enhancements to the provisioning methodology since the 31 December 2020 year end position. The key changes include:

- The definition of default now includes loans 3 cycles in arrears (previously 4 cycles or more).
- The Significant Increase in Credit Risk (SICR) criteria and forward looking probability of default modelling have been updated utilising enhanced analysis.

Significant increase in credit risk (SICR) (stage 2)

As explained above, stage 1 assets have an ECL allowing for losses in the next 12 months, stage 2 or 3 assets have an ECL allowing for losses over the remaining lifetime of the contract. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not prescribe a definition of significant increase in credit risk but does include a rebuttable presumption that this does occur for loan assets which are 30 days past due (which the Group does not rebut).

The Group has deemed a significant increase in credit risk to have occurred where:

- the loan is 1 to 2 loan payments in arrears, or
- the behavioural PD has moved outside a specified threshold from the application PD.

Credit impaired (stage 3)

The Group does not rebut the presumption within IFRS 9 that default has occurred when an exposure is greater than 90 days past due, which is consistent with a customer being three or more payments in arrears. In addition, a loan is deemed to be credit impaired where:

- there is an Individual Voluntary Arrangement (IVA) agreement confirmed or proposed, or;
- customer has started or progressed bankruptcy action, or;
- a repayment plan is in place, or;
- customer is deceased.

Judgements required – Post Model Adjustments (PMAs)

As at 31 December 2021, the expected credit loss allowance included PMAs totalling £9.1m.

Post Model Adjustment	31 December 2021 £m	31 December 2020 £m
Model Performance	2.0	4.9
Inflation	2.5	–
Economic Scenarios	4.6	–
	9.1	4.9

PMAs are calculated using management judgement and analysis. The key categories of PMAs are as follows:

Model Performance

Inflation

The impairment models operated are currently not highly sensitive to inflation expectations. Inflation is anticipated to rise significantly in 2022 and a resulting increase in cost of living could alter the ability of some customers to make their loan payments. A PMA has been held to acknowledge this.

Economic Scenarios

Throughout 2020 and 2021, large fluctuations in forecasts for unemployment have been observed as forecasters seek to anticipate the unprecedented impact of Covid on the economy. As a result, management judged to hold a PMA equivalent to a 1% increase in the scenario weighted unemployment rate to account for uncertainty in the forecasts.

Write off policy

Loans are written off where there is no reasonable expectation of recovery. The Group's policy is to write off balances to their estimated net realisable value. Write-offs are actioned on a case-by-case basis taking into account the operational position and the collections strategy.

Forward-looking information

Under IFRS 9 the provision must reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. The means by which the Group has determined this is to run scenario analyses.

Management judgement has been used to define the weighting and severity of the different scenarios based on available data.

The key economic driver of credit losses from the scenarios is the likelihood of a customer entering hardship through unemployment. Unemployment forecasts include a risk grade split of PD based on the correlation between grade-level default rates observed relative to the change in unemployment rates in the previous downturn, adjusted for the unemployment forecast expected in the current economic environment.

The scenario weighting assumptions used are detailed below, along with the unemployment rate assumed in each scenario at 31 December 2021.

Notes to the financial statements **continued**

For the year ended 31 December 2021

7. Loans and advances to customers continued

	31 December 2021 Scenario peak Unemployment rate	31 December 2021 Weighting	31 December 2020 Weighting
Base	4.3%	40%	40%
Upturn	4.0%	10%	5%
Downturn	6.3%	30%	25%
Severe	6.6%	20%	30%

Whilst the macroeconomic environment outlook has improved since the prior year, there is a still a great deal of uncertainty and volatility within economic forecasts. The weightings have been updated to reflect this more positive outlook, with the uncertainty element incorporated into post model adjustments. The adjustments are not typically assessed under each distinct economic scenario used to generate ECL, but instead are applied on the basis of final modelled ECL which reflects the probability weighted view of all scenarios.

Sensitivities to key areas of estimation uncertainty

The key areas of estimation uncertainty identified, as per note 3 to the financial statements, are in the PD and the forward-looking scenarios.

	31 December 2021 Weighting	31 December 2021 Sensitivity £m	31 December 2020 Weighting	31 December 2020 Sensitivity £m
Base	40%	(2.5)	40%	(2.0)
Upturn	10%	(9.7)	5%	(4.9)
Downturn	30%	6.9	25%	0.3
Severe	20%	11.1	30%	3.2

The sensitivities in the above tables show the variance to ECL that would be expected if the given scenario unfolded rather than the weighted position the provision is based on. At 31 December 2021 the implied weighted peak unemployment rate is 5.8%: the table shows that in a downturn scenario with a 6.3% peak unemployment rate the provision would increase by £6.9 million, whilst the upturn would reduce the provision by £9.7 million, base case reduce by £2.5 million and severe increase the provision by £11.1 million.

Stage 1 assets represent 84% of the total loan assets; a 0.1% increase in the stage 1 PD, i.e. from 2.4% to 2.5% would result in a £0.6 million increase in ECL.

The impact of the coronavirus pandemic and the various support measures that were put in place have resulted in an economic environment that is skewed from historical economic conditions – particularly around levels of unemployment and inflation. As a result, there is a greater need for management judgements to be applied alongside the use of models, therefore at 31 December 2021 post model overlays resulted in additional ECL allowances totalling £9.1 million (2020: £4.9 million). This comprises judgements added due to uncertainty in economic forecasts, cohorts of customers exposed to inflation through lower levels of disposable income, and customers deemed to be at higher risk of unemployment.

Amounts arising from ECL: loans and advances to customers

The Group is exposed to credit risk from the Admiral Loans business.

The following table sets out information about the credit quality of the loans and advances to customers measured at amortised cost. Credit grades are used to segment customers by apparent credit risk at the time of acquisition. Higher grades are the lowest credit risk with each subsequent grade increasing in expected credit risk. The Group does not have any purchased or originated credit impaired assets. These tables are inclusive of the finance lease assets which are held by the Group, further analysis of these balances can be found in note 7c.

All probability of default figures included in this paragraph allow for forward-looking information, i.e. the PDs are a weighted average from the economic scenarios considered. The average PD for assets in stage 1 is 2.4% (2020: 4.8%) reflecting the expectation of defaults within 12 months of the reporting date. The average PD for assets in stage 2 is 30.0% (2020: 67.0%) reflecting expected losses over the remaining life of the assets. The PD for assets in stage 3 is 100% (2020: 100%) as these assets are deemed to have defaulted.

	Stage 1 12- month ECL £m	Stage 2 Lifetime ECL £m	Stage 3 Lifetime ECL £m	31 December 2021 Total £m	31 December 2020 Total £m
Credit Grade*1					
Higher	350.1	55.0	–	405.1	269.6
Medium	130.3	11.6	–	141.9	94.1
Lower	30.2	1.8	–	32.0	17.0
Credit impaired	–	–	28.0	28.0	21.1
Gross carrying amount	510.6	68.4	28.0	607.0	401.8
Expected credit loss allowance	(13.7)	(12.7)	(23.5)	(49.9)	(41.5)
Other loss allowance*2	(0.3)	–	–	(0.3)	(0.5)
Carrying amount	496.6	55.7	4.5	556.8	359.8

*1 Credit grade is the internal credit banding given to a customer at origination. This is based on external credit rating information.
*2 Other loss allowance covers losses due to a reduction in current or future vehicle value or costs associated with recovery and sale of vehicles.

The following tables reconcile the opening and closing gross carrying amount and expected credit loss allowance.

2021	Stage 1 12- month ECL £m	Stage 2 Lifetime ECL £m	Stage 3 Lifetime ECL £m	Total £m
Gross carrying amount as at 1 January 2021	343.2	37.5	21.1	401.8
Transfers				
Transfers from stage 1 to stage 2	(42.2)	42.2	–	–
Transfers from stage 1 to stage 3	(4.7)	–	4.7	–
Transfers from stage 2 to stage 1	17.6	(17.6)	–	–
Transfers from stage 2 to stage 3	–	(5.6)	5.6	–
Transfers from stage 3 to stage 1	0.4	–	(0.4)	–
Transfers from stage 3 to stage 2	–	0.3	(0.3)	–
Principal redemption payments	(163.2)	(22.5)	(2.9)	(188.6)
Write-offs	–	–	(2.4)	(2.4)
New financial assets originated or purchased	359.5	34.1	2.6	396.2
Gross carrying amount as at 31 December 2021	510.6	68.4	28.0	607.0

2020	Stage 1 12- month ECL £m	Stage 2 Lifetime ECL £m	Stage 3 Lifetime ECL £m	Total £m
Gross carrying amount as at 1 January 2020	456.2	6.5	16.4	479.1
Transfers				
Transfers from stage 1 to stage 2	(26.5)	26.5	–	–
Transfers from stage 1 to stage 3	(9.5)	–	9.5	–
Transfers from stage 2 to stage 1	0.8	(0.8)	–	–
Transfers from stage 2 to stage 3	–	(2.6)	2.6	–
Transfers from stage 3 to stage 1	–	–	–	–
Transfers from stage 3 to stage 2	–	–	–	–
Principal redemption payments	(180.0)	(1.3)	(1.6)	(182.9)
Write-offs	–	–	(7.7)	(7.7)
New financial assets originated or purchased	102.2	9.2	1.9	113.3
Gross carrying amount as at 31 December 2020	343.2	37.5	21.1	401.8

Notes to the financial statements **continued**

For the year ended 31 December 2021

7. Loans and advances to customers continued

2021	Stage 1 12- month ECL £m	Stage 2 Lifetime ECL £m	Stage 3 Lifetime ECL £m	Total
Expected credit loss allowance as at 1 January 2021	10.9	12.7	17.9	41.5
Movements with a profit and loss impact				
Transfers				
Transfers from stage 1 to stage 2	(1.3)	2.3	–	1.0
Transfers from stage 1 to stage 3	(0.4)	–	0.6	0.2
Transfers from stage 2 to stage 1	3.1	(5.1)	–	(2.0)
Transfers from stage 3 to stage 1	0.1	–	(0.2)	(0.1)
Changes in PDs/LGDs/EADs	(8.8)	(4.8)	5.6	(8.0)
New financial assets originated or purchased	10.1	7.6	2.0	19.7
Total net profit and loss charge in the period	2.8	–	8.0	10.8
Write-offs	–	–	(2.4)	(2.4)
Expected credit loss allowance as at 31 December 2021	13.7	12.7	23.5	49.9
Other movements with no profit and loss impact				
Transfers				
Transfers from stage 2 to stage 3	–	(4.0)	4.0	–
Transfers from stage 3 to stage 2	–	0.1	(0.1)	–

2020	Stage 1 12- month ECL £m	Stage 2 Lifetime ECL £m	Stage 3 Lifetime ECL £m	Total
Expected credit loss allowance as at 1 January 2020	5.6	3.4	14.4	23.4
Movements with a profit and loss impact				
Transfers				
Transfers from stage 1 to stage 2	(0.7)	1.1	–	0.4
Transfers from stage 1 to stage 3	(0.2)	–	0.4	0.2
Transfers from stage 2 to stage 1	0.2	(0.4)	–	(0.2)
Transfers from stage 3 to stage 1	0.1	–	(0.1)	–
Changes in PDs/LGDs/EADs	2.4	5.2	9.3	16.9
New financial assets originated or purchased	3.5	3.4	1.6	8.5
Total net profit and loss charge in the period	5.3	9.3	11.2	25.8
Write-offs	–	–	(7.7)	(7.7)
Expected credit loss allowance as at 31 December 2020	10.9	12.7	17.9	41.5
Other movements with no profit and loss impact				
Transfers				
Transfers from stage 2 to stage 3	–	(2.4)	2.4	–
Transfers from stage 3 to stage 2	–	0.1	(0.1)	–

7c. Finance lease receivables

Loans and advances to customers include the following finance leases. The Group is the lessor for leases of cars.

	31 December 2021 £m	31 December 2020 £m
Gross investment in finance leases, receivable		
Less than 1 year	11.7	8.4
Between 1 to 5 years	33.3	24.9
More than 5 years	–	–
	45.0	33.3
Unearned finance income	(5.2)	(3.3)
Net investment in lease receivables	39.8	30.0
Less impairment allowance	(1.3)	(0.8)
	38.5	29.2
Net investment in finance leases, receivable		
Less than 1 year	9.2	6.7
Between 1 to 5 years	30.6	23.3
More than 5 years	–	–
	39.8	30.0

The net investment in finance leases shown above is net of the unguaranteed residual value of £0.3 million (2020: £0.5 million).

7d. Interest income

	31 December 2021 £m	31 December 2020 £m
From loans and advances to customers	34.0	34.8
From finance leases	2.6	2.0
	36.6	36.8

Interest income receivable is recognised in the income statement using the effective interest method, which calculates the amortised cost of the financial asset and allocates the interest income over the expected product life.

Notes to the financial statements **continued**

For the year ended 31 December 2021

7. Loans and advances to customers continued

7e. Interest expense

	31 December 2021 £m	31 December 2020 £m
Interest payable on loan backed securities	5.5	6.2
Interest payable on other credit facilities	0.6	1.0
Total interest expense*1	6.1	7.2

*1 Interest paid in total during the year was £6.1 million (2020: £5.2 million).

Interest expense represents the interest payable on loan backed securities through SPEs of £650.0 million (2020: £400.0 million) of which £446.5 million was drawn down at 31 December 2021 (2020: £260.7 million), and funding specifically allocated to the Admiral Loans business, in the form of credit facilities of £120.0 million (2020: £120.0 million) of which £20.0 million was drawn down at 31 December 2021 (2020: £20.0 million). Admiral Group also has a further credit facility of £100.0 million (2020: £100.0 million) of which £nil was drawn down at 31 December 2021 (2020: £nil).

8. Other revenue

8a. Accounting policy

(i) Contribution from additional products and fees and other revenue

Revenue is credited to the income statement over the period matching the Group's obligations to provide services. Where the Group has no remaining obligations, the revenue is recognised immediately. An allowance is made for expected cancellations where the customer may be entitled to a refund of amounts charged.

Commission from the provision of insurance intermediary services is credited to revenue on the sale of the underlying insurance policy.

There has been no change in revenue recognition from the comparative period.

(ii) Nature of goods and services

The following is a description of the principal activities within the scope of IFRS 15 from which the Group generates its other revenue.

