Quilter

Annual Report 2022

Contents

Our business

Quilter is a modern, UK-focused, full-service wealth manager providing advice-led investment solutions and investment administration services to high net worth and affluent clients and their adviser firms.

Our purpose

Our purpose is to help create prosperity for the generations of today and tomorrow. We strive to do this through long-term advice-based relationships, delivering good investment management performance while maintaining consistently high quality customer service.

Visit
plc.quilter.com/investor-relations for the latest news

Learn
how we grow in a way the creates long-term sustainable value at plc.quilter.com/responsible-business

Quilter plc share register
Quilter plc listed on the London and Johannesburg Stock Exchanges on 25 June 2018. Quilter plc has a premium listing on the London Stock Exchange and a secondary listing on the Johannesburg Stock Exchange.

2022 highlights

Financial performance highlights, continuing business only

£99.6bn -11%

Assets under management and administration ("AuMA")*

2022	£99.6bn
2021	£111.8bn

£1.8bn -55%

Net flows*

2022	£1.8bn
2021	£4.0bn

£134m -3%

Adjusted profit before tax*

2022	£134m
2021	£138m

£175m n/a

IFRS profit after tax from continuing operations

2022	£175m
2021	£23m

7.9p +7%

Adjusted diluted earnings per share*

2022	7.9p
2021	7.4p

4.5p +13%

Recommended total dividend per share (continuing operations)

2022	4.5p
2021	4.0p

22% 0%

Operating Margin*

2022	22%
2021	22%

Note:
All 2021 comparatives presented above exclude Quilter International, which was sold on 30 November 2021.

Alternative Performance Measures ("APMs")
We assess our financial performance using a variety of measures including APMs, as explained further on page 209. These measures are indicated with an asterisk.

Strategic highlights

£375m

Completion of the £375 million share buyback programme from the Quilter Life Assurance sale proceeds

£328m

£328 million Capital Return in June 2022 to return the net surplus proceeds from the sale of Quilter International

Our Board and Executive Committee

Read more about the Board changes on page 66 and our Executive Committee on page 8.

Responsible business highlights

Progressed our responsible investment propositions through the launch of new strategies

Set carbon reduction targets for both Scope 1 and Scope 2 emissions for our operations

Operational highlights

Quilter's Business Simplification programme continues to track towards the proposed £45 million target, with annualised run-rate savings of £23 million achieved to date

£65m

Optimisation programme achieved targeted cost savings of £65 million

Chair's statement

Ruth Markland
Chair

Although I joined the Board of Quilter just after our Listing in 2018, this is my first letter to you as Chair of your Company. 2022 was a notable year for Quilter, not just because the business environment presented challenges for the entire Wealth Management industry but also because it marked a year of significant transition in the leadership of your Company.

I assumed the responsibility of chairing the company at the conclusion of the 2022 Annual General Meeting and Steven Levin succeeded Paul Feeney as Chief Executive Officer on 1 November 2022. The Board was unanimous in its view that Steven is the right person to take on the leadership of Quilter. He has been instrumental in building our business in recent years and has proven expertise in terms of large scale transformations and successfully delivered our Platform Transformation Programme. Steven had also been responsible for our Affluent segment, the largest revenue and profit contributor to the Group. With this deep knowledge of the Group, he is well-placed to take Quilter on the next phase of its strategic journey. More background on the Board's deliberations on both my and Steven's appointments is provided in the Corporate Governance Report on pages 52 to 111.

I would like to thank Paul Feeney for his service to Quilter over the last decade. Paul was not only responsible for conceiving Quilter's strategy but also successfully listed the Company and oversaw the disposal of a number of parts of the business which were subsequently deemed non-core. These disposals included our single strategy asset management business, our heritage life assurance business, and, more recently, our international business. These actions generated around £1.5bn of surplus capital of which c.£1.3 billion was returned to current and past shareholders. We wish Paul well in all his future endeavours.

I am greatly looking forward to working with Steven and delivering on Quilter's potential in the years ahead. My principal focus, and that of your Board, is to support, challenge and guide Steven and his executive team to ensure that we achieve the goals we have set ourselves.

Steven has set out his initial perspectives on the business in his letter to shareholders. We both share the view that Quilter is a well-positioned business operating in structural growth markets. However, we have more to do to ensure that we are capturing our share of that opportunity. To get Quilter to where we want it to be will take some time but given the uniqueness of our franchise and our strong market positions, we believe that succeeding in our chosen course of action will deliver significant returns for our shareholders.

Shareholder returns and dividend

The Board is pleased to recommend a Final Dividend of 3.3 pence for the 2022 financial year which, together with the Interim Dividend of 1.2 pence per share paid in September, takes the proposed Full Year total dividend to 4.5 pence which represents an increase of 13% over the continuing business dividend for 2021.

The pay-out ratio for 2022 was 57%. Following the revision to our target dividend pay-out range to 50%-70% of post-tax, post-interest adjusted profit, the 2022 Full Year Dividend sits just below the mid-point of that new range. Subject to the operating environment remaining stable, the Board expects future dividends to continue the progression up the target range.

The Final Dividend will be paid on Monday 22 May 2023, subject to shareholder approval at our 2023 Annual General Meeting on Thursday 18 May 2023, to shareholders who are on the share register on Friday 21 April 2023.

4.5p +13%

Recommended total dividend per share.

Capital Returns

As well as the normal dividend, the other notable component of shareholder returns in 2022 was the capital return to shareholders from the sale of Quilter International. After consulting with shareholders, it was clear that there was a broad consensus for the capital return to be conducted in a timely manner. To facilitate this, the Board recommended, and shareholders approved at a General Meeting held on 12 May 2022, a £328 million capital return through a B Share Scheme followed by a six for seven Share Consolidation. We consider this an effective method of rewarding our shareholders and returning capital to them in a timely and efficient manner.

2023 Annual General Meeting

At our 2022 Annual General Meeting, resolution 16, which sought authorisation for political donations or expenditure, passed with the requisite majority of votes, however 22.5% of the votes cast were against the resolution.

As in previous years, there was a significant difference in voting between the South African and UK share registers on this resolution with 63.77% and 99.94% support respectively.

In line with provision 4 of the UK Corporate Governance Code, we continue to directly engage with our largest South African shareholders on this resolution. We continue to recognise that in a current South African governance context, any linkage between business and politics is a sensitive issue.

Quilter has no intention of undertaking political donations and has not done so since Listing but, in line with other listed UK companies, we have sought such authority to avoid any inadvertent breaches of UK company law given the breadth of the applicable provisions. We will table a similar resolution at the 2023 Annual General Meeting and will continue to explain clearly the reasons why the Board believe this resolution is an important protection for the Company in the 2023 Notice of Annual General Meeting.

As part of our drive for greater efficiency across our business and consistent with our desire to act in the best interests of all our shareholders, we intend to seek regulatory and shareholder approval at the 2023 Annual General Meeting to undertake a second Odd-lot Offer. An Odd-lot Offer entails Quilter making an offer to eligible shareholders (in this instance owners of fewer than 200 shares) to repurchase their shares at a modest premium to the market price. Quilter currently has nearly 200,000 shareholders, of which just under 134,000 each hold fewer than 200 shares. These, principally South African, shareholders were originally granted their shares in Old Mutual plc from their interest as policyholders when that business demutualised in 1999. They have not actively chosen to invest in a UK-domiciled company and have become Quilter shareholders as a result of our demerger from Old Mutual plc in 2018. The proposed Odd-lot offer will further reduce the cost to Quilter of managing our shareholder base and will allow investors holding small numbers of shares to dispose of their holdings in a cost effective manner. Eligible shareholders can, of course, elect to retain their shareholding in Quilter, if they so choose.

