Quilter

For the generations of today and tomorrow

Annual Report 2020

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Business highlights

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

Strategic highlights

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

Operational highlights

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

Financial performance highlights

Assets under management and administration ("AuMA")*

£117.8bn

2020	**£117.8bn**
2019	£110.4bn

Net client cash flow ("NCCF")*

£1.6bn

2020	**£1.6bn**
2019	£0.3bn

Adjusted profit before tax*

£168m

2020	**£168m**
2019	182m

Adjusted diluted earnings per share*

8.5p

2020	**8.5p**
2019	8.6p

IFRS profit/(loss) after tax from continuing operations

£89m

2020	**£89m**
2019	(£21m)

Recommended total dividend per share

4.6p

2020	**4.6p**	
2019	4.0p	5.2p

■ Continuing operations.
■ Including contribution from QLA.

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

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

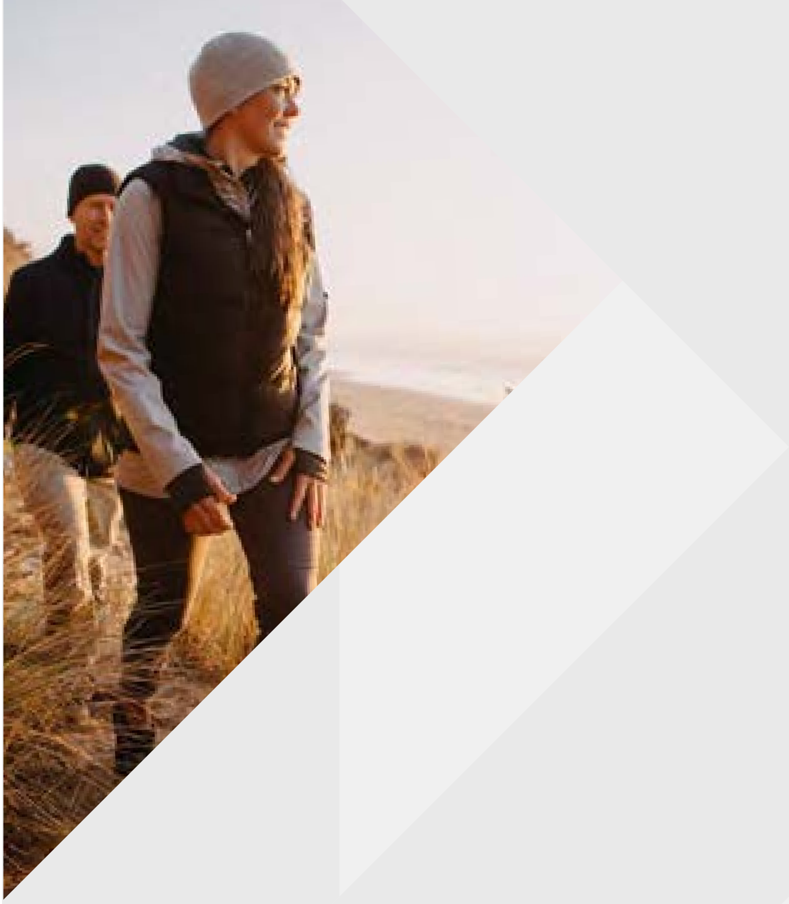
Quilter is a leading UK-focused full-service wealth manager, providing advice-led investment solutions and investment platform services to over 900,000 customers

The quick read

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

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

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



Our business

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

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

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

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

Our strategy
Page 34

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

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

Our business model
Page 42

Our customer offer

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

Our approach to responsible business and our stakeholders

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

Read more:
Responsible business
Page 46

Our stakeholders
Page 90

Our investment proposition

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

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

Our markets
Page 30

We have a clear purpose and ambition

We deliver our ambition by:

Being customer focused

Offering choice and flexibility

Being open and transparent

Acting and investing responsibly

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

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

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

We are customer focused

We offer choice and flexibility

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

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

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

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

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

We are open and transparent

We act and invest responsibly

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

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

Chairman's statement

Glyn Jones
Chairman

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

Introduction

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

The immediate challenges for Quilter from these events were threefold:

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

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

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

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

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

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

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

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

2020 total shareholder return

-0.9%

2020 full year dividend

4.6p

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

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

Read more on our Board effectiveness review
Page 105

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

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

Board

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

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

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

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

Governance and culture

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

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

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

Looking ahead

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

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

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

Glyn P. Jones

Glyn Jones
Chairman

Our stakeholders and s172(1) statement
In undertaking its duties in 2020, the Board and management continued to be mindful of the need to appropriately balance the interests and expectations of Quilter's key stakeholders. Throughout this report we describe how stakeholders have been considered as Quilter strives to achieve its purpose of helping create prosperity for the generations of today and tomorrow.

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

Our response to COVID-19

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

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

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

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

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

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

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

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

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

Read more:
Case studies on capital management
Page 99

Quilter's financial position
Pages 60 to 69

Quilter's approach to risk management
Pages 70 to 77

How we supported our stakeholders

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

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

Chief Executive Officer's statement

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

Paul Feeney
Chief Executive Officer

Execution

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

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

The four things that characterised Quilter through the crisis were:

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

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

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

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

Strategic delivery

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

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

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

Each migration followed the same rigorous approach:

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

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

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

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

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

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

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

Read more about PTP
Page 44

Delivering our strategy – the journey so far

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

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

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

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

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

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

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

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

Operational delivery

Gross sales

£10.9bn (11%)

Assets under management/administration

£117.8bn +7%

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

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

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

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

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

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

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

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

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

Business performance

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

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

Adjusted profit before tax*

£168m (8%)

Adjusted diluted earnings per share

8.5p (1%)

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

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

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

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

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

Culture

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

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

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

Outlook

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

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

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

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

Paul Feeney
Chief Executive Officer

Chief Executive Officer's Q&A

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

Paul Feeney
Chief Executive Officer

Q.

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

A.

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

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

Q.

How important is your business culture in delivering your strategy?

A.

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

Q.

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

A.

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

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

Read more about our market
Page 30

Q.

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

A.

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

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

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

Q.

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

A.

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

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

Q.

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

A.

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

Our markets

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

Macro trends affecting the environment in which we operate

Global health pandemic

Key trend

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

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

Changing demographics

Key trend

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

People turned 67 in 2019 vs 2009[1]

+35%

People turned 55 in 2019 vs 2009[1]

+15%

Climate change and responsible investment

Key trend

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

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

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

+67%

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

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

Digital innovation

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

Large and growing wealth market

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

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

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

Fiscal changes and increase in savings accessibility driving complexity

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

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

<50%

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

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

Strong demand for advice as cost of delivery increases

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

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

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

+17%

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

Savings and investments consolidating onto Platforms

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

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

+21%

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

Growth in outcome-based client-focused investment solutions

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

Percentage of global asset management AuM in 'Solutions'

How these trends affect Quilter and its operations

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

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

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

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

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

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

Governance report
Page 80

Our strategy

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

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

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

Our strategy will enable us to:

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

Our four strategic pillars

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

Underpinned by

Our culture and commitment to responsible business

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

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

Strategic pillar 1:
Delivering on customer outcomes

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

Related KPIs
- NCCF/opening AuMA
- Integrated net flows

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

Asset retention

92%

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

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

Strategic pillar 2:
Advice and Wealth Management growth

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

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

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

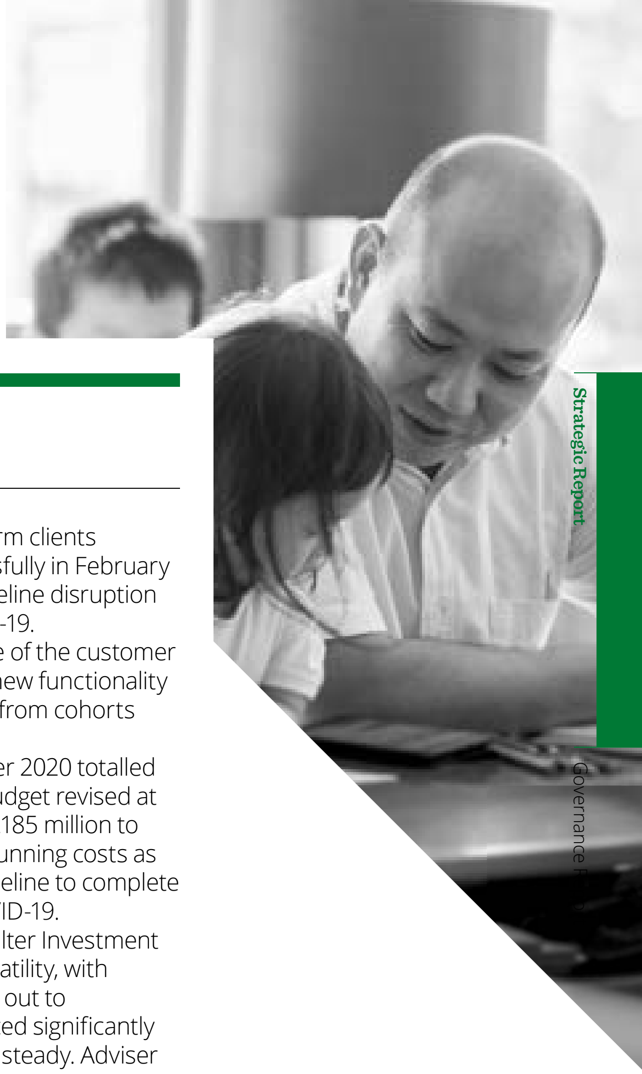
Other performance indicators
- Adviser productivity

New advisers graduated from the Quilter Financial Adviser School

167

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

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



Strategic pillar 3:
Wealth Platforms growth

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

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

Related KPIs
- Integrated net flows

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

Uplift in online account activation during 2020

80%

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

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

Strategic pillar 4:
Optimisation and efficiency

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

Related KPIs
- Operating margin
- Adjusted profit before tax

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

Run-rate savings delivered to date

£46m

Operating margin

25%

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

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

Key performance indicators

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

Updates to Key Performance Indicators in 2020

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

Restricted financial planners ("RFPs")

Definition

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

Link to strategy

2

Performance in 2020

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

Outlook for 2021

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

Restricted financial planners ("RFPs")

Year	RFPs
2020	**1,842**
2019	1,799
2018	1,621
2017	1,561
2016	1,423

Investment managers ("IMs")

Definition

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

Link to strategy

2

Performance in 2020

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

Outlook for 2021

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

Investment managers ("IMs")

Year	IMs
2020	**169**
2019	167
2018	155
2017	164
2016	158

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

* See page 270 for alternative performance measures.

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

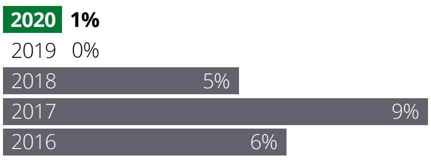
Definition
Total net flows as a percentage of opening AuMA. This measure evaluates the level of flows during the period in relation to the asset base, discretely from market movements.

Link to strategy
1

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

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

NCCF/Opening AuMA



Integrated net inflows*

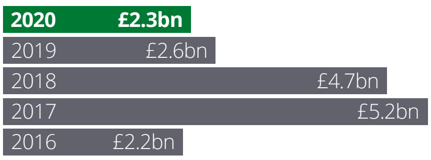
Definition
Total NCCF that has flowed through two or more businesses within Quilter. It is a lead indicator of revenue generation driven by the Group's integrated business model.

Link to strategy
1, 2, 3

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

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

Integrated net flows



Adjusted profit before tax*

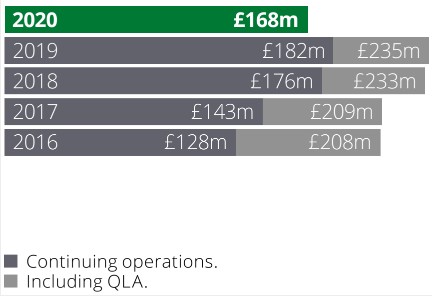
Definition
Represents the underlying operating profit of the Group. It therefore adjusts IFRS profits for key adjusting items such as goodwill impairment and amortisation of intangibles, business transformation costs, financing costs on external borrowings, and policyholder tax adjustments, excluding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

Link to strategy
4

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

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

Adjusted profit before tax



Operating margin*

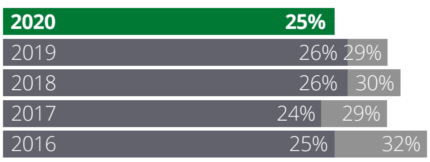
Definition
Represents adjusted profit before tax divided by total net fee revenue. Operating margin is a profitability measure that reflects the percentage of total net fee revenue that flows into adjusted profit before tax.