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms
Fee and commission revenue: Commission on underlying products	The performance obligation is the provision of insurance intermediary services, at which point the performance obligation is met. Revenue is therefore recognised at a point in time. Payment of the commission is due within 30 days of the period close.
Fee and commission revenue: Administration fees	The performance obligation is the change requested being made to the underlying policy, at which point the performance obligation is met. Revenue is therefore recognised at a point in time and is collected immediately or in line with direct debit instalments.
Revenue from law firm	The performance obligation is the pursuit of the compensation from the at fault party's insurer on behalf of the customer. Once the case is settled the performance obligation is fully satisfied. Revenue is therefore recognised over time using the expected value method. This method values revenue by multiplying hours incurred on open cases by a 12-month realisable rate. The realisable rate is a probability weighted transaction price based on settled cases. The expected value method therefore results in revenue recognised being constrained to that where there is a high probability of no significant reversal. Revenue is recognised over time because as the Group has an enforceable right to payment for performance completed to date and the work performed to date has no alternative use to the Group. A contract asset is recognised equal to the work performed up to the balance sheet date but not yet billed. Refer to note 6g for further detail of this balance. Payment is due within 28 days of invoice.
Profit commission from co-insurers	The Group's profit commission revenue falling within the scope of IFRS 15 *Revenue from Contracts with Customers* relates to a contractual arrangement between the Group's insurance intermediary EUI Limited, and an external co-insurer (Great Lakes) which underwrites a share of the UK Car Insurance business generated by EUI Limited. The variable consideration, being the profit commission recognised in respect of each underwriting year at the end of each reporting period, is recognised at a point in time, and calculated based on a number of detailed inputs, the most material of which are as follows: · Premiums, defined as gross premiums ceded including any instalment income, less reinsurance premium (for excess of loss reinsurance). · Insurance expenses incurred. · Claims ratio (more typically referred to as a loss ratio). Whilst the premiums and insurance expenses related to an underwriting year are typically fixed at the conclusion of each underwriting year and are not subject to judgement, the claims ratio is calculated from the underwriting year loss ratios that result from the setting of claims reserves in the financial statements meaning it is subject to inherent uncertainty. As stated in note 5d, Admiral's reserving policy is initially to reserve conservatively, above internal and independent projections of actuarial best estimates. This is designed to create a margin held in reserves to allow for unforeseen adverse development in open claims. Admiral's financial statement loss ratios, used in the calculation of profit commission income, continue to include a significant margin above projected best estimates of ultimate claims costs. It is this margin for uncertainty, included in the financial statement loss ratios, which creates the constraint over the recognition of the variable consideration, as using the booked loss ratio rather than the actuarial best estimate constrains the profit commission income to a level where there is a high probability of no significant reversal of the revenue recognised. The key methods, inputs and assumptions used to estimate the variable consideration of profit commission are therefore in line with those used for the calculation of claims liabilities, as set out in note 3 to the financial statements, with further detail also included in note 5. There are no further critical accounting estimates or judgements in relation to the recognition of profit commission.
Comparison	The performance obligation is the provision of insurance intermediary services, at which point the performance obligation is met. Revenue is therefore recognised at a point in time.

Instalment income on insurance premium paid via instalments is using the effective interest rate, and as such is not within the scope of IFRS 15. Profit commission from reinsurers is within the scope of IFRS 4, and not within the scope of IFRS 15 *Revenue from Contracts with Customers* due to the nature of the income.

Notes to the financial statements **continued**

For the year ended 31 December 2021

8. Other revenue continued

8b. Disaggregation of revenue

In the following tables, other revenue is disaggregated by major products/service lines and timing of revenue recognition. The total revenue disclosed in the table of £678.9 million (2020: £625.3 million) represents total other revenue and profit commission and is disaggregated into the segments included in note 4.

	Year ended 31 December 2021						
	UK Insurance £m	International Insurance £m	Admiral Loans £m	Other £m	Total (continuing) £m	Comparison (discontinued)*2 £m	Total £m
Major products/service line							
Instalment income	101.7	3.7	–	–	105.4	–	105.4
Fee and commission revenue	137.2	28.3	1.0	–	166.5	–	166.5
Revenue from law firm	25.0	–	–	–	25.0	–	25.0
Comparison*1	–	–	–	5.3	5.3	59.6	64.9
Other	12.0	–	–	0.6	12.6	–	12.6
Total other revenue	275.9	32.0	1.0	5.9	314.8	59.6	374.4
Profit commission	301.9	2.6	–	–	304.5	–	304.5
Total other revenue and profit commission	577.8	34.6	1.0	5.9	619.3	59.6	678.9
Timing of revenue recognition							
Point in time	309.6	28.3	1.0	5.9	344.8	59.6	404.4
Over time	27.5	–	–	–	27.5	–	27.5
Revenue outside the scope of IFRS 15	240.7	6.3	–	–	247.0	–	247.0
	577.8	34.6	1.0	5.9	619.3	59.6	678.9

	Year ended 31 December 2020						
	UK Insurance £m	International Insurance £m	Admiral Loans £m	Other £m	Total (continuing) £m	Discontinued (Comparison)*2 £m	Total £m
Major products/service line							
Instalment income	102.4	4.0	–	–	106.4	–	106.4
Fee and commission revenue	155.3	21.8	1.6	–	178.7	–	178.7
Revenue from law firms	26.7	–	–	–	26.7	–	26.7
Comparison*1	–	–	–	5.9	5.9	161.9	167.8
Other	11.1	–	–	0.6	11.7	–	11.7
Total other revenue	295.5	25.8	1.6	6.5	329.4	161.9	491.3
Profit commission	132.4	1.6	–	–	134.0	–	134.0
Total other revenue and profit commission	427.9	27.4	1.6	6.5	463.4	161.9	625.3
Timing of revenue recognition							
Point in time	267.1	21.8	1.6	6.5	297.0	161.9	458.9
Over time	28.4	–	–	–	28.4	–	28.4
Revenue outside the scope of IFRS 15	132.4	5.6	–	–	138.0	–	138.0
	427.9	27.4	1.6	6.5	463.4	161.9	625.3

*1 Comparison revenue excludes £7.8 million (31 December 2020: £22.2 million) of income from other Group companies, including £7.6 million (2020: £22.0 million) from discontinued operations.

*2 See note 13 for further detail on discontinued operations.

9. Expenses

9a. Accounting policies

(i) Acquisition costs and operating expenses

Acquisition costs incurred in obtaining new and renewal business are charged to the income statement over the period in which those premiums are earned. All other operating expenses are charged to the income statement as incurred.

(ii) Employee benefits

As detailed in the Remuneration Committee Report, the key elements of employee remuneration are:

- Base salaries and pension contributions;
- Share-based incentive plans;
- A discretionary bonus, (the 'DFSS Bonus'), rather than an annual cash bonus, that is based on the number of DFSS awards held and actual dividends paid out to shareholders.

Within note 9b, the charges for base salaries and pension contributions (and the related social security costs) are recognised within insurance contract expenses or administration and other marketing costs, based on the role of the employee.

Charges for the share-based incentive plans (and related social security costs) and discretionary bonus are included within share scheme charges. These charges are not shown as part of the result for each reportable segment, or within the expense ratio, due to them being materially comprised of an accounting charge in line with IFRS 2 Share-based payments which does not result in a cash payment to employees but instead results in an issue of new shares (resulting in a dilution of existing shares).

The rules of the share schemes ensure that the actual dilution level does not exceed 10% in any rolling ten-year period.

Base salaries and pension contributions

Base salaries and the related employer social security costs are charged to the income statement in the period that they are incurred.

The Group contributes to defined contribution personal pension plans for its employees. The contributions payable to these schemes are charged in the accounting period to which they relate.

Share-based incentive plans and related social security costs

The Group operates a number of equity and cash settled compensation schemes for its employees, the main ones being:

- a Share Incentive Plan (SIP), which is in place for all UK employees encouraging wide share ownership across employees, and
- the Discretionary Free Share Scheme (DFSS). DFSS shares are typically awarded to managers, and for the majority of employees 50% of the DFSS shares awarded are subject to three performance conditions being Earnings per Share growth, Return on Equity and Total Shareholder Return vs. the FTSE 350 (excluding investment companies) over a three-year period. The other 50% are guaranteed with continued employment.

For both schemes, employees must remain in employment three years after the award date (i.e. at the vesting date), otherwise the shares are forfeited.

The majority of these schemes are classed as equity settled under IFRS 2, due to the employees receiving shares (rather than cash) as consideration for the services provided.

For equity settled schemes, the charge, which reflects the fair value of the employee services received in exchange for the grant of the free shares, is recognised as an expense, with a corresponding increase in equity, as shown in Consolidated statement of changes in equity (2021: £63.1 million; 2020: £53.8 million).

Notes to the financial statements **continued**
For the year ended 31 December 2021

9. Expenses continued

For the cash settled schemes, the expense recognised for the fair value of services received results in a corresponding increase in liabilities.

The key drivers and assumptions used to calculate the charge for the schemes over the three year vesting period are:

- the number of shares awarded, which is set at the start of each scheme. Details of the number of shares awarded for each scheme where shares remain unvested is set out in note 9f(iii).
- the fair value of the shares:
  - For the SIP, the fair value of the shares awarded is the share price at the award date. Awards under the SIP are entitled to receive dividends, and hence no adjustment is made to this fair value.
  - For the DFSS equity settled awards, awards are not eligible for dividends, although a discretionary bonus is currently paid equivalent to the dividend that would have been paid on the shareholding, hence the fair value of the shares is revised downwards to take account of these expected dividends.
  - For the DFSS cash settled awards, the fair value is based on the share price at the vesting date. The closing share price at the end of each reporting period is used as an approximation for the closing price at the end of the vesting period.
- staff attrition rates, which impact the ultimate number of shares that vest.
- in the case of the DFSS, the vesting rates based on the performance conditions, which also impact the ultimate number of shares that vest.

The number of shares that have ultimately vested compared to those originally awarded is set out in note 9f(iv).

At each balance sheet date, the Group revises its assumptions on the number of shares which will ultimately vest based on the latest forecast information for attrition rates and, for the DFSS, the extent to which the performance conditions are met.

The financial impact as a result of any change in the assumptions is recognised through the income statement. Any significant changes in assumptions may therefore result in an increased/decreased charge in an accounting period as a result of this true-up of the expected cumulative charge required.

Social security costs on share-based incentive plans

Social security costs are incurred by the Group in respect of the share-based incentive plans, with the expense recognised over the vesting period for each share scheme. For the SIP, these costs are paid when the employees sell the shares after vesting (typically 3–5 years after the grant date). For the DFSS, the costs are paid immediately upon vesting.

The total social security costs are calculated based on the following:

- The taxable value of the shares, being:
  - For the SIP, the lower of the share price at award date and the share price at the balance sheet date.
  - For the DFSS, the share price at the balance sheet date.
- the number of shares expected to vest for each scheme, driven by the number of shares awarded, attrition rates and, for the DFSS, the vesting rate based on performance conditions.
- the appropriate social security rate.

These assumptions are updated at the end of each reporting period. The financial impact as a result of any change in the assumptions is recognised through the income statement. Any significant changes in assumptions may therefore result in an increased/decreased charge in an accounting period as a result of this true-up of the expected cumulative charge required.

Discretionary bonus on shares allocated but unvested

The cost of the DFSS bonus is recognised and paid in each period equivalent to the dividends on shares allocated to employees that are still entitled to vest but have not yet vested. The cost shown also includes the social security costs on the discretionary bonus. No accrual is made for future discretionary bonus payments due to there being no contractual obligation for such a bonus at the balance sheet date.

9b. Operating expenses and share scheme charges

Continuing operations	31 December 2021 Gross £m	Recoverable from co- and reinsurers £m	Net £m
Acquisition of insurance contracts*1	179.5	(113.0)	66.5
Administration and other marketing costs (insurance contracts)	540.0	(343.8)	196.2
Insurance contract expenses	719.5	(456.8)	262.7
Administration and other marketing costs (other)	151.5	–	151.5
Share scheme charges	99.1	(34.3)	64.8
Movement in expected credit loss provision	13.3	–	13.3
Total expenses and share scheme charges – continuing operations	983.4	(491.1)	492.3

Continuing operations	31 December 2020 Gross £m	Recoverable from co- and reinsurers £m	Net £m
Acquisition of insurance contracts*1	166.2	(106.8)	59.4
Administration and other marketing costs (insurance contracts)	437.4	(321.0)	116.4
Insurance contract expenses	603.6	(427.8)	175.8
Administration and other marketing costs (other)	131.3	–	131.3
Share scheme charges	79.7	(28.8)	50.9
Movement in expected credit loss provision	33.6	–	33.6
Total expenses and share scheme charges – continuing operations	848.2	(456.6)	391.6

*1 Acquisition of insurance contracts expense excludes £0.3 million (2020: £0.2 million) of aggregator fees from other Group companies.

The £196.2 million (2020: £116.4 million) administration and marketing costs allocated to insurance contracts is principally made up of salary costs.

Analysis of other administration and other marketing costs:

Continuing operations	31 December 2021 £m	31 December 2020 £m
Expenses relating to additional products and fees	91.9	80.6
Loans expenses (excluding movement on ECL provision)	23.7	16.8
Other expenses	35.9	33.9
Total – continuing operations	151.5	131.3

Refer to note 14 for a reconciliation between insurance contract expenses and the reported expense ratio.

Notes to the financial statements **continued**

For the year ended 31 December 2021

9. Expenses continued

9c. Employee costs and other expenses

Continuing operations	31 December 2021 Total £m	31 December 2021 Net £m	31 December 2020 Total £m	31 December 2020 Net £m
Salaries	338.2	111.9	298.8	100.1
Social security charges	35.4	12.8	32.6	11.6
Pension costs	17.7	6.0	16.2	5.4
Share scheme charges (see note 9f)	99.1	64.8	79.7	50.6
Total employee expenses	490.4	195.5	427.3	167.7
Depreciation charge:				
– Owned assets	13.4	3.4	12.0	3.0
– ROU assets	10.2	2.7	10.0	2.9
Amortisation charge:				
– Software	19.3	5.6	19.1	5.6
– Deferred acquisition costs	180.6	68.0	166.4	59.0
Auditor's remuneration (including VAT) (total Group):				
– Fees payable for the audit of the Company's annual accounts	0.1	0.1	0.1	0.1
– Fees payable for the audit of the Company's subsidiary accounts	1.5	0.6	1.2	0.6
– Fees payable for audit related assurance services pursuant to legislation or regulation	0.8	0.5	0.5	–

£34,800 (inclusive of VAT) (2020: £8,880) was payable to the auditor for other services in the year.

Total and net expenses are before and after co- and reinsurance arrangements respectively.