Other Board matters

I would like to thank Rosie Harris for her longstanding contribution to the Quilter Board. Rosie stepped down from the Board in April 2022, having joined the Board prior to our Listing in April 2017, and she served as Chair of our Board Risk Committee from appointment. George Reid, who chairs the Board Audit Committee, took on the role of chairing the Board Risk Committee on an interim basis until a permanent successor was appointed.

I am delighted that Neeta Atkar joined the Board in August 2022 and was appointed Chair of the Board Risk Committee from 1 October 2022. Neeta has a deep understanding of risk and regulation having spent her executive career working at the Bank of England and the Financial Services Authority before taking on roles in the financial services industry with Andersen Consulting, Abbey National, Royal & Sun Alliance, Lloyds Banking Group and TSB Bank where she was the Chief Risk Officer. She is also a member of the Board Audit Committee.

I would also like to thank Glyn Jones, our former Chair, who stepped down from the Board in May 2022 following our Annual General Meeting, for his distinguished leadership of the Quilter Board since before Listing. In June we appointed Glyn Barker to the Board with a view to him assuming the role of Chair but subsequently, for personal reasons, he stepped down from the Board in November 2022.

On my appointment to the Chair of Quilter in May 2022, Tim Breedon took on my previous responsibilities both as our Senior Independent Director and Chair of the Board Remuneration Committee and I am delighted that Tim has agreed to continue in those roles on an on going permanent basis.

Diversity and inclusion

We currently meet the FTSE Women Leaders Review targets for at least 40% representation of females on our Board and at least one woman in a senior Board role. We also meet the Parker Review recommendation that all FTSE 350 boards should have at least one Director from a minority ethnic group on their board. Please refer to the fuller disclosure in the Governance Report on page 67.

Governance and culture

We recognise the importance of a healthy culture within a business to ensure the successful delivery of its strategic ambition. Your Board takes an active role in shaping Quilter's culture and is encouraged by our executive team's concerted efforts in 2022 to drive greater inclusion and diversity across the organisation. While we are content with the progress made in this area, we acknowledge that there is more to be done to drive greater diversity across our business at the executive level.

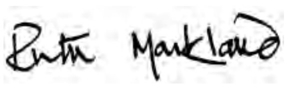
Managing a business responsibly is key to an organisation's long-term success and for Quilter that includes being a responsible investor. We recognise the role of investors, along with other parts of the economy, in supporting the transition to a low carbon economy – vital for the long-term prosperity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

Quilter has continued to maintain a high level of engagement with existing and prospective shareholders this year. Engagement levels in 2022 have been broadly consistent with 2021. Given the changes to our Board and executive leadership team, I have personally maintained a high level of engagement with our largest shareholders in 2022 and in early 2023, I met with our largest shareholders during which time we covered topics including corporate governance, executive remuneration and Chair and CEO succession process.

Conclusion

2022 was a year in which we returned the proceeds from the sale of Quilter International to shareholders, enhanced our customer propositions, delivered a resilient profit given the market context, and have put a leadership team in place to take Quilter forward on the next stage of its journey. While we expect 2023 to have its challenges, we face the future with confidence and are absolutely committed to driving growth from our simpler more focused business.

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



Ruth Markland
Chair

Chief Executive Officer's statement

Steven Levin
Chief Executive Officer

Before I get into the detail of our performance in 2022, I should extend my thanks to my predecessor, Paul Feeney, for his decade of service to Quilter as well as his long-standing support for me personally.

Turning now to the business, clearly, the operating environment has a meaningful influence on the flows we can attract and revenues we generate from the assets we manage and administer on behalf of our clients. 2022 was a particularly challenging year for the entire wealth management industry due to lower equity markets and higher bond yields. In that context, I am pleased we delivered a resilient adjusted profit outturn of £134 million (2021: £138 million) and a stable operating margin of 22% during the year.

Current market conditions are very different from those we anticipated at our Capital Markets Day in late 2021, prior to the war in Ukraine. This has led us to rebase some of the targets we set out then. Notwithstanding this, my focus will always be on managing the things within our control to deliver the best outcomes we can for all our stakeholders and, as I discuss below, my priority is on improving the revenue momentum and cost efficiency of our business.

Business Strategy and Transformation

Over the last ten-years, we have built a business that covers the full spectrum of the UK wealth industry. While we are well-positioned to meet the needs and provide good customer outcomes to our High Net Worth and Affluent clients, my initial assessment is that there is more to be done to ensure we are delivering on our potential as a business. We have three core channels through which we serve clients, each of which generated around £200 million of revenues per annum in 2022:

- Our High Net Worth segment operates under the Quilter Cheviot and Quilter Private Client Advisers brands. This business continues to perform well. While the growth rate of this business in terms of new flows has been good relative to peers, I believe we have the capacity to perform better. We will continue to drive our growth plans by improving productivity, as well as adding investment managers and dedicated financial advisers to enhance the support and value we provide to clients.

We serve our Affluent clients through two channels:

- First, our Quilter Channel where we provide platform and investment solutions through our restricted adviser network. While there is understandably a focus on absolute adviser numbers as a proxy for growth in this business, it is more important to me that we have a productive adviser force which is fully aligned with our propositions, that the business continues to deliver good customer outcomes and that we deliver an appropriate return to shareholders.
- Second, the IFA Channel where our platform business provides investment administration and investment solutions to the IFA market. The enhanced capability of our new platform allows us to support a wider range of IFA firms and to meet a broader spectrum of customer needs than has historically been the case. We continue to add new firms and generating stronger flows from this channel is a key priority for me.

Since my appointment as Chief Executive Officer on 1 November 2022, I have been reviewing what we have done well and what we need to do better.

In terms of what has gone well, we have successfully reshaped our business since Listing, transformed our platform technology, delivered significant cost reduction programmes, paid around £1 billion to shareholders through special capital returns, enhanced our investment propositions to include ESG overlays as well as variants to meet client risk and style preferences, and maintained excellent levels of service to our clients and advisers.

But we can do better. This is a business with a huge amount of potential, and we are not yet delivering the growth of which we are capable. To drive improvement in our business, with customer outcomes at the core of this, my focus is on **building distribution**, **enhancing propositions**, and **driving efficiency**, and for these to deliver better customer outcomes and a significant increase in profitability.

Taking each in turn:

- **Distribution** – one of the core strengths of Quilter is our two large scale distribution channels: IFAs and our own Quilter Channel advisers. We are strongly positioned in each channel, but we recognise the market in which we operate has evolved with sponsor-backed consolidation becoming an increasingly disruptive force. This has had two implications for Quilter. First, where IFAs who use our platform have been acquired, it can lead to outflows from our business as they consolidate their business elsewhere. Secondly, in the Quilter Channel we have lost some of our own advisers to consolidators. On the former, our counter is to leverage our new platform by growing our franchise with larger IFA firms. Progress is in line with expectations, but it is, by nature, a gradual build. On the latter, we are continuing to look at ways to ensure Quilter is attractive to advisers and that they are aligned with our propositions to provide good customer outcomes. We are also finessing our exit proposition for retiring advisers to protect our core franchise and ensure the Quilter proposition remains attractive compared to our peers.