Link to strategy
4

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

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

Operating margin



■ Continuing operations.
■ Including QLA.

IFRS profit/(loss)

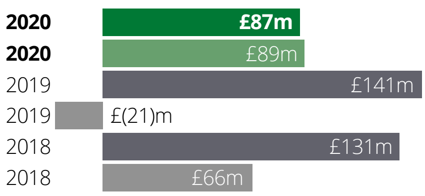
Definition
IFRS profit after tax from continuing operations, prepared in accordance with IFRS. For remuneration purposes, IFRS profit before tax is adjusted to exclude amortisation of intangible assets, policyholder tax adjustments and other one-off items (refer to Note 7(c)) and page 133 of the Remuneration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

Link to remuneration

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

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

IFRS profit/loss



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

Total shareholder return ("TSR")

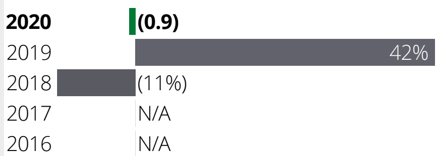
Definition
The difference between the opening and closing share price[1] over the period, plus any dividends paid during that period.

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

Link to remuneration

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

Total shareholder return



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

Business model

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

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

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

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

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

We meet the wealth needs of our client bases which span the wealth spectrum:
- Advice.
- Platforms and wrappers.
- Investment solutions.
- Discretionary investment management.
- Portability of offshore investments.