Refer to the Corporate Governance Report for details of the Audit Committee's policy on fees paid to the Company's auditor for non-audit services. Audit fees are 64% (2020: 70%) of total fees and 36% (2020: 30%) of total fees are for non-audit services, which are classed as audit related assurance services under the FRC rules on non-audit services.

The amortisation of software and deferred acquisition cost assets is charged to expenses in the income statement.

9d. Employee numbers (including Directors)

	Average for the year 2021 Number	Average for the year 2020 Number
Direct customer contact employees	7,271	7,278
Support employees	3,454	3,559
Total	10,725	10,837

Total average employees in 2021 relating to comparison entities disposed of during the year were 222 (2020: 643).

9e. Directors' remuneration

(i) Directors' remuneration

	31 December 2021 £m	31 December 2020 £m
Directors' emoluments	1.1	2.1
Amounts receivable under SIP and DFSS share schemes	3.0	2.7
Company contributions to money purchase pension plans	–	–
Total	4.1	4.8

(ii) Number of Directors

	2021 Number	2020 Number
Retirement benefits are accruing to the following number of Directors under:		
– Money purchase schemes	2	3

9f. Employee share schemes

Total share scheme costs for the Group excluding discontinued operations are analysed below:

	31 December 2021					
	SIP charge (i)		DFSS charge (ii)		Total charge	
	Gross £m	Net £m	Gross £m	Net £m	Gross £m	Net £m
IFRS 2 charge for equity settled share schemes	19.9	13.7	41.3	27.0	61.2	40.7
IFRS 2 charge for cash settled share schemes	–	–	5.0	2.9	5.0	2.9
Total IFRS 2 charge	19.9	13.7	46.3	29.9	66.2	43.6
Social security costs on IFRS 2 charge	0.8	0.5	9.0	6.4	9.8	6.9
Discretionary bonus on shares allocated but unvested	–	–	23.1	14.3	23.1	14.3
Total share scheme charges – continuing operations	20.7	14.2	78.4	50.6	99.1	64.8

	Re-presented 31 December 2020					
	SIP charge (i)		DFSS charge (ii)		Total charge	
	Gross £m	Net £m	Gross £m	Net £m	Gross £m	Net £m
IFRS 2 charge for equity settled share schemes	17.3	11.6	34.3	21.8	51.6	33.4
IFRS 2 charge for cash settled share schemes	–	–	3.9	2.2	3.9	2.2
Total IFRS 2 charge	17.3	11.6	38.2	24.0	55.5	35.6
Social security costs on IFRS 2 charge	1.7	1.1	8.4	5.7	10.1	6.8
Discretionary bonus on shares allocated but unvested	–	–	14.1	8.5	14.1	8.5
Total share scheme charges – continuing operations	19.0	12.7	60.7	38.2	79.7	50.9

Total share scheme costs for discontinued operations were £0.4 million (2020: £3.1 million). The total IFRS 2 charge for equity settled share schemes for discontinued operations were £0.5 million (2020: £2.6 million).

Notes to the financial statements **continued**

For the year ended 31 December 2021

9. Expenses continued

Net share scheme charges are presented after allocations to co-insurers (in the UK and Italy) and reinsurers (in the International Insurance businesses). The proportion of net to gross share scheme charges would be expected to be consistent in each period, at approximately 65%.

	Financial year ended 31 December				
Analysis of gross cost	**2018 and prior £m**	**2019 £m**	**2020 £m**	**2021 £m**	**Total cumulative charge to date £m**
Year of share scheme – SIP					
2017	8.6	5.3	2.3	–	16.2
2018	3.4	5.9	5.9	2.4	17.6
2019*1	–	3.4	6.0	6.4	15.8
2020*1	–	–	3.1	6.7	9.8
2021*1	–	–	–	4.4	4.4
Gross IFRS 2 costs – SIP			17.3	19.9	
Year of share scheme – DFSS					
2017	12.0	13.5	6.0	–	31.5
2018	3.6	14.9	16.6	12.6	47.7
2019*2	–	3.4	10.9	15.8	30.1
2020*2	–	–	4.7	13.0	17.7
2021*2	–	–	–	4.9	4.9
Gross IFRS 2 costs – DFSS			38.2	46.3	
Total IFRS 2 costs – continuing operations			55.5	66.2	

*1 Awards are made in March and September of each year, and vest over 36 months from award date. On the 2019 scheme, an average of 5 months' charge remains outstanding, on the 2020 scheme an average of 17 months' charge remains outstanding, and on the 2021 schemes an average of 29 months' charge remains outstanding.

*2 The main award is made in September of each year, with smaller awards made at other points through the year. The shares vest over 36 months from award date. On the 2019 main DFSS, 9 months' charge remains outstanding, on the 2020 main DFSS 21 months' charge remains outstanding, and on the 2021 main DFSS, 33 months' charge remains outstanding.

(i) The Approved Share Incentive Plan (the SIP)

Eligible UK based employees qualify for awards under the SIP based upon the performance of the Group in each half-year period. The maximum award for each year is £3,600 per employee and the maximum number of shares that can vest relating to the 2021 schemes is 688,384 (2020 schemes: 982,643; 2019 schemes: 1,113,496).

The awards are made at the discretion of the Remuneration Committee, taking into account the Group's performance.

(ii) The Discretionary Free Share Scheme (the DFSS)

Under the DFSS, details of which are contained in the remuneration policy section of the Directors' Remuneration Report, individuals receive an award of free shares at no charge.

The maximum number of shares that can vest relating to the 2021 schemes is 2,850,114 (2020 scheme: 2,795,261; 2019 schemes: 2,637,196).

The vesting percentage for most employees for the 2018 DFSS scheme which vested during 2021 was 99.3% (2017 DFSS scheme: 94.4%).

(iii) Number of free share awards committed at 31 December 2021

	Awards outstanding*1
SIP 2019*2	1,113,496
SIP 2020*2	982,643
SIP 2021*2	688,384
DFSS 2019*3	2,637,196
DFSS 2020*3	2,795,261
DFSS 2021*3	2,850,114
Total awards committed	11,067,094

*1 Being the maximum number of awards committed before accounting for expected staff attrition and vesting conditions.
*2 Shares are awarded in March and September of each year, and vest three years later.
*3 The main award is made in September of each year, with smaller awards made at other points through the year.

(iv) Number of free share awards vesting during the year ended 31 December 2021

During the year ended 31 December 2021, awards under the SIP H1 18 and H2 18 schemes and the DFSS 2018 schemes vested. The total number of awards vesting for each scheme is as follows.

	Original awards	Awards vested
SIP 2018 schemes	1,192,302	969,209
DFSS 2018 schemes	3,373,948	2,915,009

The difference between the original and vested awards reflects employee attrition (SIP schemes) and both employee attrition and the vesting outcomes based on performance conditions noted above (DFSS schemes).

The weighted average fair value of the shares granted in the year was £31.16 (2020: £23.13).

The weighted average market share price at the date of exercise for shares exercised during the year was £31.92 (2020: £25.60).

10. Taxation

10a. Accounting policy

Income tax on the profit or loss for the periods presented comprise of current and deferred tax.

(i) Current tax

Current tax is the expected tax payable on the taxable income for the period, using tax rates that have been enacted or substantively enacted by the balance sheet date, and includes any adjustment to tax payable in respect of previous periods.

Current tax related to items recognised in other comprehensive income is also recognised in other comprehensive income and not in the income statement.

(ii) Deferred tax

Deferred tax is provided in full using the balance sheet liability method, providing for temporary differences arising between the carrying amount of assets and liabilities for accounting purposes and the amounts used for taxation purposes.

Deferred tax is calculated at the tax rates that have been enacted or substantially enacted by the balance sheet date and that are expected to apply in the period when the liability is settled, or the asset is realised.

The principal temporary differences arise from carried forward losses, depreciation of property and equipment and share scheme charges. The resulting deferred tax is charged or credited in the income statement, except in relation to share scheme charges where the amount of tax benefit credited to the income statement is limited to an equivalent credit calculated on the accounting charge. Any excess is recognised directly in equity.

Notes to the financial statements **continued**

For the year ended 31 December 2021

10. Taxation continued

Deferred tax assets relating to carried forward losses are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. The probability of the availability of future taxable profits is determined by a combination of the classification of the status of the businesses holding cumulative tax losses and the business plan profit projections for that business, subject to appropriate stress testing.

10b. Taxation

Continuing operations	31 December 2021 £m	31 December 2020 £m
Current tax		
Corporation tax on profits for the year	129.2	101.6
Under-provision relating to prior periods	4.2	0.6
Current tax charge	133.4	102.2
Deferred tax		
Current period deferred taxation movement	(1.5)	4.0
(Over) provision relating to prior periods	(1.7)	–
Total tax charge per consolidated income statement	130.2	106.2

Factors affecting the total tax charge are:

Continuing operations	31 December 2021 £m	31 December 2020 £m
Profit before tax	713.5	608.2
Corporation tax thereon at effective UK corporation tax rate of 19.0% (2020: 19.0%)	135.6	115.5
Expenses and provisions not deductible for tax purposes	2.2	0.7
Non-taxable income	(8.3)	(10.5)
Impact of change in UK tax rate on deferred tax balances	(3.6)	0.4
Adjustments relating to prior periods	2.5	0.6
Impact of different overseas tax rates	(1.4)	(1.6)
Unrecognised deferred tax	3.2	1.1
Total tax charge for the period as above	130.2	106.2

The corporation tax recoverable for continuing operations as at 31 December 2021 was £10.6 million (2020: £22.9 million recoverable). See note 13 for details of the corporation tax charge on discontinued operations.

In 2021, over 130 countries reached a historic agreement to reform the international tax framework. The main aim of the agreement was to ensure that large, multinational corporations pay their fair share of tax in the countries in which they operate and this included the introduction of a new global minimum corporate income tax rate of 15%. In January 2022, the UK reiterated its intention to implement new legislation to give effect to this new framework, with these changes expected to come into force in 2023. The new rules are not expected to have a material impact on the Group.

10c. Deferred income tax asset/(liability)

Analysis of deferred tax asset/(liability)

	Tax treatment of share schemes £m	Capital allowances £m	Carried forward losses £m	Fair value reserve £m	Other differences £m	Total £m
Balance brought forward at 1 January 2020	5.9	(2.1)	–	(5.4)	1.2	(0.4)
Tax treatment of share scheme charges through income or expense	(3.2)	–	–	–	–	(3.2)
Tax treatment of share scheme charges through reserves	6.6	–	–	–	–	6.6
Capital allowances	–	0.7	–	–	–	0.7
Carried forward losses	–	–	2.9	–	–	2.9
Transferred to disposal group held for sale	(0.5)	(0.3)	(2.9)	–	(0.5)	(4.2)
Movement in fair value reserve	–	–	–	(1.8)	–	(1.8)
Other difference	–	–	–	–	(1.5)	(1.5)
Balance carried forward at 31 December 2020	8.8	(1.7)	–	(7.2)	(0.8)	(0.9)
Tax treatment of share scheme charges through income or expense	(6.3)	–	–	–	–	(6.3)
Tax treatment of share scheme charges through reserves	6.0	–	–	–	–	6.0
Capital allowances	–	9.5	–	–	–	9.5
Carried forward losses	–	–	–	–	–	–
Movement in fair value reserve	–	–	–	1.4	–	1.4
Other difference	–	–	–	–	(0.4)	(0.4)
Balance carried forward at 31 December 2021	8.5	7.8	–	(5.8)	(1.2)	9.3

Positive amounts presented above relate to a deferred tax asset position.

The average effective rate of tax for 2021 is 19.0% (2020: 19.0%). An increase to the main rate of corporation tax in the UK to 25% was announced in the 2021 Budget and is expected to come into effect in 2023. This will increase the Group's future tax charge accordingly.

The deferred tax asset has increased during the year, mainly relating to capital allowances. The increase in capital allowances is due to the impairments recognised on property and equipment and intangible assets as part of the restructure costs referenced in the financial narrative earlier in this report. It is anticipated that these timing differences will reverse when the tax rate is increased to 25% which ultimately contributes to an increase in the deferred tax asset.

The deferred tax asset in relation to carried forward losses (for continuing operations) remains at £nil at the year-end (2020: £nil) due to uncertainty over the availability of future taxable profits against which to offset or utilise any deferred tax asset.

At 31 December 2021, the Group had unused tax losses amounting to £261.8 million (2020: £236.8 million), relating primarily to the Group's US businesses Elephant Auto and compare.com, for which no deferred tax asset has been recognised. The earliest expiry date for any of these tax losses is 2029. The total aggregated unrecognised deferred tax liabilities on temporary differences associated with subsidiaries is £nil (2020: £nil).

Notes to the financial statements **continued**

For the year ended 31 December 2021

11. Other assets and other liabilities

11a. Accounting policy

(i) Property and equipment, and depreciation

All property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method to write off the cost less residual values of the assets over their useful economic lives. These useful economic lives are as follows:

Improvements to short leasehold buildings	– four to ten years
Computer equipment	– two to four years
Office equipment	– four years
Furniture and fittings	– four years
Motor vehicles	– four years
Right-of-use assets	– two to twenty years, aligned to lease agreement

As set out further in note 6i to the financial statements, a right-of-use asset is established in relation the Group's lease arrangements.

The right-of-use asset is measured at cost, which comprises the following:

- the amount of the initial measurement of lease liability (note 6i to the financial statements);
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

The right-of-use asset is subsequently depreciated over the shorter of the lease term and the asset's useful life on a straight-line basis.

The Group does not have any significant leases which qualify for the short-term leases or leases of low-value assets exemption.

(ii) Impairment of property and equipment

In the case of property and equipment, carrying values are reviewed at each balance sheet date to determine whether there are any indicators of impairment. If any such indicators exist, the asset's recoverable amount is estimated and compared to the carrying value. The carrying value is the higher of the fair value of the asset less costs to sell and the asset's value in use. Impairment losses are recognised through the income statement.

(iii) Intangible assets

Goodwill

All business combinations are accounted for using the acquisition method. Goodwill has been recognised in acquisitions of subsidiaries and represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

The classification and accounting treatment of acquisitions occurring before 1 January 2004 have not been reconsidered in preparing the Group's opening IFRS balance sheet at 1 January 2004 due to the exemption available in IFRS 1 (First time adoption). In respect of acquisitions prior to 1 January 2004, goodwill is included at the transition date on the basis of its deemed cost, which represents the amount recorded under UK GAAP, which was tested for impairment at the transition date. On transition, amortisation of goodwill has ceased as required by IAS 38.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units (CGUs) according to business segment and is reviewed annually for impairment.

The goodwill held on the balance sheet at 31 December 2021 and 2020 is allocated solely to the UK Insurance segment.