- **Proposition** – here we need to be more agile, responsive and both customer and market focused. Quilter Investors' performance was strong in 2022, with all strategies outperforming their comparators except Cirilium Active. Over the last quarter, we've reviewed our investment capabilities and decided to unify management of all our Cirilium funds under a single team to ensure greater consistency of investment style and performance, and to better align our solutions with our customer needs. This action led to the departure of the two Cirilium Active portfolio managers. To reinvigorate the market positioning of Cirilium Active under the new team, we intend to reduce pricing at the end of March with an expected mid-single digit impact on the revenue margin on our Affluent Managed Assets on a full year basis. Finally, we will be launching a responsible investment multi-asset range which mirrors the well-received action we took with WealthSelect in early 2022.
- We have an award winning platform with market leading functionality. But we see increasing price competition and we need to be more competitive. We have planned actions on our Platform pricing to defend our existing flow, provide better value to customers and accelerate growth in new business. I expect this initiative to lead to around a basis point of margin attrition over the next 18 months over and above the basis point per annum to which we have historically guided, but with this expected to be more than offset by greater flows and revenues over time.
- **Efficiency** – we will update on additional efficiency plans later this year. We have made good progress with our Optimisation and Simplification programmes, but our cost base remains high. We have acquired businesses, particularly in advice, and not always integrated as far as we could. That has led to cumbersome business processes, unnecessary complexity and higher costs. So, there is opportunity to further simplify our business to improve the way we manage ourselves and the way we support our customers and advisers. Getting the operating margin in our business to a satisfactory level is an absolute priority for me.

All of the above is intended to drive a meaningful step-up in profitability and to make us a better business for our customers. I am determined to deliver the growth and returns our shareholders expect. Whilst some aspects of our plans might impact revenues and operating margin in the short term, we are confident they will lead to higher overall revenues and a faster growth rate in the medium term.

Flows and Investment Performance

Advice is central to all Quilter propositions and our goal is to deliver good customer outcomes in all that we do. That means providing excellent client and adviser support while delivering value including consistent investment returns, over time, in line with client risk and ESG preferences.

In 2022 we faced two particular challenges:

- First, across the industry, new business activity was hindered by 'risk off' sentiment following Russia's invasion of Ukraine in February which contributed to inflationary shocks from higher energy and food prices and cost-of-living pressures. This has naturally reduced the propensity for most households to save and invest beyond regular pension saving.
- Secondly, as I already noted, the adviser market has been going through a period of structural change with an increasing amount of private equity capital looking to back advice consolidation vehicles. As a result, we have seen a number of smaller independent firms seeking to move their clients to these new businesses which impacted on flows in our UK Platform which administers funds on behalf of clients of these firms.

While we have performed well in the current market with Quilter generating the largest share of gross flows across the retail advised industry based on the latest Fundscape data (to end December 2022), our net flows have been below the level we target.

Turning to investment performance, our Wealth Select portfolios continued to deliver strong performance while our Cirilium Active proposition remained stylistically out of favour. The management team who delivered a strong track record with our Cirilium Blend range have taken over the management of Cirilium Active with a view to revitalising performance.

2022 was a more challenging year for investment performance in our High Net Worth division and, over three years, we have slipped into 3rd Asset Risk Consultants ("ARC") quartile although the cumulative difference between 2nd and 3rd quartile is just over 1.2%. We have delivered outperformance over a 10 year period.

Business Performance

Our overall assets under management and administration declined by 11% over the course of the year to £99.6 billion with the reduction in revenues limited to 2% to £606 million (2021: £618 million). Lower management fee revenues were partially offset by higher levels of interest income from the corporate capital and cash held in our business. We reduced operating expenses by £8 million from 2021 levels to £472 million despite the impact of much higher than usual inflation across our business.

Across our two segments, High Net Worth delivered revenue stability, despite lower markets supported by a higher contribution from net interest income reflecting higher UK interest rates. Higher operating expenses of £11 million largely reflected planned business investment and led to a similar decline in profit to £45 million.

A 5% decline in revenues in our Affluent segment to £387 million reflected weaker markets and the repositioning of our adviser base contributing to the reduction in other income. Strong cost management combined with a lower overall FSCS charge limited the decline in profits to £6 million for the Affluent segment with a contribution of £105 million for the year.

Within our Head Office segment, we reduced operating expenses for managing the Group in 2022 by £6 million. In addition, higher interest rates contributed to an increase in net interest income generated on our available cash and capital resources which support our regulatory capital and liquidity requirements. Both factors contributed to a reduction in the net cost of the segment to £16 million from £29 million in 2021.

The Group's IFRS profit from continuing operations after tax was £175 million compared to £23 million in 2021. Adjusted profit before tax of £134 million for 2022 (2021: £138 million) represents the Group's IFRS profit, adjusted for specific items that management consider to be outside of the Group's normal operations or one-off in nature. The exclusion of certain adjusting items may result in adjusted profit before tax being materially higher or lower than the IFRS profit after tax. Adjusted profit before tax does not provide a complete picture of the Group's financial performance, which is disclosed in the IFRS income statement, but is instead intended to provide additional comparability and understanding of the financial results. Principal differences between this measure and our IFRS profit is largely due to non-cash amortisation of intangible assets, our business transformation expenses and the impact of policyholder tax positions on the Group's results. This latter item was significantly positive in 2022 because of the decline in markets over the course of the year.

Business transformation expenses will remain elevated in 2023 reflecting the pre-funded expenditure on our Simplification programme and other cost reduction initiatives and is expected to reduce substantially thereafter.

Total Group adjusted diluted earnings per share were 7.9 pence, an increase of 7% (2021: 7.4 pence from continuing operations). We target mid-teens compound annual growth rate in EPS to 2025 from the 2020 base. Compound growth of 23% from the 2020 base represents a strong performance against that metric. However, given the planned actions being taken to accelerate growth, the rate of EPS growth is likely to be slower over the remaining target period. On an IFRS basis, we delivered basic EPS from continuing operations of 12.2 pence per share versus 1.4 pence per share for the comparable year of 2021 on the same basis.

The Board is pleased to recommend a Final Dividend of 3.3 pence per share versus 2.8 pence for 2021, bringing the total dividend for the year to 4.5 pence per share, an increase of 13% on the continuing business dividend for 2021 of 4.0 pence per share (total dividend 5.6 pence per share, including 1.6 pence per share in respect of Quilter International distribution).

During the year, shares in issue declined by 252 million as a result of our share buyback programme which completed in January 2022 and our B Share Scheme and Share Consolidation which returned net surplus proceeds of £328 million to shareholders following the disposal of Quilter International in November 2021. Since Listing our capital return programme from disposals has reduced our total share count by around a quarter.

Responsible Business and Stewardship

Ensuring Quilter is a business whose actions go beyond making a profit, has been a core part of the culture we have built since we listed. For me, this comes down to how we act and how we invest.

How we act

Our fundamental commitment to acting responsibly is reflected in the excellent level of customer and adviser service we provide, mirrored by our commitment to being a responsible employer. The Quilter Foundation makes a positive contribution to the communities in which we operate and this year the charity launched a local community fund to further expand its impact.

During 2022, we significantly increased our focus on climate action. We set ourselves carbon reduction targets for both Scope 1 and Scope 2 emissions for our operations and expect to release a fuller climate action strategy (including Scope 3, emissions were possible) later in 2023.

How we invest

There are two approaches to being a responsible investor:

- Risk mitigation: the integration of ESG factors and stewardship within the advice and investment process.
- Specific responsible investment-related objectives; this builds on the risk mitigation and relates to linking products or strategies to specific responsible investment related outcomes or objectives.