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

Read more:
Our culture and values, page 34

Our approach to responsible business, page 46

Our colleagues, page 52

Our financial review, page 60

Our risk management, page 70

What we do

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

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

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

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

Customers

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

Investment approach

Financial advice

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

Platforms and wrappers

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

Investment solutions

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

High net worth

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

Bespoke portfolios

Quilter Private Client Advisers

Third-party independent advisers

Quilter RFP gross flows to Quilter Cheviot

£0.5bn

Quilter Cheviot

AuMA advised by Quilter RFPs

8%

Total AuM

£25.3bn

Quilter International

Total AuM

£21.8bn

Third-party funds and solutions

Affluent and mass affluent

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

Multi-asset, risk-adjusted solutions

Quilter Financial Planning

Quilter Financial Advisers

Third-party independent advisers

Quilter Financial Planning gross flows to Quilter Investment Platform

£1.8bn

Quilter Investment Platform

Third-party investment platforms

Quilter Investment Platform AuMA advised by Quilter Financial Planning

16%

Quilter Investment Platform AuMA managed by Quilter Investors

21%

Total AuM

£62.5bn

Quilter Investors

Quilter Investors AuMA advised by Quilter RFPs

48%

Quilter Investors AuMA managed on Quilter Investment Platform

56%

Total AuM

£23.2bn

Platform Transformation Programme

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

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

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

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

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

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

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

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

Read more:
Board Technology and Operations Committee report
Page 119

Assets under administration on new platform
£62.5bn

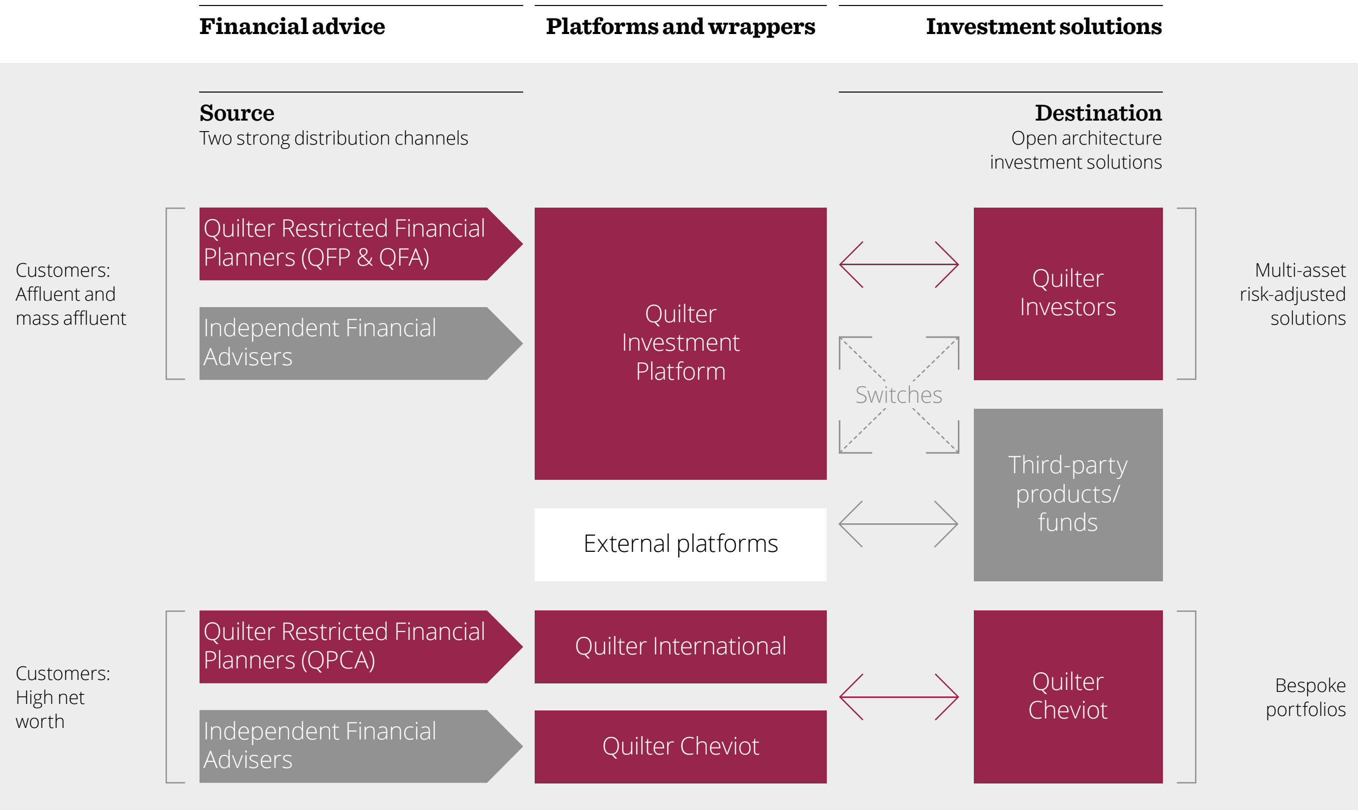
Accounts migrated
600k+

Customers migrated
490k+

Rows of data processed across the three migrations
2.5bn+

Strategic benefits of PTP

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



Commercial benefits of PTP

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

Products:
Supporting growth across generations

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

Functionality:
Market-leading, attractive to broader adviser base

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

Investments:
Opportunity to re-engage with inactive firms

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

Ease of use:
Single-source potential for Quilter RFPs

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

Responsible business

Jane Goodland
Group Corporate Affairs Director

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

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

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

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

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

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

Our responsible business governance framework

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

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

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

Quilter Board

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

Executive Management team
Led by Paul Feeney, Chief Executive Officer

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

Responsible business strategy

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

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

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

To improve financial wellbeing, we are committed to:

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

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

To pursue inclusive growth, we are committed to:

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

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

As a responsible investor, we are committed to:

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

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

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

Shared Prosperity Plan performance in 2020
We have identified non-financial KPIs to help assess Quilter's performance against the Shared Prosperity Plan commitments. Progress against these KPIs is shown opposite.