Impairment of goodwill

The annual impairment review involves comparing the carrying amount to the estimated recoverable amount (by allocating the goodwill to CGUs) and recognising an impairment loss if the recoverable amount is lower. Impairment losses are recognised through the income statement and are not subsequently reversed.

The recoverable amount is the greater of the fair value of the asset less costs to sell and the value in use of the CGU.

The value in use calculations use cash flow projections based on financial budgets approved by management covering a period of up to three years. Cash flows beyond this period are considered, but not included in the calculation.

The key assumptions used in the value in use calculations are those regarding revenue growth, along with expected changes in pricing and expenses incurred during the forecast period. Management estimates revenue growth rates and changes in pricing based on past practices and expected future changes in the market.

The headroom above the goodwill carrying value is very significant, and there is no foreseeable event that would eliminate this margin.

Deferred acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance contracts. Deferred acquisition costs represent the proportion of acquisition costs incurred that correspond to the unearned premiums provision at the balance sheet date. This balance is held as an intangible asset. It is amortised over the term of the contract as premium is earned.

Software

Purchased software is recognised as an intangible asset and amortised over its expected useful life (generally the licence term). Internally generated software is recognised as an intangible asset, with directly attributable costs incurred in the development stage capitalised. The internally generated software assets are amortised over the expected useful life of the systems and amortisation commences when the software is available for use.

The carrying value of software is reviewed every six months for evidence of impairment, with the value being written down if any impairment exists. Impairment may be reversed if conditions subsequently improve.

(iv) Provisions, contingent liabilities and contingent assets

Provisions are recognised when a legal or constructive obligation arises as a result of an event that occurred before the balance sheet date, when a cash outflow relating to this obligation is probable and when the amount can be estimated reliably.

Where a material obligation exists, but the likelihood of a cash outflow or the amount is uncertain, or where there is a possible obligation arising from a past event that is contingent on a future event, a contingent liability is disclosed.

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of future events. Where it is probable that a cash inflow will arise from a contingent asset, this is disclosed.

Notes to the financial statements **continued**

For the year ended 31 December 2021

11. Other assets and other liabilities continued

11b. Property and equipment

	Improvements to short leasehold buildings £m	Computer equipment £m	Office equipment £m	Furniture and fittings £m	ROU Asset – Leasehold buildings £m	Total £m
Cost						
At 1 January 2020	33.4	71.4	22.4	10.6	134.4	272.2
Transfer of assets associated with disposal group held for sale	(1.2)	(6.2)	(0.9)	(0.2)	(5.5)	(14.0)
Additions	3.1	14.1	0.8	0.2	0.1	18.3
Impairment	–	–	–	–	(3.1)	(3.1)
Disposals	–	(0.6)	–	(0.3)	(1.8)	(2.7)
Foreign exchange and other movements	0.7	(0.1)	0.3	(0.1)	0.1	0.9
At 31 December 2020	36.0	78.6	22.6	10.2	124.2	271.6
Depreciation						
At 1 January 2020	19.8	58.7	18.4	9.1	11.8	117.8
Transfer of depreciation associated with disposal group held for sale	(0.6)	(5.2)	(0.5)	(0.2)	(1.6)	(8.1)
Charge for the year	3.7	6.8	1.8	0.5	10.8	23.6
Disposals	–	(0.7)	–	(0.2)	(1.5)	(2.4)
Foreign exchange and other movements*1	0.1	–	0.3	(0.1)	–	0.3
At 31 December 2020	23.0	59.6	20.0	9.1	19.5	131.2
Net book amount						
At 1 January 2020	13.6	12.7	4.0	1.5	122.6	154.4
Net book amount						
At 31 December 2020	13.0	19.0	2.6	1.1	104.7	140.4
Cost						
At 1 January 2021	36.0	78.6	22.6	10.2	124.2	271.6
Additions	1.9	7.6	0.4	0.7	5.6	16.2
Impairment	(0.2)	–	(0.7)	(0.6)	(17.8)	(19.3)
Disposals	(0.3)	(17.1)	(0.1)	(0.3)	(8.2)	(26.0)
Foreign exchange and other movements	(0.4)	(0.2)	(0.3)	(0.1)	(0.5)	(1.5)
At 31 December 2021	37.0	68.9	21.9	9.9	103.3	241.0
Depreciation						
At 1 January 2021	23.0	59.6	20.0	9.1	19.5	131.2
Charge for the year	3.9	8.2	0.9	0.4	10.2	23.6
Impairment	(0.2)	–	(0.7)	(0.6)	–	(1.5)
Disposals	(0.2)	(10.4)	(0.1)	(0.3)	(3.8)	(14.8)
Foreign exchange and other movements	(0.2)	(0.1)	(0.2)	(0.1)	(0.1)	(0.7)
At 31 December 2021	26.3	57.3	19.9	8.5	25.8	137.8
Net book amount						
At 31 December 2021	10.7	11.6	2.0	1.4	77.5	103.2

*1 Within foreign exchange and other movements for the ROU asset, £0.6 million relates to remeasurements of the ROU asset due to amendments to the payment terms of the leasing arrangement.

Impairment recognised in property and equipment in the period reflects the decision to exit lease agreements in the UK in 2022 and 2023. The impaired right-of-use assets are now held at a recoverable amount determined based upon a value in use calculation.

11c. Intangible assets

Re-presented	Goodwill £m	Deferred acquisition costs £m	Software – Internally generated*1 £m	Software – Other*2 £m	Total £m
At 1 January 2020	62.3	24.8	69.5	3.7	160.3
Additions	–	61.3	19.8	5.0	86.1
Amortisation charge	–	(59.0)	(17.3)	(1.9)	(78.2)
Disposals	–	–	–	(1.2)	(1.2)
Transfer of assets associated with disposal group held for sale	–	–	(0.6)	(0.6)	(1.2)
Foreign exchange movement	–	0.2	1.2	(0.5)	0.9
At 31 December 2020	62.3	27.3	72.6	4.5	166.7
Additions	–	69.4	36.8	21.8	128.0
Amortisation charge	–	(68.0)	(18.1)	(1.2)	(87.3)
Disposals	–	–	–	–	–
Impairment	–	–	(25.4)	–	(25.4)
Transfer of assets associated with disposal group held for sale	–	–	–	–	–
Foreign exchange movement	–	(0.5)	(1.5)	(0.1)	(2.1)
At 31 December 2021	62.3	28.2	64.4	25.0	179.9

*1 Gross carrying amount and accumulated amortisation of internally generated software as at the end of 2021 are £119.7 million (2020: £149.7 million) and £55.3 million respectively (2020: £77.1 million).

*2 Gross carrying amount and accumulated amortisation of other software as at the end of 2021 are £55.9 million (2020: £35.1 million) and £30.9 million respectively (2020: £30.6 million).

Impairment recognised in internally generated software relates to impairment of technology assets which are to be replaced as a result of the continued investment in technology and digital capabilities outlined as part of the Admiral 2.0 strategy. The impaired assets are now held at recoverable amounts determined by value in use calculations.

Goodwill relates to the acquisition of Group subsidiary EUI Limited (formerly Admiral Insurance Services Limited) in November 1999. As described in the accounting policies, the amortisation of this asset ceased on transition to IFRS on 1 January 2004. All annual impairment reviews since the transition date have indicated that the estimated recoverable value of the asset is greater than the carrying amount and therefore no impairment losses have been recognised.

Only one year of forecasts is required to support the recoverable value of goodwill above. Given the short time period used to support the recoverable amount, no terminal growth rate or discounting is applied.

Refer to the accounting policy for goodwill for further information.

Notes to the financial statements **continued**

For the year ended 31 December 2021

11. Other assets and other liabilities continued

An analysis of deferred acquisition costs is given in the table below:

	Gross £m	Reinsurance £m	Net £m
At 1 January 2020	74.6	(49.8)	24.8
Additions	168.4	(107.1)	61.3
Amortisation	(166.4)	107.4	(59.0)
Foreign exchange movement	1.0	(0.8)	0.2
At 31 December 2020	77.6	(50.3)	27.3
Additions	181.4	(112.0)	69.4
Amortisation	(180.6)	112.6	(68.0)
Foreign exchange movement	(1.5)	1.0	(0.5)
At 31 December 2021	76.9	(48.7)	28.2

11d. Trade and other payables

	31 December 2021 £m	31 December 2020 £m
Trade payables	39.8	34.9
Amounts owed to co-insurers	161.9	240.9
Amounts owed to reinsurers	1,274.9	1,262.8
Other taxation and social security liabilities	71.7	72.9
Other payables	112.4	135.6
Accruals and deferred income (see below)	299.3	244.1
Total trade and other payables	1,960.0	1,991.2

Of amounts owed to reinsurers (recognised under IFRS 4), £1,169.8 million (2020: £1,175.1 million) is held under funds withheld arrangements.

Analysis of accruals and deferred income:

	31 December 2021 £m	31 December 2020 £m
Premium received in advance of policy inception	117.4	98.3
Accrued expenses	117.5	77.2
Deferred income	64.4	68.6
Total accruals and deferred income as above	299.3	244.1

11e. Leases

The Group occupies various properties under leasing arrangements that are now recognised as right of use assets and lease liabilities. A maturity analysis of lease liabilities based on contractual undiscounted cash flows is set out below:

	31 December 2021 £m	31 December 2020 £m
Maturity analysis – contractual undiscounted cash flows		
Within one year	12.9	13.8
Between two to five years	41.8	42.4
Between five to ten years	32.7	39.1
Over ten years	35.4	50.0
Total	122.8	145.3

Amounts recognised in the statement of financial position are as follows:

	31 December 2021 £m	31 December 2020 £m
Lease liabilities		
Current	10.5	11.0
Non-Current	94.8	111.8
Total	105.3	122.8

See note 11b for right of use assets depreciation and the carrying amount of right of use asset at the end of the reporting period. Only one class of underlying assets is identified as leasehold buildings. Total cash outflows in relation to leases is disclosed under 6i.

The Group has no significant financial commitments other than those accounted for as right of use assets and lease liabilities under IFRS 16.

11f. Contingent liabilities

The Group's legal entities operate in numerous tax jurisdictions and on a regular basis are subject to review and enquiry by the relevant tax authority.

One of the Group's previously owned subsidiaries was subject to a Spanish Tax Audit which concluded with the Tax Authority denying the application of the VAT exemption relating to insurance intermediary services. The Company has appealed this decision via the Spanish Courts and is confident in defending its position which is, in its view, in line with the EU Directive and is also consistent with the way similar supplies are treated throughout Europe. Whilst the Company is no longer part of the Admiral Group, the contingent liability which the Company is exposed to has been indemnified by the Admiral Group up to a cap of £22 million.

The Group is also in discussions with tax authorities in Italy and Spain on various corporate tax matters. To date these discussions have focused primarily on the transfer pricing and cross-border arrangements in place between the Group's intermediaries and insurers.

No provision has been made in these financial statements in relation to the matters noted above.

The Group is, from time to time, subject to threatened or actual litigation and/or legal and/or regulatory disputes, investigations or similar actions both in the UK and overseas. All potentially material matters are assessed, with the assistance of external advisers if appropriate, and in cases where it is concluded that it is more likely than not that a payment will be made, a provision is established to reflect the best estimate of the liability. In some cases it will not be possible to form a view, for example if the facts are unclear or because further time is needed to properly assess the merits of the case. No provisions are held in relation to such matters. In these circumstances, specific disclosure of a contingent liability will be made where material.

The Directors do not consider that the final outcome of any such current case will have a material adverse effect on the Group's financial position, operations or cash flows, and no material provisions are currently held in relation to such matters.

A number of the Group's contractual arrangements with reinsurers include features that, in certain scenarios, allow for reinsurers to recover losses incurred to date. The overall impact of such scenarios would not lead to an overall net economic outflow from the Group.

Notes to the financial statements **continued**

For the year ended 31 December 2021

12. Share capital

The Group's capital includes share capital and the share premium account, other reserves which are comprised of the fair value reserve, hedging reserve and foreign exchange reserve, and retained earnings.

12a. Accounting policies

(i) Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

(ii) Dividends

Dividends are recorded in the period in which they are declared and paid.

(iii) Earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to equity holders of the Group parent company, Admiral Group plc by the weighted average number of ordinary shares during the period.

Diluted earnings per share is calculated by dividing profit or loss attributable to equity holders of the Group parent company by the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

12b. Dividends

Dividends were proposed, approved and paid as follows:

	31 December 2021 £m	31 December 2020 £m
Proposed March 2020 (77.0 pence per share, 56.3 pence per share approved April 2020 and paid June 2020)	–	162.3
Declared August 2020 (91.2 pence per share, including 20.7 pence per share deferred, paid October 2020)	–	263.4
Proposed March 2021 (86.0 pence per share, approved April 2021 and paid June 2021)	250.8	–
Declared August 2021 (161.0 pence per share, paid October 2021)	470.1	–
Total dividends	720.9	425.7

The dividends proposed in March (approved in April) represent the final dividends paid in respect of the 2019 and 2020 financial years. The dividends declared in August are interim distributions in respect of 2020 and 2021.

A 2021 final dividend of 118.0 pence per share (approximately £347 million) has been proposed, made up of 72.0 pence per share relating to continuing operations and 46.0 pence per share as the second special dividend relating to the disposal of the Penguin Portal comparison businesses. Refer to the Chair's Statement and financial narrative for further detail.

12c. Earnings per share

	31 December 2021 £m	31 December 2020 £m
Profit for the financial year after taxation attributable to equity shareholders – continuing operations	585.0	502.9
Profit for the financial year after taxation attributable to equity shareholders – discontinued operations	412.9	25.9
Profit for the financial year after taxation attributable to equity shareholders – continuing and discontinued operations	997.9	528.8
Weighted average number of shares – basic	297,480,041	294,563,978
Unadjusted earnings per share – basic – continuing operations	196.7p	170.7p
Unadjusted earnings per share – basic – discontinued operations	138.8p	8.8p
Unadjusted earnings per share – basic – continuing and discontinued operations	335.5p	179.5p
Weighted average number of shares – diluted	298,351,248	295,034,233
Unadjusted earnings per share – diluted – continuing operations	196.1p	170.4p
Unadjusted earnings per share – diluted – discontinued operations	138.4p	8.8p
Unadjusted earnings per share – diluted – continuing and discontinued operations	334.5p	179.2p

The difference between the basic and diluted number of shares at the end of 2021 (being 871,207 2020: 470,255) relates to awards committed, but not yet issued under the Group's share schemes. Refer to note 9 for further detail.