Our focus has been on strengthening the integration of ESG factors within our advice and investment processes and building on our active ownership work through our stewardship activity including exercising our voting rights and engaging with our underlying investments, be they companies or funds. This is reflected in our achievement in retaining signatory status of the Stewardship Code for 2022. In addition, we have also significantly expanded our range of dedicated responsible investment solutions both in our High Net Worth and Affluent segments.

Outlook

My goal is to deliver the service and propositions our customers need alongside rates of growth and returns our shareholders expect. I am focused on driving towards that outcome at pace. We anticipate investor sentiment will slowly recover this year supporting a gradual improvement in IFA net flows coupled with another strong net flow performance from the Quilter Channel and a solid out-turn from our High Net Worth segment. The weighted average of these growth rates suggests an improvement in Group net flows to a bit over 2% this year. We expect this to improve to 4-5% as market activity normalises and we deliver the business initiatives I have set out, we clearly aspire to build momentum further from this level.

The Group's income levels depend to a large extent on market levels and interest rates. Assuming these remain broadly stable through 2023, then the Group's Adjusted Profit will again depend on careful cost control as well as the pace of our focused investment in customer proposition initiatives. Overall, our expectation is that these factors may lead to a decline in Adjusted Profit for 2023, although we currently anticipate the outcome being modestly ahead of current market expectations.

Given the changed market and economic environment since our Capital Markets Day in November 2021, we now expect to reach a 25% operating margin in 2025, rather than our previous target of 2023. Given our business mix, we continue to believe that an appropriate operating margin for our business should be higher than 30% and that clearly remains the longer-term goal which we are focused on.

Steven Levin
Chief Executive Officer

Meet our Executive Committee

Steven Levin was appointed as the Chief Executive Officer on 1 November 2022, as detailed in the Board Corporate Governance and Nominations Committee Report on page 64. Shortly after his appointment, Steven announced a series of changes to the roles of the existing members of the Executive Committee and the appointment of Marcus Brookes, Penny Cole and Stephen Gazard to the Committee with effect from 1 January 2023. These changes will ensure that, as our most senior management committee for the Group, the Executive Committee is well placed to support Steven in his new role. The Executive Committee will continue to have the right balance of skills and experience that we need to deliver for our stakeholders, and to not only maintain, but accelerate the Group's performance.

Steven Levin
Chief Executive Officer

Steven has deep industry knowledge, having worked in asset management, investments, platform and distribution roles. He joined the Group in 1998, the Executive Committee in 2011 and the Board in November 2022 when he was appointed as Chief Executive Officer. Steven has played a leading role in delivering several high-profile strategic initiatives for the Group, including the implementation of Quilter's new investment platform and supporting the development of Quilter's ESG proposition. As Head of Affluent, Steven focused on bringing Quilter's Platform and Investment Solution businesses together to operate in a more customer centric manner with our Advice business. Steven's broad industry and leadership experience allows him to effectively drive strategic delivery. Steven is a qualified Actuary and Chartered Financial Analyst.

Mark Satchel
Chief Financial Officer

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

Marcus Brookes
Chief Investment Officer & Managing Director, Quilter Investors

Marcus joined Quilter Investors from Schroders Personal Wealth, where he held the role of Chief Investment Officer. He has considerable investment management experience with a deep understanding of the multi-asset sector, having managed multi-manager fund ranges for more than 20 years at Schroders, Cazenove Capital, Gartmore and Insight Investments. This extensive experience equips Marcus well to hold responsibility for Quilter Investors' portfolio management desk. In January 2023 Marcus was appointed Managing Director of Quilter Investors and focuses on manager engagement and driving Quilter Investors' investment proposition and performance in addition to his Chief Investment Officer responsibilities.

Penny Cole
Human Resources Director

Penny has over 15 years' experience at Quilter. During her time with the Group, Penny has held multiple senior HR roles including Head of HR for our UK and International Platform businesses. She has worked across multiple jurisdictions and geographies and led significant and complex people change. In her previous role as People Transformation Director, Penny spearheaded the externally recognised and multi award winning 'Hello Tomorrow' programme.

She has extensive experience across the spectrum of HR, including Remuneration, Culture, Talent and Succession, Organisational Design, Learning and Development and HR Operations. Penny has worked across multiple industries and sectors including Telecommunications, Third Sector and Financial Services.

Karin Cook
Chief Operating Officer

Karin has over 30 years' experience in the financial services industry, having held senior operations, technology and finance roles at HSBC, Morgan Stanley, Goldman Sachs and most recently at Lloyds Banking Group where her role encompassed customer operations, payments, technology, security, property and procurement. This experience enables Karin to be instrumental in driving efficiency across all areas of the Group. Karin chairs the Quilter Operating Committee, providing oversight on material technology and operational change programmes. She is a passionate, committed and informed ally to the LGBTQ+ community and has been recognised in OUTstanding LGBTQ+ Role Model Lists from Involve – The Inclusion People.

Stephen Gazard
Chief Distribution Officer & Chief Executive Officer, Quilter Financial Planning

Stephen has served as Chief Executive Officer of Quilter Financial Planning since June 2020 and in January 2023 he was appointed as Chief Distribution Officer, subject to regulatory approval. Stephen brings a wealth of industry experience to Quilter, including his tenure as a financial planner and advice business owner. Prior to joining Quilter, he held numerous senior leadership roles in the wealth management profession across owner managed, AIM listed, provider owned and FTSE 100 / 250 trading environments delivering both corporate restructures and growth.

Andy McGlone
Chief Executive Officer at Quilter Cheviot and Quilter Private Client Advisers

Andy has substantial experience in investment management, having worked in the evolved Quilter Cheviot business for his entire career, beginning at Quilter Goodison in 1994 as a Trainee Investment Manager. He served as Managing Director before being appointed Chief Executive Officer of Quilter Cheviot in January 2019, and Quilter Private Client Advisers in January 2022, when these two businesses were brought together. Andy's deep knowledge of discretionary wealth management provides him with the ideal combination of skills and understanding to continue to ensure strong investment performance for clients and to develop the Quilter Cheviot and Quilter Private Client Advisers businesses in line with Quilter's strategy. Andy is a Fellow of the Chartered Institute for Securities and Investments.

Nick Sacre-Hardy
Chief Risk Officer

Nick plays a key role in the definition, setting and management of Quilter's risk profile. Formerly Quilter's Chief Internal Auditor, Nick joined Quilter in June 2016 as the Head of Audit for Investment Management. Nick has a wealth of financial services experience having held senior roles at Morgan Stanley and Credit Suisse. He also spent time in professional practice with both Ernst & Young and BDO Stoy Hayward. Nick is a Chartered Accountant and member of the Institute of Chartered Accountants of Scotland.

Senior Leaders supporting the Executive Committee

Clare Barrett
Company Secretary

Clare joined Quilter in October 2017 as Deputy Company Secretary and was promoted to Company Secretary in August 2022. Clare was a key member of the team that prepared Quilter for its Listing on the London and Johannesburg Stock Exchanges in June 2018 and since then she has led the Corporate Secretariat team and overseen the implementation of Corporate Actions, including the Return of Capital, the share buyback programme and the Odd-lot Offer. Clare has extensive experience in the financial services industry having gained board corporate governance, transactional and shareholder relations experience at Hammerson plc, Legal & General Group Plc and Barclays PLC, where she was Director and Head of their Secretarial Services team. Clare is an experienced Chartered Secretary and Fellow of the Corporate Governance Institute.