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

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

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

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

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

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

Our Shared Prosperity Plan performance in 2020

Themes

Financial wellbeing

Relevant Sustainable Development Goal

Inclusive growth

Relevant Sustainable Development Goal

Responsible investment

Relevant Sustainable Development Goal

Our commitments and key performance indicators

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

Customer asset retention

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

2. Promote financial wellbeing for all our colleagues

Percentage of colleagues feeling confident about money

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

3. Empower communities to manage their money well for life

Number of people benefiting from financial literacy support

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

4. Improve access to financial advice, saving and investing

Number of Restricted Financial Planners ("RFPs")

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

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

Proportion of women in senior management roles

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

6. Help our communities to thrive through employment and wellbeing

Number of people benefiting from Quilter Foundation employment and wellbeing support

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

7. Embed responsible investment principles across our business

PRI Strategy & Governance rating

‘A’ rating

8. Exercise active stewardship of customers’ assets

Number of company meetings in which we voted

2020	**348**
2019	171
2018	174

9. Reduce the environmental intensity of our activities

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

2020	**0.63**
2019	0.92
2018	0.83

Delivering for customers

Shared Prosperity Plan commitments

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

Providing quality products and service

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

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

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

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

Responsible investment

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

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

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

ESG integration

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

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

Stewardship

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

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

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

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

Using our voice to champion and protect customers

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

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

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

Data privacy and IT security

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

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

Delivering for colleagues

Related Shared Prosperity Plan commitments

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

Colleague engagement and development

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

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

Code of Conduct

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

Whistleblowing and speaking up

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

Colleague mental and financial wellbeing

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

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

Remuneration

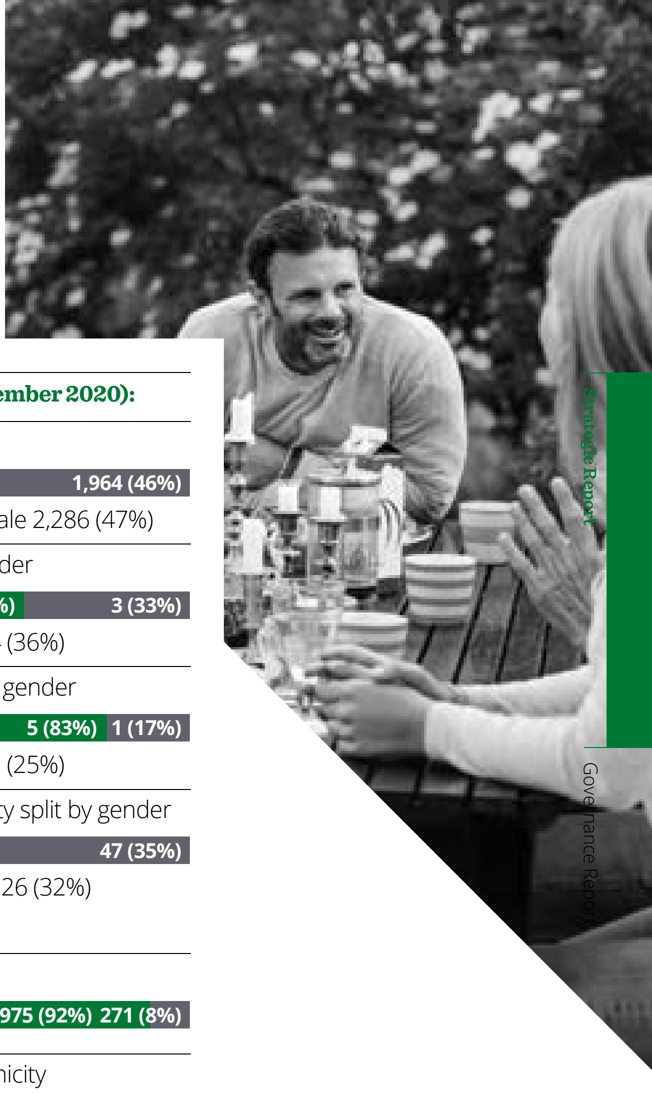
Our remuneration policy seeks to promote reward structures that encourage appropriate behaviour, avoid excessive risk taking, protect customers and support the creation and preservation of sustainable value for the benefit of all relevant stakeholders. All employees and suppliers providing on site services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