12d. Share capital

	31 December 2021 £m	31 December 2020 £m
Authorised		
500,000,000 ordinary shares of 0.1 pence	0.5	0.5
Issued, called up and fully paid		
299,554,720 ordinary shares of 0.1 pence	0.3	–
296,692,063 ordinary shares of 0.1 pence	–	0.3
	0.3	0.3

During 2021, 2,862,657 (2020: 3,005,734) new ordinary shares of 0.1 pence were issued to the trusts administering the Group's share schemes.

632,657 (2020: 755,734) of these were issued to the Admiral Group Share Incentive Plan Trust for the purposes of this share scheme resulting in cumulative shares issued to the Trust at 31 December 2021 of 13,017,372 (31 December 2020: 12,384,715). Of the shares issued, 4,078,496 remain in the Trust at 31 December 2021 (2020: 4,331,860). These shares are entitled to receive dividends.

2,230,000 (2020: 2,250,000) shares were issued to the Admiral Group Employee Benefit Trust for the purposes of the Discretionary Free Share Scheme resulting in cumulative shares issued to the Trust of 27,941,948 (31 December 2020: 25,711,948). Of the shares issued 4,767,112 remain in the Trust at 31 December 2021 (2020: 5,447,441) to be used for future vesting, the remaining issued shares having vested.

The balance of awards made to employees under the Discretionary Free Share Scheme that have not either vested or lapsed is 7,981,132 (2020: 8,277,428).

The Trustees have waived the right to dividend payments, other than to the extent of 0.001 pence per share, unless and to the extent otherwise directed by the Company from time to time.

There is one class of share with no unusual restrictions.

Notes to the financial statements **continued**

For the year ended 31 December 2021

12. Share capital continued

12e. Objectives, policies and procedures for managing capital

The Group's capital management policy defines the Board oversight, risk appetite and tier structure of the Group's capital in addition to management actions that may be taken in respect of capital, such as dividend payments.

The Group aims to operate a capital-efficient business model by transferring a significant proportion of underwriting risk to co-insurance and reinsurance partners. This in turn reduces the amount of capital the Group needs to retain to operate and grow and allows the Group to distribute the majority of its earnings as dividends.

The Board has determined that it will hold capital as follows:

- Sufficient Solvency II Own Funds to meet all of the Group's Solvency II capital requirements (over a 1 year and ultimate time horizon).
- An additional contingency to cover unforeseen events and losses that could realistically arise. This risk appetite buffer is assessed via stress testing performed on an annual basis and is calibrated in relation to the one-year regulatory SCR.

The Group's current risk appetite buffer is 30% above the regulatory SCR. This forms the lower bound of the longer-term solvency target operating range of 130% to 150%.

The Group's dividend policy is to:

- Pay a normal dividend equal to 65% of post-tax profits for the period
- Pay a special dividend calculated with reference to distributable reserves and surplus capital held above the risk appetite buffer.

This policy gives the Directors flexibility in managing the Group's capital.

As noted above, the Group's regulatory capital position is calculated under the Solvency II Framework. The Solvency Capital Requirement (SCR) is based on the Solvency II Standard Formula, with a capital-add-on to reflect limitations in the Standard Formula with respect to Admiral's risk profile (predominately in respect of profit commission arrangements in co-and reinsurance agreements and risks relating to Periodic Payment Order (PPO) claims).

Solvency ratio (unaudited)

At the date of this report (3 March 2022), the Group's regulatory solvency ratio, calculated using a capital add-on that has not been subject to regulatory approval, is 195% (2020: 187%). This includes the recognition of the 2021 final dividend of 118 pence per share (2020: 86 pence per share).

The Group's 2021 Solvency and Financial Condition Report (SFCR) will, when published, disclose a solvency ratio that is calculated at the balance sheet date rather than annual report date, using the capital add-on that was most recently subject to regulatory approval. The estimated and unaudited SFCR solvency ratio is 181%, with the reconciliation between this ratio and the 195% noted above being as follows:

	31 December 2021 £m	31 December 2020 £m
Regulatory Solvency Ratio (Unaudited)		
Solvency Ratio reported in the Annual Report	195%	187%
Change in valuation date	(5%)	(5%)
Other (including impact of updated, unapproved capital add-on)	(9%)	24%
Solvency Ratio to be reported in the SFCR	181%	206%

Subsidiaries

The Group manages the capital of its subsidiaries to ensure that all entities within the Group are able to continue as going concerns and also to ensure that regulated entities meet regulatory requirements with an appropriate risk appetite buffer. Excess capital above these levels within subsidiaries is paid up to the Group holding company in the form of dividends on a regular basis.

12f. Group related undertakings

The parent company's subsidiaries are as follows:

Subsidiary	Class of shares held	% ownership	Principal activity
Incorporated in England and Wales			
Registered office: Floor 3 No. 3 Capital Quarter, Cardiff, CF10 4BZ			
Admiral Law Limited	Ordinary	95	Legal company
Registered office: Floor 4 No. 3 Capital Quarter, Cardiff, CF10 4BZ			
Able Insurance Services Limited	Ordinary	100	Insurance intermediary
Registered office: Tŷ Admiral, David Street, Cardiff, CF10 2EH			
EUI Limited*2	Ordinary	100	Insurance intermediary
Admiral Insurance Company Limited	Ordinary	100	Insurance company
Admiral Life Limited	Ordinary	100	Dormant*1
Admiral Syndicate Limited	Ordinary	100	Dormant*1
Admiral Syndicate Management Limited	Ordinary	100	Dormant*1
Bell Direct Limited	Ordinary	100	Dormant*1
Diamond Motor Insurance Services Limited	Ordinary	100	Dormant*1
Elephant Insurance Services Limited	Ordinary	100	Dormant*1
Admiral Financial Services Limited	Ordinary	100	Financial services company
Incorporated in Gibraltar			
Registered office: 1st Floor, 24 College Lane, Gibraltar, GX11 1AA			
Admiral Insurance (Gibraltar) Limited	Ordinary	100	Insurance company
Incorporated in France			
Registered office: 4 Rue Marceau 92300 Levallois Perret			
Pioneer Intermediary Europe Services	Ordinary	100 (indirect)	Insurance intermediary
Incorporated in Spain			
Registered office: Calle Rodriguez Marin, 61 28028 Madrid			
Admiral Europe Compañía de Seguros, S.A.	Ordinary	100	Insurance company
Registered office: Calle Albert Einstein, 10 41092 Sevilla			
Admiral Intermediary Services S.A.*3	Ordinary	100	Insurance intermediary
Incorporated in the United States of America			
Registered office: Deep Run 1, Suite 400, 9950 Mayland Drive, Henrico, VA 23233			
Elephant Insurance Company	Ordinary	100 (indirect)	Insurance company
Grove General Agency Inc	Ordinary	100 (indirect)	Insurance intermediary
Platinum General Agency Inc	Ordinary	100 (indirect)	Insurance intermediary
Registered office: Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801			
Elephant Insurance Services LLC	Ordinary	100 (indirect)	Insurance intermediary
Elephant Holding Company LLC	Ordinary	100	Holding company
Registered office: 6802 Paragon Place Suite 410 Richmond, VA 23230			
compare.com Insurance Agency LLC	Ordinary	70.98 (indirect)	Internet-based comparison site
Inspop USA LLC	Ordinary	70.98	Holding company

Notes to the financial statements **continued**

For the year ended 31 December 2021

12. Share capital continued

Subsidiary	Class of shares held	% ownership	Principal activity
Subsidiaries by virtue of control			
The related undertakings below are subsidiaries in accordance with IFRS 10, as Admiral can exercise dominant influence or control over them:			
Registered office: 10th Floor, 5 Churchill Place, London, E14 5HU			
Seren One Limited	n/a	0	Special purpose entity
Seren Two Limited	n/a	0	Special purpose entity

*1 Exempt from audit under S480 of Companies Act 2006.
*2 EUI Limited has branches in India and Canada.
*3 Admiral Intermediary Services S.A. has branches in Italy and France.

For further information on how the Group conducts its business across the UK, Europe and the US, refer to the Strategic Report.

12g. Related party transactions

The Board considers that only the Executive and Non-Executive Directors of Admiral Group plc are key management personnel.

A summary of the remuneration of key management personnel is as follows, with further detail relating to the remuneration and shareholdings of key management personnel set out in the Directors' Remuneration Report.

Key management personnel received short term employee benefits in the year of £3,077,686 (2020: £2,522,280), post-employment benefits of £30,643 (2020: £22,999) and share-based payments of £2,149,734 (2020: £2,249,425). Key management personnel are able to obtain discounted motor insurance at the same rates as all other Group staff, typically at a reduction of 15%.

12h. Post balance sheet events

No events have occurred since the reporting date that materially impact these financial statements.

13. Discontinued operations

13a. Accounting policy

Disposal groups are classified as held for sale in accordance with IFRS 5 if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. A discontinued operation is a component of the business that has been disposed of or is classified as held for sale and represents a separate major line of business or is part of a single co-ordinated plan to dispose of such a line of business.

The assets and liabilities of a disposal group classified as held for sale are presented separately from the other assets and liabilities in the Statement of Financial Position. The results of discontinued operations are presented separately in the Statement of Comprehensive Income. The result comprises the profit or loss after tax from discontinued operations and other comprehensive income attributable to discontinued operations.

13b. Description

On the 29 December 2020, the Group announced that it had reached an agreement with ZPG Comparison Services Holdings UK Limited ('RVU') that RVU would purchase the Penguin Portals Group ('Penguin Portals', comprising online comparison portals Confused.com, Rastreator.com and LeLynx.fr and the Group's technology operation Admiral Technologies) and its 50% share of Preminen Price Comparison Holdings Limited ('Preminen'). MAPFRE would also sell its 25% holding in Rastreator and 50% holding in Preminen as part of the transaction.

Management considered these entities to meet the definition of a disposal group as set out under IFRS 5 above. The disposal group is included within the 'Discontinued (comparison)' operating segment as stated in note 4.

On the 30 April 2021, the Group announced that, following regulatory and competition authority approvals, RVU had completed the purchase of the Penguin Portals Group and acquired Admiral's 50% share of Preminen. MAPFRE also sold its 25% holding in Rastreator and 50% holding in Preminen to RVU. The total transaction value was settled in cash on completion.

13c. Financial performance and cash flow information

Financial information relating to the discontinued operations for the financial year ending 31 December 2021 and 2020 are presented below. The results for the financial year ending 31 December 2021 relates to the profit earned prior to completion on 30 April 2021, and the gain recognised on disposal.

	31 December 2021			31 December 2020		
	Gross £m	Eliminations £m	Net £m	Gross £m	Eliminations £m	Net £m
Revenue (Other revenue)	67.2	(7.6)	59.6	183.9	(22.0)	161.9
Interest income	–	–	–	–	–	–
Net revenue	67.2	(7.6)	59.6	183.9	(22.0)	161.9
Operating expenses and share scheme charges	(55.8)	7.6	(48.2)	(154.4)	22.0	(132.4)
Operating profit	11.4	–	11.4	29.5	–	29.5
Finance costs	(0.1)	–	(0.1)	(0.1)	–	(0.1)
Gain on disposal sale of Comparison entities held for sale	404.4	–	404.4	–	–	–
Profit before tax from discontinued operations	415.7	–	415.7	29.4	–	29.4
Taxation expense	(2.3)	–	(2.3)	(3.6)	–	(3.6)
Profit after tax from discontinued operations	413.4	–	413.4	25.8	–	25.8

Due to the availability of certain tax reliefs on the gain of the comparison businesses sold, the effective tax rate for 2021 for discontinued operations is lower than the current standard corporate tax rate.

Operating expenses and share scheme charges include £0.4 million (2020: £3.1 million) of share scheme expenses that are not included in the segmental result in note 4. The net cash flows incurred by the disposal group are as follows:

	31 December 2021 £m	31 December 2020 £m
Net cash inflow from operating activities	10.6	36.1
Net cash (outflow) from investing activities	(0.2)	(1.0)
Net cash (outflow) from financing activities	(22.6)	(15.9)
Net cash (outflow)/inflow from discontinued operations	(12.2)	19.2

Notes to the financial statements **continued**

For the year ended 31 December 2021

13. Discontinued Operations continued

13d. Assets disposed of

Consideration received consisted of cash only and was received at the point of completion. The total consideration received by the Group in cash was £471.8 million. This excludes any costs incurred by the Group in relation to the sale. The total gain on disposal is £404.4 million.

The carrying amount of assets and liabilities as at the date of sale (30 April 2021) are outlined below. The comparative balance is the assets classified as held for sale as at 31 December 2020. All assets previously held for sale have been disposed of as at 31 December 2021.

	Note	30 April 2021 £m	31 December 2020 £m
Assets			
Property and equipment	11b	5.4	5.9
Intangible assets	11c	1.1	1.2
Deferred tax asset	10c	4.2	4.2
Trade and other receivables		41.9	18.2
Corporation tax asset		0.2	–
Cash and cash equivalents		41.3	53.5
Assets associated with disposal group held for sale		94.1	83.0
Liabilities			
Trade and other payables		33.3	24.9
Lease liabilities		3.6	4.1
Corporation tax liability		–	5.0
Liabilities directly associated with disposal group held for sale		36.9	34.0

13e. Gain on disposal

	31 December 2021 £m
Gross sales proceeds	508.1
Accrued sale proceeds less dividends received prior to disposal and costs to sell recharged from purchaser	(7.4)
Non-controlling interest share of sales proceeds	(28.9)
Total Admiral Group cash received (note 13d)	471.8
Costs to sell incurred by seller, out of proceeds	(17.6)
Proceeds to Admiral, net of minority interests and transaction costs	454.2
Assets held for sale (note 13d)	(57.2)
Non-controlling interest share of assets held for sale	6.6
Other adjustments	0.8
Gain on disposal of comparison entities held for sale	404.4

14. Reconciliations

The following tables reconcile significant key performance indicators and non-GAAP measures included in the Strategic Report to items included in the financial statements.

14a. Reconciliation of continuing operations turnover to reported gross premiums written and other revenue as per the financial statements

	31 December 2021 £m	Re-presented 31 December 2020 £m
Gross premiums written after co-insurance per note 5a of financial statements	2,513.6	2,344.0
Premiums underwritten through co-insurance arrangements	585.1	613.2
Total premiums written	3,098.7	2,957.2
Other revenue*1	314.8	329.4
Admiral Loans interest income	36.6	36.8
	3,450.1	3,323.4
Other*2	57.2	42.4
Turnover as per note 4a of financial statements*1*3	3,507.3	3,365.8
Intra-group income elimination*4	0.2	0.2
Total turnover – continuing operations*1*3	3,507.5	3,366.0

*1 Continuing operations.
*2 Other reconciling items represent co-insurer and reinsurer shares of Other Revenue in the Group's Insurance businesses outside of UK Car Insurance.
*3 See note 14d for the impact of the Stay at Home premium refund issued to UK motor insurance customers on Turnover in H1 2020.
*4 Intra-group income elimination relates to comparison income earned in the Group from other Group companies.