Daniel Baynton
Chief Internal Auditor

Daniel has been a core part of the Internal Audit team since joining the business in 2016 as Head of Audit, helping to build and manage a highly effective Internal Audit function. He has been responsible for providing important independent assurance and insight to the business Boards and executive management for the Affluent Segment. Prior to joining Quilter, Daniel worked at Santander, in roles across all three lines of defence culminating in a role as Head of the Santander Conduct Risk Programme. Daniel has over 15 years' experience across financial services and started his career with Arthur Andersen and Deloitte. Daniel is a Fellow of the Association of Chartered Certified Accountants.

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Our markets

The markets in which Quilter operates offer strong growth potential. Quilter provides services to the High Net Worth and Affluent segments of the UK population as they build their long-term savings ahead of retirement and then help them manage decumulation of those assets during retirement itself.

Quilter is well positioned across each part of the wealth value chain; the provision of advice, wealth administration, and investment management. It is Quilter's mission to create prosperity for the generations of today and tomorrow. An integrated business such as Quilter, has opportunity to grow and win market share despite broader industry challenges such as modest growth in numbers of financial advisers, fee pressure, the cost of regulation and continuing regulatory and fiscal changes.

Following several significant disposals since Listing to simplify our business, we reorganised ourselves into two client segments, High Net Worth and Affluent and are well positioned to grow with our customers and their advisers. We focus on technology and digital innovation, providing long-term advice, delivering good investment management performance and maintaining consistently high-quality customer service. We are also being fully committed to being a responsible business.

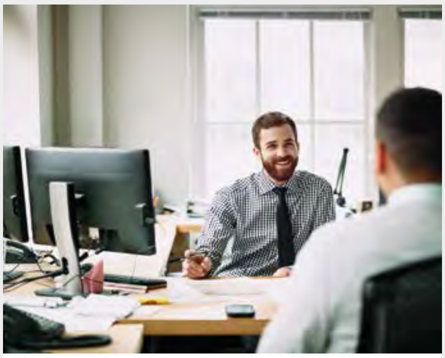
Key trends

Economic downturn and rising interest rates and cost of living

2022 was a challenging year for the wealth management industry. The war in Ukraine led to high energy and commodity prices driving increased inflation and pushing up interest rates. The combination of lower equity markets and higher bond yields (impacting the value of bond portfolios) in 2022 has led a negative cyclical impact on revenue levels across the industry. The uncertainty over the depth of economic slowdown within the UK and globally in 2023, may continue to adversely impact investor confidence.

Making financial advice more accessible

The need for accessible financial advice to help consumers make effective investment decisions continues to be a growing area within the UK wealth management industry. The FCA, as part of its consumer investment strategy in 2022, set out new proposals to support mass market consumers with less complex needs and to prevent in-person financial advice from being too costly. Offering a Hybrid advice proposition that leverages technology to address this advice gap is a growing and evolving trend and one that will be relevant to full service UK wealth managers such as Quilter.



Technology and Digital innovation

Technology is key in all aspects and functionality of our lives and is important within the wealth management sector as well. COVID-19 lockdowns changed the way clients were willing to engage with companies and service providers. The need for digital strategies to allow clients and advisers to digitally access their investments is more important than before.

Digital innovation across the wealth management industry is a development, which Quilter looks to embrace. Innovation allows us to improve and deliver a more personalised customer experience and one which empowers clients and advisers.

£1.8tn

Total market value[2]

Since 2015, the UK wealth market assets have grown by c.10%, on a compound basis. Regulatory and digital trends have encouraged clients and advisers to consolidate investment assets onto platforms and we expect these trends to continue in the near to medium term.

Large market with growth trends

The UK wealth management market is the fifth largest in the world[1] and whilst macroeconomic conditions were challenging for equity and bond markets during 2022, the market has grown c.10% since 2015[2]. The 'baby boomer' generation is a key customer demographic as they approach retirement. However, an increasing need for individuals to take personal responsibility for retirement saving and intergenerational wealth transfer will support the sustainability of the industry. Building relationships with younger generations as they begin to focus on their own saving for retirement will also support future growth.

[1]Credit Suisse Global Wealth Databook 2022.
[2]Fundscape Platform Report Q4 2022 Retail Advised Platform AuA, adding £148 billion St. James Place AuM. Compeer UK Wealth Management Report, 2022. Wealth managers and private banks, Boring Money Online Investing 2022.

Consolidation in the UK Wealth Management market

The UK wealth management industry has attractive attributes; strong structural growth, long term relationships with customers, recurring revenues and high customer retention rates.

High barriers to entry into the wealth management industry, such as brand recognition, scale, technological investment and adviser recruitment are enablers for consolidation, as demonstrated by activity during 2022 which included consolidation activity from banks and private equity firms.

Responsible investment

Evolving legislative and regulatory requirements, such as TCFD and the FCA Sustainability Disclosure Requirement Regime, along with increasing demand from clients looking to align their investments with environmental and social goals, means that acting and investing will need to be an integral part of a wealth managers' proposition.

Quilter's aim is to create prosperity for the generations of today and tomorrow. To create a sustainable business, that both acts and invests responsibly and being a responsible wealth manager forms a core part of our four strategic ambitions.

Our strategy

Since our Listing in 2018, we have transformed our business into a simpler, modern, full-service UK centric wealth manager. Our strategy is focused on growing with our clients and advisers, enhancing the efficiency of our operations, increasing digitalisation across the business and being a responsible wealth manager. This will enable us to increase flows through our two main distribution channels and manage more of those flows in our investment solutions. We aim to deliver top-line growth with operating leverage. We are guided by a strong set of principles and values, embodying a diverse and inclusive culture, where colleagues embrace our cultural values of being pioneering, dependable and stronger together that will not only help us achieve our goals but also benefit all of our stakeholders.

Our four strategic pillars for delivering growth and driving efficiency:

01 Grow with our clients and advisers

02 Enhance efficiency

03 Embed digital

04 Be a responsible wealth manager

Alternative performance measures see pages 209-211

01. Grow with our clients and advisers

Strategic objective:

Key performance indicators

Client numbers

Definition
High Net Worth clients are based on the number of households or client units served by Quilter Cheviot.
Affluent client numbers are identified as individuals, or corporate or trust entities actively engaged with the Quilter Investment Platform.

2022 performance

	Affluent	High Net Worth
2022	467,245	36,160
2021	458,077	36,117

- The Affluent segment delivered client growth of 2%, demonstrating our ability to attract clients and IFA firms.
- The number of households served by the High Net Worth segment experienced muted total growth, as we move towards focussing on higher net worth clients.

Outlook for 2023
- Grow the number of clients served, ensuring a high-quality client and adviser experience that provides a strong range of investment solutions and delivers good customer outcomes.

Aligning our expertise and resources around the needs of our advisers and our two client segments, with tailored advice and products, and a streamlined experience, delivering relevant service offerings and good customer outcomes.

Net inflows as percentage of opening 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, excluding from market movements.

2022 performance

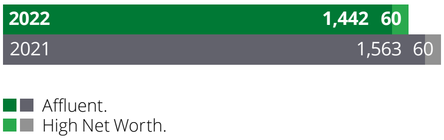
- Net inflows/opening AuMA decreased 2 percentage points in 2022 reflecting the more uncertain UK economic backdrop.
- Solid performance from the Quilter channel in the Affluent segment with gross platform flows of £2.6 billion (2021: £2.6 billion).
- Robust performance in the High Net Worth segment with modestly lower gross flows and stable retention leading to net inflow of £0.9 billion for the year (2021: £1.1 billion).