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

Creating an inclusive and diverse workplace

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

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



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

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

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

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

Diversity data (as at 31 December 2020):

Total split by gender

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

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

Quilter plc Board split by gender

6 (67%) 3 (33%)

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

Executive Committee split by gender

5 (83%) 1 (17%)

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

Senior Leadership Community split by gender

89 (65%) 47 (35%)

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

Male Female

Total split by ethnicity*

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

Quilter plc Board split by ethnicity

9 (90%) 1 (10%)

Executive Committee split by ethnicity

6 (100%)

Senior Leadership Community split by ethnicity

115 (98%) 3 (2%)

Non-BAME BAME

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

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

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

Delivering for advisers

Related Shared Prosperity Plan commitments

– **Improve access to financial advice, saving and investing.**

Helping advisers manage and grow their business

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

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

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

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

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

Wellbeing support

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

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

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

Training and development

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

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

Transition to digital

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

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

Training the next generation of advisers

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

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

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

Delivering for communities and the environment

Related Shared Prosperity Plan commitments

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

Climate change

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

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

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

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

Climate change governance

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

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

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

Climate change strategy and risk management

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

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

Climate change metrics and targets

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

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

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

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

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

Emissions adjustments for 2019

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

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

Greenhouse gas emissions data

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

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

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

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

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

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

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

Delivering for communities and the environment (continued)

The Quilter Foundation

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

Improving financial literacy

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

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

Employability and skills development

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

Wellbeing and respite support for young carers

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

COVID-19 relief

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

Human rights

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

Financial crime and anti-bribery and corruption

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

Working with suppliers

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

Tax

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

Non-financial information statement

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

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

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

How we understand our stakeholders: Investors
See page 91

Financial review

Mark Satchel
Chief Financial Officer

Review of financial performance

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

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

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

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

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

Key financial highlights

Year ended 31 December 2020

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

Year ended 31 December 2019

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

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

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

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

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

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

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

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

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

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

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

Assets under management/administration ("AuMA")*

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

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

IFRS profit after tax

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

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

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

Adjusted profit before tax*

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

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

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

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

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

Financial performance from continuing operations

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

Financial performance from continuing operations

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

Total net fee revenue*

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

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

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

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

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

Operating expenses*

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

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

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

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

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

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

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

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

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

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

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

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

Taxation

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

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

Earnings Per Share ("EPS")

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

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

Optimisation

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

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

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

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

Lighthouse DB to DC complaints

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

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

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

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

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

Reconciliation of adjusted profit before tax* to IFRS profit

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

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

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

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

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

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

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

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

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

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

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

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

Cash generation*

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

Review of financial position

Capital and liquidity

Solvency II

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

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

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

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

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

Composition of qualifying Solvency II capital

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

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

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

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

Dividend

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

Holding company cash

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

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

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

Net capital movements

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

Net operational movements

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

Internal capital and strategic investments

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

Balance sheet

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

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

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

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

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

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

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

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

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

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

Changes to comparative amounts

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

Risk review

Matt Burton
Chief Risk Officer

Introduction

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

How we manage risk

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

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

Risk governance

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

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

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

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

Policy framework

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

Quilter's three lines of defence model

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

Strategic risk appetite principles

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

Risk appetite framework

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

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

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

Risk-based planning

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

Conduct risk

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

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

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

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

Prudential risk

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

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

Operational risk

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

Remuneration and reward

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

Risk profile

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

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

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

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

Principal risks and uncertainties

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

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

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

Business and strategic risks

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

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

↘ Residual risk decreased during 2020

↗ Residual risk increased during 2020

→ Residual risk remained broadly stable during 2020

Business and strategic risks (continued)

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

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

Operational and regulatory risks

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

Operational and regulatory risks (continued)

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

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

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

Operational and regulatory risks (continued)

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

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

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

Emerging risk radar

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

Near term

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

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

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

Medium term

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

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

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

Longer term

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

Viability statement and going concern

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

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

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

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

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

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

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

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

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

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

Conclusion on viability

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

Going concern

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

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

Glyn P. Jones

Glyn Jones
Chairman
On behalf of the Board