14b. Reconciliation of claims incurred to reported loss ratios, excluding releases on commuted reinsurance

December 2021	UK Motor £m	UK Home £m	Int. Ins £m	Other £m	Group £m
Net insurance claims (note 5)	86.1	31.8	170.8	43.6	332.3
Deduct claims handling costs	(12.1)	(1.4)	(8.9)	(0.5)	(22.9)
Prior year release/strengthening – net original share	128.1	1.8	16.4	2.2	148.5
Prior year release/strengthening – commuted share	189.2	0.7	–	–	189.9
Impact of reinsurer caps	–	–	1.0	–	1.0
Impact of weather events	–	(1.1)	–	–	(1.1)
Attritional current period claims	391.3	31.8	179.3	45.3	647.7
Net insurance premium revenue	496.5	49.1	221.0	88.4	855.0
Loss ratio – current period attritional	78.8%	64.8%	81.1%	–	75.8%
Loss ratio – current period weather events	–	2.2%	–	–	0.1%
Loss ratio – prior year release/strengthening (net original share)	(25.8%)	(3.7%)	(7.4%)	–	(17.4%)
Loss ratio – reported	53.0%	63.3%	73.7%	–	58.5%

Notes to the financial statements **continued**

For the year ended 31 December 2021

14. Reconciliations continued

14b. Reconciliation of claims incurred to reported loss ratios, excluding releases on commuted reinsurance continued

December 2020	UK Motor £m	UK Home £m	Int. Ins £m	Other £m	Group £m
Net insurance claims (note 5)	97.1	29.3	139.3	27.5	293.2
Deduct claims handling costs	(12.3)	(1.3)	(9.8)	–	(23.4)
Prior year release/strengthening – net original share	104.3	2.8	18.6	–	125.7
Prior year release/strengthening – commuted share	137.3	–	–	–	137.3
Impact of reinsurer caps	–	–	1.9	–	1.9
Impact of weather events	–	(2.3)	–	–	(2.3)
Attritional current period claims	326.4	28.5	150.0	27.5	532.4
Net insurance premium revenue	451.4	43.2	204.2	52.8	751.6
Loss ratio – current period attritional	72.3%	65.9%	73.4%	–	70.8%
Loss ratio – current period weather events	–	5.3%	–	–	0.3%
Loss ratio – prior year release/strengthening (net original share)	(23.1%)	(6.4%)	(9.1%)	–	(16.7%)
Loss ratio – reported	49.2%	64.8%	64.3%	–	54.4%

14c. Reconciliation of expenses related to insurance contracts to reported expense ratios

December 2021	UK Motor £m	UK Home £m	Int. Ins £m	Other £m	Group £m
Net insurance expenses (note 9)	136.7	17.9	91.3	16.8	262.7
Restructure costs*1	(41.6)	(4.4)	–	–	(46.0)
Claims handling costs	12.1	1.4	8.9	0.5	22.9
Intra-group expenses elimination*2	–	–	0.3	–	0.3
Impact of reinsurer caps	(10.1)	–	(1.7)	–	(11.8)
Net IFRS 16 finance costs	0.5	–	0.1	–	0.6
Adjusted net insurance expenses	97.6	14.9	98.9	17.3	228.7
Net insurance premium revenue	496.5	49.1	221.0	88.4	855.0
Expense ratio – reported	19.7%	30.3%	44.8%	–	26.7%

December 2020	UK Motor £m	UK Home £m	Int. Ins £m	Other £m	Group £m
Net insurance expenses (note 9)	76.7	11.4	78.5	9.2	175.8
Claims handling costs	12.3	1.3	9.8	–	23.4
Intra-group expenses elimination*2	–	–	0.2	–	0.2
Impact of reinsurer caps	–	–	1.1	–	1.1
Net IFRS 16 finance costs	0.5	–	0.1	–	0.6
Adjusted net insurance expenses	89.5	12.7	89.7	9.2	201.1
Net insurance premium revenue	451.4	43.2	204.2	52.8	751.6
Expense ratio – reported	19.8%	29.4%	43.9%	–	26.8%

*1 Restructure costs of £8.0 million relate to ancillary costs. Total restructure costs incurred within UK insurance are £54.0m.

*2 The intra-group expenses elimination amount relates to aggregator fees charges by the Group's comparison business, Compare.com to other Group companies: given the re-presentation of other comparison businesses to discontinued operations, those expenses are now included in net insurance expenses in note 9, as acquisition costs.

14d. Reconciliation of Impact of Stay at Home premium refund issued to UK Motor Insurance customers on turnover, total written premiums, gross written premiums and net insurance premium revenue

	31 December 2020 £m
Total Stay at Home premium refund issued to UK Motor insurance customers	110.0
Insurance premium tax	(12.7)
Impact of premium refund on turnover and total written premium	97.3
Co-insurer share of premium refund	(27.3)
Impact of premium refund on gross written premium and gross earned premium	70.0
Reinsurer share of premium refund on reinsurers' written and earned premium	(48.9)
Impact of premium refund on net insurance premium revenue (written and earned)	21.1

Whilst the impact on premium in the prior period is £21.1 million, the ultimate impact is expected to be the substantial majority of the total premium refunded due to the Group's co- and reinsurance profit commission arrangements. The majority of this was reflected in 2020.

14e. Reconciliation of earnings per share, continuing operations excluding restructure costs

	31 December 2021 £m
Profit for the financial year after taxation attributable to equity shareholders – continuing operations	585.0
Post-tax impact of restructure costs	46.3
Profit for the financial year after restructure costs and taxation attributable to equity shareholders – continuing operations	631.3
Weighted average number of shares – basic	297,480,041
Earnings per share, continuing operations excluding restructure costs	212.2p

Parent Company financial statements

Parent Company Income Statement

	Note	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Administrative expenses	2	(19.7)	(21.6)
Operating loss		(19.7)	(21.6)
Investment and interest income	3	630.4	475.2
Impairment expense	4	(16.0)	(10.5)
Gain on disposal of subsidiaries		445.2	0.0
Interest payable	6	(11.3)	(12.2)
Profit before tax		1,028.6	430.9
Taxation credit	7	3.3	4.9
Profit after tax		1,031.9	435.8

Parent Company Statement of Comprehensive Income

		Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Profit for the period		1,031.9	435.8
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Movements in fair value reserve		(10.1)	4.3
Deferred tax in relation to movement in fair value reserve	7	0.8	(0.8)
Other comprehensive income for the period, net of income tax		(9.3)	3.5
Total comprehensive income for the period		1,022.6	439.3

Parent Company Statement of Financial Position

	Note	As at 31 December 2021 £m	As at 31 December 2020 £m
ASSETS			
Investments in group undertakings	4	315.1	327.3
Intangible assets	5	0.4	0.4
Financial investments	6	557.0	281.0
Corporation tax asset	7	3.5	4.7
Trade and other receivables	8	187.1	193.3
Cash and cash equivalents	6	11.2	9.5
Total assets		1,074.3	816.2
EQUITY			
Share capital	10	0.3	0.3
Share premium account		13.1	13.1
Fair value reserve	10	14.1	23.4
Retained earnings		447.3	73.0
Total equity		474.8	109.8
LIABILITIES			
Subordinated and other financial liabilities	6	224.3	224.3
Deferred tax	7	4.3	5.2
Trade and other payables	9	370.9	476.9
Total liabilities		599.5	706.4
Total equity and total liabilities		1,074.3	816.2

The accompanying notes form part of these financial statements.

These financial statements were approved by the Board of Directors on 3 March 2022 and were signed on its behalf by:

Geraint Jones
Chief Financial Officer
Admiral Group plc

Company Number: 03849958

Parent Company financial statements **continued**

Parent Company Statement of Changes in Equity

	Note	Share capital £m	Share premium account £m	Fair value reserve £m	Retained earnings £m	Total equity £m
At 1 January 2020		0.3	13.1	19.9	8.9	42.2
Profit for the period		–	–	–	435.8	435.8
Other comprehensive income						
Movements in Fair Value Reserve		–	–	4.3	–	4.3
Deferred tax charge in relation to movements in Fair Value Reserve	7	–	–	(0.8)	–	(0.8)
Total comprehensive income/(expense) for the period		–	–	3.5	435.8	439.3
Transactions with equity holders						
Dividends	10	–	–	–	(425.7)	(425.7)
Issues of share capital	10	–	–	–	–	–
Share scheme credit		–	–	–	53.8	53.8
Deferred tax on share scheme credit		–	–	–	0.2	0.2
Total transactions with equity holders		–	–	–	(371.7)	(371.7)
As at 31 December 2020		0.3	13.1	23.4	73.0	109.8
At 1 January 2021		0.3	13.1	23.4	73.0	109.8
Profit for the period		–	–	–	1,031.9	1,031.9
Other comprehensive income						
Movements in Fair Value Reserve		–	–	(10.1)	–	(10.1)
Deferred tax charge in relation to movements in Fair Value Reserve	7	–	–	0.8	–	0.8
Total comprehensive income for the period		–	–	(9.3)	1,031.9	1,022.6
Transactions with equity holders						
Dividends	10	–	–	–	(720.9)	(720.9)
Issues of share capital	10	–	–	–	–	–
Share scheme credit		–	–	–	63.1	63.1
Deferred tax on share scheme credit		–	–	–	0.2	0.2
Total transactions with equity holders		–	–	–	(657.6)	(657.6)
As at 31 December 2021		0.3	13.1	14.1	447.3	474.8

Notes to the Parent Company Financial Statements

For the year ended 31 December 2021

1. Accounting policies

1.1 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101). The financial statements are prepared on the historical cost basis except for the revaluation of financial assets classified as fair value through the profit or loss.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs') but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

1.2 Changes to accounting policies

There were no significant changes to accounting policies in the period.

1.3 Disclosure exemptions applied under FRS 101

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- FRS 101.8 (d): the requirement of IFRS 7 *Financial Instruments: Disclosure* to make disclosures about financial instruments.
- FRS 101.8 (f): the requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:
  - paragraph 118(3) of IAS 38 *Intangible Assets*.
- FRS 101.8 (g): the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 *Presentation of Financial Statements* to produce a cash flow statement, a third balance sheet and to make an explicit and unreserved statement of compliance with IFRSs.
- FRS 101.8 (h): the requirements of IAS 7 *Statements of Cash Flows* to produce a cash flow statement.
- FRS 101.8 (i): the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to include a list of new IFRSs that have been issued but that have yet to be applied.
- FRS 101.8 (k): the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to transaction is wholly owned by such a member.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.4 Going concern

The financial statements have been prepared on a going concern basis. In considering the appropriateness of this assumption, the Board have reviewed the Company's projections for the next twelve months and beyond, including cash flow forecasts and regulatory capital surpluses.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

1.5 Critical accounting judgements and key source of estimation uncertainty

In applying the Company's accounting policies as described below, management consider there to be a key source of estimation uncertainty within the impairment testing of the Company's investments in group undertakings. Management recognises the estimation involved in determining whether the carrying value of the investment may be supported by the recoverable amount calculation based on the 'value in use' of the asset (the net present value of future cash-flows arising from the asset).

In calculating the net present value of future cash-flows, management has made assumptions over the timing and amount of underlying profit projections of the relevant undertakings, long term growth rates in those projections and the discount rate applied to these projections that is appropriate to reflect the market's view of the risk of the relevant investment. Sensitivity of these assumptions is also considered in calculating the net present value and suitably incorporated in management's valuations. Sensitivity of the key estimates can be found within note 4.

No key accounting judgements have been made in the process of applying the Company's accounting policies.

Notes to the Parent Company Financial Statements **continued**

For the year ended 31 December 2021

1. Accounting policies continued

1.6 Shares in Group undertakings

Shares in Group undertakings are valued at cost less any provision for impairment in value.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Company's investments in subsidiaries. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases. See note 4 to these financial statements for further detail.

1.7 Employee share schemes

The Company operates a number of share schemes for employees of the Group's subsidiaries. For equity settled schemes, the fair value of the employee services received in exchange for the grant of free shares under the schemes is recognised as an increase in equity in the Company. A corresponding intercompany charge is made to the subsidiaries whose employees receive the free shares. For further detail, see note 9 in the consolidated financial statements.

1.8 Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax assets are recognised to the extent that they are regarded as recoverable. They are regarded as recoverable to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

1.9 Financial assets and financial liabilities

Under IFRS 9, classification and subsequent measurement of financial assets depend on:

- The Company's business model for managing the asset; and
- The cash flow characteristics of the asset.

Based on these factors, the Company classifies its financial assets into one of the three categories below:

- Amortised cost: assets held for collection of contractual cash flows where the cash flows represent solely payments of principal and interest, that are not designated as FVTPL.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL.
- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI, or which are designated as FVTPL at initial recognition.

In line with the above:

- Gilts and other debt securities are measured at FVOCI. Unrealised changes in the fair value of these assets are recognised in Other Comprehensive Income (OCI). The recognition of impairment gains or losses and interest revenue are recognised in the profit or loss.
- Investments measured at FVTPL are primarily money market funds. Interest income is recognised in the income statement.

The expected credit loss model is used to calculate any impairment to be recognised for all assets measured at amortised cost, as well as financial investments measured at FVOCI. Impairment is measured using the simplified approach. Most of the investments held at amortised cost and FVOCI are of investment grade.

Cash and cash equivalents include cash in hand and deposits held at call with banks. All cash and cash equivalents are measured at amortised cost.

The Company's financial liabilities comprise of subordinated notes which are held at amortised cost using the effective interest method.

1.10 Intangible assets

Purchased software licences are classified as an intangible asset and stated in the balance sheet at a cost less accumulated amortisation. Software is amortised from the point at which the asset is operational and is amortised over the licence period.

1.11 Trade and other receivables

Trade and other receivables are measured at amortised cost, less any impairment.

1.12 Trade and other payables

Trade and other payables are measured at amortised cost.

2. Administrative expenses

Included within administrative expenses are recharges of £4.2 million (2020: £3.3 million) relating to employees within the Group who perform services on behalf of the Company. No staff are directly employed by the Company.