Outlook for 2023
- Target net flow growth of 2%+ in 2023, building to c.4-5% per annum as markets normalise, with aspirations to build momentum further.

Number of 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.

2022 performance



- Following the successful launch of our new Platform, we have continued to focus on ensuring alignment and productivity of our own advisers.
- Total Restricted Financial Planners decreased by 121 in 2022.
- Of the total 1,502 Restricted Financial Planners as at the end of 31 December 2022, 60 were in the High Net Worth segment and 1,442 were in the Affluent segment.

Outlook for 2023
- Stabilise and return to adviser growth in 2023 and beyond.

Number of discretionary investment managers

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

2022 performance

- We achieved growth in discretionary investment managers of 5% to 179 following a number of new recruits and promotions during the year.

Outlook for 2023
- Continue to grow number of discretionary investment managers toward our 2025 target of c.200 and build out investment management proposition.
- Total 300 client facing staff (including financial planners) by 2025.

02. Enhance efficiency

Strategic objective:

Maximising synergies across the business, increasing operational efficiency and reducing costs and complexity. Simplification programme to achieve c.£45 million in cost savings by the end of 2024.

Key performance indicators

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 adjusted profit before tax generated from total net fee revenues.

2022 performance

- The Group's operating margin was in line with the prior year, primarily as a result of good cost discipline. Lower revenues broadly match the decline in average assets.

Outlook for 2023

- Continuing the Simplification programme, enhancing efficiency and reducing complexity, with total benefit of £45 million of cost saving expected by 2024.
- Given the shift in operating and market conditions, we no longer expect to achieve an operating margin of 25% for 2023. We still believe that an operating margin in excess of 30% is an appropriate goal for our business, but is likely to take longer to attain than previous expectation of 2025.

Adjusted profit before tax*

Definition

Adjusted profit before tax represents the Group's IFRS profit, adjusted for specific items that management consider to be outside of the Group's normal operations or one-off in nature, as detailed in note 7(b) in the financial statements. The exclusion of certain adjusting items may result in adjusted profit before tax being materially higher or lower than the IFRS profit after tax.

2022 performance

- Adjusted profit before tax of £134 million, was 3% lower than 2021.
- The decline in net management fees was due to lower average assets year on year.
- Other revenue increased reflecting interest income earned on cash and capital resources, offset by lower mortgage and protection business levels and lower adviser headcount.
- Operating expenses in 2022 were down 2% primarily due to continued cost discipline, lower FSCS levies and the Optimisation and Simplification cost initiatives delivering the intended cost reductions.

Outlook for 2023

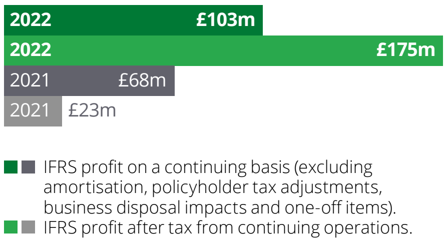
- Accelerating growth in medium-term.

IFRS profit

Definition

IFRS profit after tax from continuing operations, prepared in accordance with IFRS. For remuneration purposes, IFRS profit before tax on a continuing basis is adjusted to exclude amortisation of intangible assets, policyholder tax adjustments, business disposal impacts and other one-off items (refer to Note 7(c) and page 95 of the Remuneration Report.

2022 performance



- The Group's IFRS profit after tax from continuing operations was £175 million, compared to a profit of £23 million for 2021. The increase in profit is largely attributable to policyholder tax credits resulting from market losses up to December 2022 of £134 million compared to market gains in the prior year (2021: tax charge £73 million).

Outlook for 2023

- IFRS profit after tax from continuing operations can vary significantly year-on-year depending on the change in policyholder tax. Business Transformation expenses will remain elevated in 2023 reflecting the expenditure on our Simplification programme and other cost reduction initiatives but are expected to reduce substantially thereafter.

Total shareholder return ("TSR")

Definition

The difference between the opening and closing share price over the period, plus any dividends paid during that period. Performance shown for Quilter as traded on the London Stock Exchange.

2022 performance

2022	**(33.0%)**
2021	(0.1%)

- Total shareholder return was negative at 33%. A similar downturn was experienced across the wealth management sector, as a result of the fall in equity markets and rise in inflation which led to lower revenues and profits.

Outlook for 2023

- N/A

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3. Embed digital

Strategic objective:

Enhancing and modernising our digital service experience to engage clients of today and tomorrow.

Key performance indicators

Number of visits to Quilter websites

Definition
Number of visits to any of the Quilter plc or Quilter-brand websites.

2022 performance

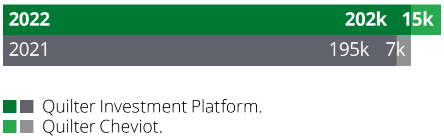
- The number of visits to any of the Quilter plc or Quilter-brand websites has decreased by 15% in 2022. This reflects a change in our website strategy which has reduced the number public websites to enhance and simplify the user experience.

Outlook for 2023
- Enhance our digital communication channel and branding.
- Continue our digital transformation and ensure this is aligned with our segment strategy.

Number of online portal customer registrations

Definition
Number of customers registered to use our online portal, for the Quilter Investment Platform and Quilter Cheviot.

2022 performance



- The total number of online portal customer registrations in 2022 increased by 7% from 2021. This reflects our commitment to evolving our digital communication and engagement with our online customer portals.

Outlook for 2023
- Grow the number of online portal customer registrations as we improve our digital channels.

Customer App downloads

Definition
Number of downloads to our Customer App for our platform customers.

2022 performance

- Successfully launched the Affluent Quilter Customer App on 31 October 2022. This signifies a key milestone in our digital journey to modernise our digital service experience to engage our customers of today and tomorrow.

Outlook for 2023
- Grow the number of Customer App downloads, as we continue to enhance our digital proposition.

4. Be a responsible wealth manager

Strategic objective:

Strive to act and invest responsibly. Acting responsibly refers to the way we operate and do business. It is about our culture, values, business conduct and how we manage our relationships with our stakeholders. Investing responsibly refers specifically to our products and services. It is about how we integrate responsible investment considerations into our financial advice, investment platform and investment management. Detail on our progress on the following KPIs can be found in the Responsible Business report on page 26.

Key performance indicators

Female representation in senior management[1]

Definition

Number of females within our senior management team.

2022 performance

2022 36%

- Female representation in senior management was 36% at the end of 2022, below the target of 38% we had set out for 2022.
- Quilter Cheviot's Women in Investing Hub continued.
- Female Client Survey conducted, aimed at understanding the investment experiences of Quilter Cheviot's female customers.

Outlook for 2023

- To further reinforce our long-term goals, we have set out new minimum targets for the end of 2025 to have 40% female representation in senior management, which is in line with the FTSE Women Leaders Review Target.

Ethnic minority representation in senior management[1]

Definition

Ethnic minority representation within our senior management team.

2022 performance

2022 4%

- Ethnic minority representation within our senior management team for 2022 was 4%, below our 5% target.

Outlook for 2023

- Work towards a 5% ethnically diverse representation in our senior management by the end of 2023.

Scope 1 and 2 greenhouse gas emissions

Definition

Level of direct emissions from owned or controlled sources (Scope 1) and indirect emissions from the generation of purchased energy (Scope 2).

2022 performance

2022 1,462
2021 2,754

- Published our first Task Force on Climate Related Financial Disclosures (TCFD) disclosure and set a Scope 1 and 2 emissions reduction target.
- In 2022 we launched our Quilter-wide colleague sustainability committee and ran our first colleague sustainability survey designed to inform the analysis of the emissions created.

Outlook for 2023

- Reduce our Scope 1 and 2 emissions by 80% by 2030.
- Set purchased goods and services engagement target.
- Iterative improvements to our action plan with a focus on our investments.
- Ongoing annual Sustainability Survey and support to encourage colleague action.
- Assess Taskforce for Nature Related Financial recommendations and determine actions.

[1]Senior Management is defined as Executive Committee and their direct reports, excluding personal assistants.

Number of young people supported by the Quilter Foundation

Definition
Number of young people supported by the Quilter Foundation.

2022 performance

2022	26,557
2021	12,606

- Our three-year employment grant was concluded in 2022 and we partnered with three charities to support 424 15-25 year olds, reducing barriers faced when gaining employment.
- Formed charitable partnerships with MyBnk and Centre for Financial Capability to further advocate the need for financial education.
- Launched the Foundation's Local Community Fund, helping facilitate smaller grants to causes nominated by colleagues or advisers.

Outlook for 2023
- By 2025, we aim to have supported since Listing, 100,000 young people through the Quilter Foundation.
- Launch our next strategic partnership through the Quilter Foundation. This grant will focus on breaking down the barriers to employment which exist for some young people and seek to leverage the broader organisation to offer them opportunities to engage with financial services.

UN PRI rating.
Please find further details of our UN PRI rating disclosure on our website and Responsible Business report.

Retained status as a signatory of the FRC's UK Stewardship Code.

Our business model

Offering a differentiated model helping drive value creation, with clear benefits to clients and shareholders.

A differentiated model with clear benefits to all stakeholders
Quilter is a full-service wealth manager and is well positioned in an industry benefitting from structural growth. We have an open and unbundled model, with client choice at the heart of the offering. Our business model supports both our advisers and their clients as well as third-party independent financial advisers and their clients, as their financial requirements evolve throughout their lives.

Few of our peers have both their own adviser force while also supporting independent financial advisers. Even fewer have the scale of our distribution reach. We have one of the largest platforms in the Retail Advised market, meaning we can offer the benefits of our scale to clients at sustainable, fair prices. Our investment solutions are closely aligned to the advice process and aim to offer good customer outcomes through the investment cycle.

The benefits of our model
- Our dual advice channels (our own advisers and independent financial advisers (IFAs)) provide strategic control of distribution as the independent financial adviser market consolidates.
- Our own platform gives us scale and operating leverage across the business.
- Our own investment solutions enables us to capture an additional source of revenue.

Our drivers of value creation

1. Colleagues
Quilter is a people-driven business, with value created not only from our own employees and advisers but also third parties and independent advisers who are supported by our services. Our culture helps us achieve our purpose while operating in a responsible manner.

2. Technology and expertise
Our highly skilled colleagues, experts in the fields of financial planning and investments, combined with our technological capabilities, provide high-quality service and strong customer engagement.

3. 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.

4. Financial resources
We use our financial resources to invest for growth, as well as to facilitate inorganic opportunities, where appropriate.

We serve two customer segments...

Customer profile
A wealth management customer, no matter their investable assets, needs three things:
- financial advice;
- a platform on which to hold their assets; and
- investment solutions to deliver returns aligned to their risk appetite and ESG values.

Quilter provides each of those. As well as having our own advice force, we also support independent financial advisers.

High Net Worth c.£250,000+ of investable assets

Benefits and synergies created by the High Net Worth segment
- Quilter Private Client Advisers is a Quilter channel to drive net flows while maintaining strong relationships with independent advisers.
- Full-range client offering: investment management, advice or both.

Affluent c.£50,000+ of investable assets

Benefits and synergies created by the Affluent segment
- Full spectrum of adviser support.
- Scale benefits from shared Platform.
- Single investment team and dual-channel distribution focusing resources and driving flows.

...through two strong distribution channels...

...and a single operating model.

Financial advice
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.

Platform 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. 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.

Quilter channel

IFA channel

Quilter Platforms

Our platforms are available to Quilter advisers and independent advisers, as well as directly via a dedicated customer portal.

Quilter proprietary solutions

Third-party solutions

Section 172 (1) statement

Delivering for our stakeholders: Section 172 (1) statement

The Companies Act 2006 (the "Act") and the UK Corporate Governance Code 2018 require the Annual Report to provide information that enables our stakeholders to assess how the Directors of Quilter have performed their duties under section 172 of the Act.

The Act provides that Quilter Directors must act in a way that they consider in good faith and would be most likely to promote the success of Quilter for the benefit of shareholders as a whole. In doing so, Quilter Directors must have regard, amongst other things, to the factors set out below:

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

Building Quilter to deliver long-term success for all our stakeholders

To ensure that Quilter achieves its purpose of helping create prosperity for the generations of today and tomorrow, it is critical for the Board to balance the needs, interests and expectations of our key stakeholders. At times these competing stakeholder views can be contradictory and in order to achieve long-term success, it is the Board's role to navigate these complexities. The Board has a comprehensive stakeholder engagement programme and seeks to act in the best interests of the Group, whilst being fair and balanced in its approach.

In addition to direct engagement with our stakeholders, papers submitted to our Boards and Board Committees across the Group identify for their consideration where stakeholders could be impacted by the proposals. At all times, the Boards remain focused on ensuring good customer outcomes. Some of the ways the Board engages with our stakeholders, including examples of how our Board has considered stakeholders when it made key strategic decisions in 2022, can be read on pages 59 to 61.

The Board has identified six key stakeholder groups whose interests and needs it regularly considers.

Quilter's stakeholders

Advisers	The advisers who provide advice under the Quilter brand, the third-party advice firms who operate within our regulatory framework, and third-party independent advisers who use our products, services and our investment platform.
Colleagues	All of our 3,005 full-time, part-time and contract staff who work to support Quilter's customers and advisers.
Communities	The societies in which we operate and where our products and services are taken up and the suppliers that support Quilter to deliver products and services for customers and colleagues.
Customers	Those who use our products and services to meet their long-term financial needs.
Investors	Those who have invested in Quilter shares and those who recommend investment in Quilter and its peers, including equity and debt investors, analysts and rating agencies.
Regulators	Our core UK regulators, the Prudential Regulation Authority and the Financial Conduct Authority, and various international regulators including the Central Bank of Ireland.

Advisers

Advisers expect Quilter to:

- Provide an investment platform that facilitates the provision of a high-quality service to advisers and their customers.
- Have a wide range of compelling investment propositions that meet the needs and expectations of customers.
- Provide a high-quality control environment that enables advisers to be productive within an effective control environment with tools that support their business.
- Support advisers in providing high-quality, trusted advice to their customers which complies with all regulatory and best practice standards of conduct.

How does the Board engage with advisers?

- Our Chief Executive Officer regularly briefs the Board on key issues impacting all advisers.
- The Board and Board Risk Committee scrutinise and challenge the Strategic Risk Appetite Principles and outputs to identify how effectively and safely Quilter is supporting advisers in serving customers.
- Two members of the Board also serve on the Quilter Financial Planning Board. They engage regularly with advisers to understand their perspectives and priorities and their interactions are subsequently reported to the Board.
- The Board and the Board Risk Committee receive regular updates on the quality of the service provided to advisers following the implementation of the Group's investment platform.
- Management maintain a programme of communication and interactions with Quilter Financial Planning's advisers to enhance the cultural alignment between Quilter and Quilter Financial Planning's advisers. The Chief Executive Officer attended adviser syndicate events throughout the year. The data and feedback from these initiatives continue to be reported to the Board.