3. Investment and interest income

	31 December 2021 £m	31 December 2020 £m
Dividend income from subsidiary undertakings	626.0	470.0
Interest income – other	0.3	1.0
Interest income at effective interest rate	4.1	4.2
Total investment and interest income	630.4	475.2

4. Investments in Group undertakings

	£m
Investments in subsidiary undertakings:	
At 1 January 2020	301.4
Additions	36.4
Impairment	(10.5)
At 31 December 2020	327.3*1
Additions	13.0
Disposals	(9.2)
Impairment	(16.0)
At 31 December 2021	315.1

*1 Of this amount, £9.2 million relates to Assets held for sale. See note 11 for further detail.

A full list of the Company's subsidiaries is disclosed in note 12 of the consolidated financial statements.

The additions to investments in the period of £13.0 million relate to the following:

- Further investment in Elephant Insurance Company ('Elephant') (£9.0 million);
- Further investment in Able Insurance Services Limited ('Able') (£4.0 million).

An annual impairment review is performed over the carrying value of the investments in subsidiary undertakings, which involves comparing the carrying amount to the estimated recoverable amount. The recoverable amount is the greater of the fair value of the asset less costs to sell, and the value in use of the subsidiary, calculated using cash flow projections based on financial budgets approved by the Group Board.

Notes to the Parent Company Financial Statements **continued**

For the year ended 31 December 2021

4. Investments in Group undertakings continued

Elephant

In 2021 a non-cash impairment loss of £14.1 million (2020: £9.1 million) has been recognised by the parent company in respect of its investment in the Group's US insurance business Elephant. The impairment charge is to reflect the loss incurred during 2021 to bring the value of the investment to its recoverable amount, being its fair value less costs to sell (equivalent to net asset value), of £25.8 million (2020: £30.6 million). The impairment charge is presented within the 'Impairment losses' line of the parent company income statement.

The carrying value is based on fair value less costs of disposal, for which the net assets has been used as a reasonable approximation, using tier 3 of the fair value hierarchy. Due to limitations on evidential market information and restrictions in readily available information, net assets have been used to estimate fair value less costs to sell.

As the valuation is based on net assets, any movement in future profits will impact the investment held. The Board continues to support Elephant in the achievement of its goals.

Compare.com

In 2021 a non-cash impairment loss of £1.9 million (2020: £1.4 million) has been recognised by the parent company in respect of its investment in the Group's US comparison business compare.com. The impairment charge is to reflect the loss incurred during 2021 to bring the value of the investment to its recoverable amount, being its fair value less costs to sell (equivalent to the Group's share of net asset value), of £1.8 million (2020: £3.7 million). The impairment charge is presented within the 'Impairment losses' line of the parent company income statement.

The carrying value is based on fair value less costs of disposal, for which the Group's share of net assets has been used as a reasonable approximation following a review of the carrying value of those assets compared to fair value, using tier 3 of the fair value hierarchy.

The Board continues to support compare.com in the achievement of its goals, though there remains uncertainty over the prospects of the business.

5. Intangible assets

	Software £m	Total £m
Cost		
At 1 January 2021	0.4	0.4
Additions	–	–
Disposal	–	–
At 31 December 2021	0.4	0.4
Amortisation		
At 1 January 2021	–	–
Charge for the year	–	–
Disposal	–	–
At 31 December 2021	–	–
Net Book Value		
At 31 December 2020	0.4	0.4
At 31 December 2021	0.4	0.4

6. Financial assets and liabilities

The Company's financial instruments can be analysed as follows:

	31 December 2021 £m	31 December 2020 £m
Investments classified as FVOCI		
Gilts (level 1 of the IFRS 13 hierarchy)	166.4	177.3
Debt securities (level 1 of the IFRS 13 hierarchy)	242.0	–
	408.4	177.3
Investments classified as FVTPL		
Money market and other similar funds (level 1 of the IFRS 13 hierarchy)	148.6	103.7
	148.6	103.7
Total financial investments	557.0	281.0
Financial assets held at amortised cost		
Trade and other receivables (Note 8)	187.1	193.3
Cash and cash equivalents	11.2	9.5
Total financial assets	755.3	483.8
Financial liabilities		
Subordinated notes	204.3	204.3
Other borrowings	20.0	20.0
Trade and other payables (Note 9)	370.9	476.9
Total financial liabilities	595.2	701.2

The amortised cost carrying amount of deposits and receivables is a reasonable approximation of fair value.

The table below compares the carrying value of subordinated notes (as per the Statement of Financial Position) with the fair value of the subordinated notes using a level one valuation:

	31 December 2021		31 December 2020	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial liabilities				
Subordinated notes	204.3	217.1	204.3	222.9

The subordinated notes were issued on 25 July 2014 at a fixed rate of 5.5%, with a redemption date of 25 July 2024.

Total interest payable of £11.3 million (2020: £12.2 million) was recognised, of which £11.1 million (2020: £11.1 million) was in relation to the subordinated loan notes.

Notes to the Parent Company Financial Statements **continued**

For the year ended 31 December 2021

7. Taxation

7a. Taxation credit

	31 December 2021 £m	31 December 2020 £m
Current tax		
Corporation tax credit on profits for the year	(3.5)	(4.7)
Change in provision relating to prior periods	0.1	(0.4)
Current tax credit	(3.4)	(5.1)
Deferred tax		
Current period deferred taxation movement	0.1	0.2
Change in provision relating to prior periods	–	–
Total tax credit per income statement	(3.3)	(4.9)

Factors affecting the total tax credit are:

	31 December 2021 £m	31 December 2020 £m
Profit before tax	1,028.6	430.9
Corporation tax thereon at effective UK corporation tax rate of 19.0% (2020: 19.0%)	195.4	81.9
Expenses and provisions not deductible for tax purposes	4.8	2.5
Non-taxable income	(203.5)	(89.3)
Total tax credit for the period as above	(3.3)	(4.9)

At the year end, the corporation tax asset was £3.5 million (2020: £4.7 million).

7b. Deferred income tax liability

Analysis of deferred tax liability

	Tax treatment of share schemes £m	Capital allowances £m	Carried forward losses £m	Fair value reserve £m	Other differences £m	Total £m
Balance brought forward at 1 January 2020	(0.2)	–	–	4.6	–	4.4
Tax treatment of share scheme charges through income or expense	0.2	–	–	–	–	0.2
Tax treatment of share scheme charges through reserves	(0.2)	–	–	–	–	(0.2)
Movement in fair value reserve	–	–	–	0.8	–	0.8
Balance carried forward at 31 December 2020	(0.2)	–	–	5.4	–	5.2
Tax treatment of share scheme charges through income or expense	0.1	–	–	–	–	0.1
Tax treatment of share scheme charges through reserves	(0.2)	–	–	–	–	(0.2)
Movement in fair value reserve	–	–	–	(0.8)	–	(0.8)
Balance carried forward at 31 December 2021	(0.3)	–	–	4.6	–	4.3

The average effective rate of tax for 2021 is 19.0% (2020: 19.0%). An increase to the main rate of corporation tax in the UK to 25% was announced in the 2021 Budget and is expected to come into effect in the year ending 2023. This will increase the Company's future tax charge accordingly.

The deferred tax liability at 31 December 2021 has been calculated based on the rate at which each timing difference is most likely to reverse.

8. Trade and other receivables

	31 December 2021 £m	31 December 2020 £m
Trade and other receivables	1.6	1.0
Amounts owed by subsidiary undertakings	185.5	192.3
Total trade and other receivables	187.1	193.3

Held within amounts owed by subsidiary undertakings is £184.5 million (2020: £176.5 million) which relate to loans with formal agreements in place between the parent and the subsidiary. The estimated credit losses of these loans has been considered and any expected credit loss is considered to be immaterial due to the assessment of credit risk being low due to the positive net value of assets of the subsidiaries and future trading projections.

Of the above amount, £151.0 million is due in greater than one year (2020: £101.0 million).

Notes to the Parent Company Financial Statements **continued**

For the year ended 31 December 2021

9. Trade and other payables

	31 December 2021 £m	31 December 2020 £m
Trade and other payables	9.5	8.5
Amounts owed to subsidiary undertakings	361.4	468.4
Total trade and other payables	370.9	476.9

Held within amounts owed to subsidiary undertakings is £0.5 million (2020: £38.5 million) which relate to loans with formal agreements in place between the parent and the subsidiary.

10. Share capital and reserves

Capital within the Company is comprised of share capital and the share premium account, the fair value reserve (which reflects movements in the fair value of assets classified as FVOCI) and retained earnings. Further information can be found within note 12 of the consolidated financial statements.

10a. Share capital

	31 December 2021 £m	31 December 2020 £m
Authorised		
500,000,000 ordinary shares of 0.1 pence	0.5	0.5
Issued, called up and fully paid		
299,554,720 (2020: 296,692,063) ordinary shares of 0.1 pence	0.3	0.3
	0.3	0.3

10b. Dividends

Dividends were proposed, approved and paid as follows:

	31 December 2021 £m	31 December 2020 £m
Proposed March 2020 (77.0 pence per share, 56.3 pence per share approved April 2020 and paid June 2020)	–	162.3
Declared August 2020 (91.2 pence per share, including 20.7 pence per share deferred, paid October 2020)	–	263.4
Proposed March 2021 (86.0 pence per share, approved April 2021 and paid June 2021)	250.8	–
Declared August 2021 (161.0 pence per share, paid October 2021)	470.1	–
Total dividends	720.9	425.7

The dividends proposed in March (approved in April) represent the final dividends paid in respect of the 2019 and 2020 financial years. The dividends declared in August are interim distributions in respect of 2020 and 2021.

A final dividend of 118.0 pence per share (£346.5 million) has been proposed in respect of the 2021 financial year. Refer to the Chairman's Statement and Strategic Report for further detail.

The profit and loss account of the parent company does not include any unrealised profits, therefore the amount available for distribution by reference to these accounts is £447.3 million. The Group also has substantial retained profits in its subsidiary companies which are expected to flow up to the parent company in due course, such that surplus cash generated can continue to be returned to shareholders.

11. Assets held for sale

On 29 December 2020, Admiral Group plc ('the Group') announced that it had reached an agreement with ZPG Comparison Services Holdings UK Limited ('RVU') that RVU will purchase the Penguin Portals Group ('Penguin Portals', comprising online comparison portals Confused.com, Rastreator.com and LeLynx.fr and the Group's technology operation Admiral Technologies) and its 50% share of Preminen Price Comparison Holdings Limited ('Preminen'). MAPFRE would also sell its 25% holding in Rastreator and 50% holding in Preminen as part of the transaction.

These entities are determined to be the disposal group. Further information can be found within the consolidated accounts.

On 30 April 2021, the Group announced that, following regulatory and competition authority approvals, RVU had completed the purchase of the Penguin Portals Group and acquired the Group's 50% share of Preminen. MAPFRE also sold its 25% holding in Rastreator and 50% holding in Preminen to RVU. The transaction was settled in cash on completion.

The assets held for sale as at 31 December 2020 are presented below:

	Note	31 December 2020 £m
Assets		
Investments in subsidiary undertakings	4	9.2
Assets associated with disposal group held for sale		9.2

There are no associated liabilities with the disposal group.

12. Related party transactions

The Company has taken advantage of the exemptions permitted by Financial Reporting Standard 101.8 (k) and not disclosed details of transactions with other wholly owned group undertakings. Transactions with group undertakings that are not wholly owned by Admiral Group plc are disclosed below.

	Transaction Value 2021 £m	Balance at 31 December 2021 due/(to) related party £m	Transaction Value 2020 £m	Balance at 31 December 2020 due/(to) related party £m
compare.com Insurance Agency LLC (Subsidiary undertaking)	0.2	4.5	0.3	4.2

The balance owed from compare.com relates to a convertible loan issued for which interest is being accrued.

Notes to the Parent Company Financial Statements **continued**

For the year ended 31 December 2021

13. Guarantees and contingent liabilities

During 2018, a Special Purpose Entity (SPE) was set up in order to secure additional funding for the Admiral Loans business, with a second such SPE set up in October 2021. The Company acts as guarantor for certain operational performance conditions of its subsidiary, AFSL, as seller and servicer for the SPEs, and indemnifies AFSL in respect of any amount that would have been payable by AFSL for non-compliance with such performance conditions.

One of the Group's previously owned subsidiaries was subject to a Spanish Tax Audit which concluded with the Tax Authority denying the application of the VAT exemption relating to insurance intermediary services. The Company has appealed this decision via the Spanish Courts and is confident in defending its position which is, in its view, in line with the EU Directive and is also consistent with the way similar supplies are treated throughout Europe. Whilst the Company is no longer part of the Admiral Group, the contingent liability which the Company is exposed to has been indemnified by the Admiral Group up to a cap of £22 million.

A number of the Group's contractual arrangements with reinsurers include features that, in certain scenarios, allow for reinsurers to recover losses incurred to date. The overall impact of such scenarios would not lead to an overall net economic outflow from Admiral Group plc.

14. Post balance sheet events

No events have occurred since the reporting date that materially impact these financial statements.

15. Continued application of Financial Reporting Standard (FRS) 101 – Reduced Disclosure Framework

Following the first time application of FRS 101 Reduced Disclosure Framework in 2015, the Board considers that it is in the best interests of the Group for Admiral Group plc to continue to apply the FRS 101 Reduced Disclosure Framework in future periods. A shareholder or shareholders holding in aggregate 5% or more of the total allotted shares in Admiral Group plc may serve objections to the use of the disclosure exemptions on Admiral Group plc, in writing, to its registered office (Tŷ Admiral, David Street, Cardiff CF10 2EH) no later than 30 June 2022.

Consolidated financial summary (unaudited)

Basis of preparation

The figures below are as stated in the Group financial statements preceding this financial summary and issued previously. Only selected lines from the income statement and balance sheet have been included.

Income statement

	2021 £m	2020 £m	2019*1 £m	2018 £m	2017 £m
Total premiums	3,098.7	2,957.2	2,938.6	2,766.4	2,499.4
Net insurance premium revenue	855.0	751.6	709.4	671.8	619.1
Other revenue	345.3	359.0	348.8	460.6	401.1
Profit commission	304.5	134.0	114.9	93.2	67.0
Investment and interest income	45.2	60.7	35.7	36.0	41.7
Net revenue	1,550.0	1,305.3	1,208.8	1,261.6	1,128.9
Net insurance claims	(332.3)	(293.2)	(359.3)	(350.1)	(347.1)
Net expenses	(492.3)	(391.6)	(331.9)	(424.0)	(366.9)
Operating profit	725.4	620.5	517.6	487.5	414.9
Net finance costs	(11.9)	(12.3)	(12.5)	(11.3)	(11.4)
Profit before tax from continuing operations	713.5	608.2	505.1	–	–
Profit before tax from discontinued operations	415.7	29.4	17.5	–	–
Profit before tax from continuing and discontinued operations	1,129.2	637.6	522.6	476.2	403.5

*1 Re-presented from financial year 2019 to reflect discontinued operations.

Balance sheet

	2021 £m	2020*1 £m	2019 £m	2018 £m	2017 £m
Property and equipment	103.2	146.3	154.4	28.1	31.3
Intangible assets	179.9	167.9	160.3	162.0	159.4
Deferred income tax	9.3	3.3	–	0.2	0.3
Corporation tax asset	10.6	17.9	–	–	–
Reinsurance assets	2,176.1	2,083.2	2,071.7	1,883.5	1,637.6
Insurance and other receivables	1,208.5	1,200.2	1,227.7	1,082.0	939.7
Loans and advances to customers	556.8	359.8	455.1	300.2	66.2
Financial investments	3,742.6	3,506.0	3,234.5	2,969.7	2,697.8
Cash and cash equivalents	372.7	351.7	281.7	376.8	326.8
Total assets	8,359.7	7,836.3	7,585.4	6,802.5	5,859.1
Equity	1,408.5	1,123.4	918.6	771.1	655.8
Insurance contracts	4,215.0	4,081.3	3,975.0	3,736.4	3,313.9
Subordinated and other financial liabilities	670.9	488.6	530.1	444.2	224.0
Trade and other payables	1,960.0	2,016.1	1,975.9	1,801.5	1,641.6
Lease liabilities	105.3	126.9	137.1	–	–
Deferred income tax	–	–	0.4	–	–
Current tax liabilities	–	–	48.3	49.3	23.8
Total equity and total liabilities	8,359.7	7,836.3	7,585.4	6,802.5	5,859.1

*1 Balance sheet is shown on a total group basis (including discontinued operations).

Additional Information

Quick navigation

Chris' story

We sit down with Chris, to talk about joining the Admiral Future Leaders Programme.

Hello! My name is Chris Last and I've been here at Admiral for around nine years. I've recently joined Admiral's Future Leaders Programme and prior to that I was running contact centre operations at our US subsidiary, Elephant.

The Future Leaders Programme is a year-long placement that has participants take on the responsibilities of an International Business Development Manager. I work closely with the group senior leadership team on strategy, particularly relating to digital improvements, our product portfolio and preparing for the future.

I joined the Admiral graduate scheme shortly after completing a business degree at the University of South Wales. I was placed into a newly created digital team, an incredible experience. It was exciting to help Admiral transform from a call centre focused business to the much more tech savvy company you see today.

Through my time here I've moved around many different roles and have had the opportunity to work closely with most areas of the business. The one thing I love most about Admiral is how the Company encourages people to broaden their knowledge by stepping out of their comfort zone.

I've always been big on learning and development, becoming the best version of myself. Admiral has driven me to become better every day. The Company has funded a bunch of different qualifications, helped sponsor my MBA and encouraged me to apply for positions that would keep my learning curve steep. All the while, they provided mentorship, coaching and a phenomenal leadership team to learn from.

I always say I'm incredibly fortunate to have grown up in Admiral. I joined from a small town, with no insurance knowledge and little business experience.

“The Company has funded a bunch of different qualifications, helped sponsor my MBA and encouraged me to apply for positions that would keep my learning curve steep.”

I now get to work with some of the brightest minds in business, from some of the top business schools, each with incredible talents, experiences, and backgrounds.

Glossary

Alternative Performance Measures

Throughout this report, the Group uses a number of Alternative Performance Measures (APMs); measures that are not required or commonly reported under International Financial Reporting Standards, the Generally Accepted Accounting Principles (GAAP) under which the Group prepares its financial statements.

These APMs are used by the Group, alongside GAAP measures, for both internal performance analysis and to help shareholders and other users of the Annual Report and financial statements to better understand the Group's performance in the period in comparison to previous periods and the Group's competitors.

The table below defines and explains the primary APMs used in this report. Financial APMs are usually derived from financial statement items and are calculated using consistent accounting policies to those applied in the financial statements, unless otherwise stated. Non-financial KPIs incorporate information that cannot be derived from the financial statements but provide further insight into the performance and financial position of the Group.

APMs may not necessarily be defined in a consistent manner to similar APMs used by the Group's competitors. They should be considered as a supplement rather than a substitute for GAAP measures.

Turnover	Turnover is defined as total premiums written (as below), other revenue and income from Admiral Loans. It is reconciled to financial statement line items in note 14a to the financial statements. It has been redefined in the current period to exclude revenue from discontinued operations. This measure has been presented by the Group in every Annual Report since it became a listed Group in 2004. It reflects the total value of the revenue generated by the Group and analysis of this measure over time provides a clear indication of the size and growth of the Group. The measure was developed as a result of the Group's business model. The UK Car insurance business has historically shared a significant proportion of the risks with Munich Re, a third-party reinsurance Group, through a co-insurance arrangement, with the arrangement subsequently being replicated in some of the Group's international insurance operations. Premiums and claims accruing to the external co-insurer are not reflected in the Group's income statement and therefore presentation of this metric enables users of the Annual Report to see the scale of the Group's insurance operations in a way not possible from taking the income statement in isolation.
Total Premiums Written	Total premiums written are the total forecast premiums, net of forecast cancellations written in the underwriting year within the Group, including co-insurance. It is reconciled to financial statement line items in note 14a to the financial statements. This measure has been presented by the Group in every Annual Report since it became a listed Group in 2004. It reflects the total premiums written by the Group's insurance intermediaries and analysis of this measure over time provides a clear indication of the growth in premiums, irrespective of how co-insurance agreements have changed over time. The reasons for presenting this measure are consistent with that for the Turnover APM noted above. As noted in the Turnover metric above, in 2020 a reduction of £97 million has been reflected within 2020 total premiums written, to reflect the Stay at Home premium rebate.
Group profit before tax	Group profit before tax represents profit before tax from continuing operations, excluding restructure costs.
Earnings per share, continuing operations	Earnings per share from continuing operations before restructure costs represents the profit after tax attributable to equity shareholders excluding restructure costs, divided by the weighted average number of basic shares.
Underwriting result (profit or loss)	For each insurance business an underwriting result is presented showing the segment result prior to the inclusion of profit commission, other income contribution and instalment income. It demonstrates the insurance result, i.e. premium revenue and investment income on insurance assets less claims incurred and insurance expenses.

Loss Ratio	Reported loss ratios are expressed as a percentage of claims incurred divided by net earned premiums. There are a number of instances within the Annual Report where adjustments are made to this calculation in order to more clearly present the underlying performance of the Group and operating segments within the Group. The calculations of these are presented within note 14b to the accounts and explanation is as follows. UK reported motor loss ratio: Within the UK insurance segment the Group separately presents motor ratios, i.e. excluding the underwriting of other products that supplement the car insurance policy. The motor ratio is adjusted to i) exclude the impact of reserve releases on commuted reinsurance contracts and ii) exclude claims handling costs that are reported within claims costs in the income statement. International insurance loss ratio: As for the UK Motor loss ratio, the international insurance loss ratios presented exclude the underwriting of other products that supplement the car insurance policy. The motor ratio is adjusted to exclude the claims element of the impact of reinsurer caps as inclusion of the impact of the capping of reinsurer claims costs would distort the underlying performance of the business. Group loss ratios: Group loss ratios are reported on a consistent basis as the UK and international ratios noted above. Adjustments are made to i) exclude the impact of reserve releases on commuted reinsurance contracts, ii) exclude claims handling costs that are reported within claims costs in the income statement and iii) exclude the claims element of the impact of international reinsurer caps.
Expense Ratio	Reported expense ratios are expressed as a percentage of net operating expenses divided by net earned premiums. There are a number of instances within the Annual Report where adjustments are made to this calculation in order to more clearly present the underlying performance of the Group and operating segments within the Group. The calculations of these are presented within note 14c to the accounts and explanation is as follows. UK reported motor expense ratio: Within the UK insurance segment the Group separately presents motor ratios, i.e. excluding the underwriting of other products that supplement the car insurance policy. The motor ratio is adjusted to i) include claims handling costs that are reported within claims costs in the income statement, ii) include intra-group aggregator fees charged by the UK comparison business to the UK insurance business and iii) exclude the expense element of the impact of reinsurer caps as inclusion of the impact of the capping of reinsurer expenses would distort the underlying performance of the business, and iv) exclude restructure costs. International insurance expense ratio: As for the UK Motor loss ratio, the international insurance expense ratios presented exclude the underwriting of other products that supplement the car insurance policy. The motor ratio is adjusted to i) exclude the expense element of the impact of reinsurer caps as inclusion of the impact of the capping of reinsurer expenses would distort the underlying performance of the business and ii) include intra-group aggregator fees charged by the overseas comparison businesses to the international insurance businesses. Group expense ratios: Group expense ratios are reported on a consistent basis as the UK and international ratios noted above. Adjustments are made to i) include claims handling costs that are reported within claims costs in the income statement, ii) include intra-group aggregator fees charged by the Group's comparison businesses to the Group's insurance businesses and iii) exclude the expense element of the impact of reinsurer caps.
Combined Ratio	Reported combined ratios are the sum of the loss and expense ratios as defined above. Explanation of these figures is noted above and reconciliation of the calculations are provided in notes 14b and 14c.
Return on Equity	Return on equity is calculated as profit after tax from continuing operations, before restructure costs, for the period attributable to equity holders of the Group divided by the average total equity attributable to equity holders of the Group in the year excluding any net assets related to discontinued operations, including the exclusion of the net proceeds from sale still to be distributed. This average is determined by dividing the opening and closing positions for the year by two. It has been redefined in the current period to exclude the impact of discontinued operations.
Group Customers	Group customer numbers reflect the total number of cars, households and vans on cover at the end of the year, across the Group, and the total number of travel insurance and loans customers. This measure has been presented by the Group in every Annual Report since it became a listed Group in 2004. It reflects the size of the Group's customer base and analysis of this measure over time provides a clear indication of the growth. It is also a useful indicator of the growing significance to the Group of the different lines of business and geographic regions.
Effective Tax Rate	Effective tax rate is defined as the approximate tax rate derived from dividing the Group's profit before tax by the tax charge going through the income statement. It is a measure historically presented by the Group and enables users to see how the tax cost incurred by the Group compares over time and to current corporation tax rates.

Glossary **continued**

Additional Terminology

There are many other terms used in this report that are specific to the Group or the markets in which it operates. These are defined as follows:

Accident year	The year in which an accident occurs, also referred to as the earned basis.
Actuarial best estimate	The probability-weighted average of all future claims and cost scenarios calculated using historical data, actuarial methods and judgement.
ASHE	'Annual Survey of Hours and Earnings' – a statistical index that is typically used for calculation of inflation of annual payment amounts under Periodic Payment Order (PPO) claims settlements.
Claims reserves	A monetary amount set aside for the future payment of incurred claims that have not yet been settled, thus representing a balance sheet liability.
Co-insurance	An arrangement in which two or more insurance companies agree to underwrite insurance business on a specified portfolio in specified proportions. Each co-insurer is directly liable to the policyholder for their proportional share.
Commutation	An agreement between a ceding insurer and the reinsurer that provides for the valuation, payment, and complete discharge of all obligations between the parties under a particular reinsurance contract. The Group typically commutes UK motor insurance quota share contracts after 24-36 months from the start of an underwriting year where it makes economic sense to do so. Although an individual underwriting year may be profitable, the margin held in the financial statement claims reserves may mean that an accounting loss on commutation must be recognised at the point of commutation of the reinsurance contracts. This loss on commutation unwinds in future periods as the financial statement loss ratios develop to ultimate.
Insurance market cycle	The tendency for the insurance market to swing between highs and lows of profitability over time, with the potential to influence premium rates (also known as the 'underwriting cycle').
Net claims	The cost of claims incurred in the period, less any claims costs recovered via salvage and subrogation arrangements or under reinsurance contracts. It includes both claims payments and movements in claims reserves.
Net insurance premium revenue	Also referred to as net earned premium. The element of premium, less reinsurance premium, earned in the period.
Net promoter score	NPS is currently measured based on a subset of customers responding to a single question: On a scale of 0-10 (10 being the best score), how likely would you recommend our company to a friend, family or colleague through phone, online or email. Answers are then placed in 3 groups; Detractors: scores ranging from 0 to 6; Passives/neutrals: scores ranging from 7 to 8; Promoters: scores ranging from 9 to 10 and the final NPS score is : % of promoters - % of detractors.
Ogden discount rate	The discount rate used in calculation of personal injury claims settlements in the UK.
Periodic Payment Order (PPO)	A compensation award as part of a claims settlement that involves making a series of annual payments to a claimant over their remaining life to cover the costs of the care they will require.
Premium	A series of payments are made by the policyholder, typically monthly or annually, for part of or all of the duration of the contract. Written premium refers to the total amount the policyholder has contracted for, whereas earned premium refers to the recognition of this premium over the life of the contract.
Profit commission	A clause found in some reinsurance and co-insurance agreements that provides for profit sharing.
Reinsurance	Contractual arrangements whereby the Group transfers part or all of the insurance risk accepted to another insurer. This can be on a quota share basis (a percentage share of premiums, claims and expenses) or an excess of loss basis (full reinsurance for claims over an agreed value).
Scaled Agile	Scaled agile is a framework that uses a set of organisational and workflow patterns for implementing agile practices at an enterprise scale. Scaled agile at Admiral represents the ability to drive agile at the team level whilst applying the same sustainable principles of the Group.
Securitisation	A process by which a group of assets, usually loans, is aggregated into a pool, which is used to back the issuance of new securities. A company transfer assets to a special purpose entity (SPE) which then issues securities backed by the assets.
Special Purpose Entity (SPE)	An entity that is created to accomplish a narrow and well-defined objective. There are specific restrictions or limitations around ongoing activities. The Group uses an SPE set up under a securitisation programme.
Ultimate loss ratio	A projected actuarial best estimate loss ratio for a particular accident year or underwriting year.
Underwriting year	The year in which an insurance policy was incepted.
Underwriting year basis	Also referred to as the written basis. Claims incurred are allocated to the calendar year in which the policy was underwritten. Underwriting year basis results are calculated on the whole account (including co-insurance and reinsurance shares) and include all premiums, claims, expenses incurred and other revenue (for example instalment income and commission income relating to the sale of products that are ancillary to the main insurance policy) relating to policies incepting in the relevant underwriting year.
Written/Earned basis	An insurance policy can be written in one calendar year but earned over a subsequent calendar year.

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