What was the result of that engagement?

- The Board asked management to continue to enhance Quilter's proposition so that it is attractive for our advisers.
- Enhancements have been made to make it easier for advisers to work with Quilter, including the simplification and automation of processes.

Colleagues

Our colleagues expect Quilter to:

- Create a values-led culture that is open and inclusive.
- Invest in the development of its people and its technology so that its people can deliver excellent service to our customers.
- Offer an attractive reward structure and a compelling colleague proposition.
- Provide support within and outside the workplace, particularly in the context of the ongoing cost-of-living challenges.
- Listen to ideas, suggestions and concerns, and take action as appropriate.

How does the Board engage with colleagues?

- The Board receives biannual reports from the HR Director on the Group's people, culture and ways of working, and closely monitors colleague engagement survey scores.
- The Board endorsed management's plans to improve the inclusivity and diversity of the organisation and sponsored the launch of the Group-wide Inclusion and Diversity Action Plan.
- Tazim Essani and Paul Matthews are the designated Non-executive Directors for workforce engagement and play an active role in ensuring that the views of our colleagues are conveyed to the Board. In 2022, Tazim and Paul continued to attend certain Quilter Employee Forum meetings, and held monthly meetings with the Chair of the Employee Forum. They further attended a workshop with the Chairs of Quilter's Colleague Networks.
- The Executive Directors engage directly with colleagues across the Group.

What was the result of this engagement?

- In January 2022 the Board received a briefing from an external speaker on inclusion and diversity to ensure it can effectively oversee the Group's efforts to drive its inclusion and diversity agenda. The Board asked that the session be extended to Quilter's wider management community which resulted in over 300 managers attending a virtual diversity and inclusion session. The session was designed to enhance understanding of what it takes to create a truly inclusive workplace and how the Board and management can influence the approach to diverse representation.
- Feedback from engagement with the Non-executive Directors resulted in clear guidance being issued to colleagues on hybrid working arrangements.
- The Board Remuneration Committee gave close consideration to the impacts for colleagues resulting from the cost-of-living crisis and inflation. The Board welcomed management's initiative to make a one-off payment of £1,200 to employees on a full-time equivalent salary of £50,000 or less, which was confirmed alongside our half year results.
- Following feedback from the Board and the Executive Committee, the frequency of the staff surveys (Peakon) will be reduced in 2023 enabling staff to give more considered feedback whilst ensuring more colleagues have their say.

2,200

employees (71%*) attended the Quilter Virtual Conference in January 2022

*Number of full-time, part-time and contract staff employed as at the date of the Quilter Virtual Conference.

Communities

Our communities and suppliers expect Quilter to:
- Contribute to the communities in which Quilter is located and where our products and services are used.
- Seek to mitigate the environmental impact of its operations and to create products and services which facilitate our customers' desire to invest responsibly.
- Treat suppliers fairly and professionally.

How does the Board engage with its communities?
- By providing oversight of the Quilter Responsible Business agenda, which affects customers, communities and the environment. This responsibility for the Responsible Business framework is delegated to the Board Corporate Governance and Nominations Committee who receive regular updates on progress.
- By endorsing and providing regular oversight of Quilter's strategy of being a responsible wealth manager.

What was the result of this engagement?
- In 2022, the Quilter Foundation (the "Foundation") had six active strategic partners and awarded over £700,000 in grants.
- In addition, the Foundation launched the 'Local Community Fund' in January 2022. Through this initiative, any colleague or adviser can nominate a local cause that is aligned to the Foundation's objectives, for grants of up to £10,000. In 2022 the Fund awarded over £120,000 to 17 charities, which included food banks and mental health charities.
- Colleagues and advisers contributed to community volunteering and raised over £100,000 to support the work of the Foundation.
- A total of 23 charities benefitted from grants from the Foundation, enabling support for 26,557 young people.

How does the Board engage with its suppliers?
- Quilter proactively engages with strategic and critical suppliers on a regular basis through formal governance meetings and discussing business strategy, performance and areas of further opportunity or risk. Throughout the year the Board regularly received updates on the performance of our strategic partners.

What was the result of this engagement?
- Ongoing dialogue has helped ensure the supply chain has remained resilient.
- We work collaboratively with our strategic partners to drive development of the functionality of the systems our customers and advisers use.
- With the current energy crisis and rising inflation Quilter is working closely with suppliers to understand how they would continue to operate in the event of power outages, as well as the steps they are taking to remain financially resilient.

23

charities benefitted from grants from the Foundation

Customers

Customers expect Quilter to:
- Provide consistently high-quality service and access to products and services that meet their needs and expectations, within their risk appetite and with the flexibility to reflect their ESG preferences.
- Provide personalised customer propositions, through supporting long-term advice-based relationships.
- Deliver good investment performance.

How does the Board engage with customers?
- The Board scrutinises a regular Customer Report which includes feedback on the perceived quality of Quilter products and services to ensure the business is continually learning from the feedback received from customers and their advisers. Quilter currently has three main sources of customer feedback: Trust Pilot, Inmoment Surveys and customer complaints, in addition to indicative feedback from advisers through our distribution teams and customers via our contact teams.
- All Board and Committee papers include, where appropriate, analysis of the impact on customers of business proposals.
- The Board and the Board Risk Committee receive regular updates from the Chief Executive Officer, with support from the Chief Risk Officer, on the progress of customer remediation programmes.
- The Board Remuneration Committee receives reports on how the business has served its customers as part of its oversight of the executive scorecard that drives the remuneration outcomes for our senior executive team.
- The Board continues to oversee the delivery of the organisational change to implement Quilter's strategy of organising the business around its two core client-focused segments, High Net Worth and Affluent.

What was the result of that engagement?
- The Board has overseen the development of a plan to implement the new Consumer Duty which is due to be implemented by July 2023. The new duty aligns with a core part of the Company's strategic rationale to deliver good outcomes for customers.
- In response to feedback from the Board the reporting on how we support our customers continues to be enhanced to include metrics as to how Quilter's customers feel about their day-to-day interactions with Quilter.
- Quilter continued to work closely with its customers and regulators in relation to the conduct of past business reviews and the provision of compensation to customers who received unsuitable advice, which resulted in a loss. This advice was in relation to Defined Benefit ("DB") to Defined Contribution ("DC") pension transfers from Lighthouse advisers prior to Lighthouse transitioning to Quilter's systems and controls after its acquisition by Quilter.
- Quilter has worked with government to introduce suitable legislation to ensure consumers are adequately protected online.

Investors

Our investors expect Quilter to:

- Deliver a strategy that creates long-term shareholder value, delivering sustainable dividends supported by cash flow and capital generation.
- Have a resilient business model which generates sustainable returns for shareholders and reliable cash flow for debt investors.
- Maintain robust corporate governance to ensure effective oversight and control of the business.
- Maintain financial strength and resilience that enables the business to withstand market headwinds and volatility.
- Integrate ESG factors within our investment processes.

How does the Board engage with its investors:

- Maintaining regular and constructive dialogue with investors to communicate the Company's strategy, Remuneration Policy, Chair and Chief Executive Officer succession and performance.
- Providing updates on the Group's trading and financial performance to the markets, and conducting 195 meetings in 2022 with shareholders, debt holders and prospective investors.
- Ensuring private shareholders received excellent support from our share registrars in the UK and South Africa.
- Holding an Annual General Meeting and General Meeting that was accessible for shareholders overseas to listen to by telephone.
- Consulting with our shareholders on their preferred mechanism for the distribution of the net proceeds of the sale of Quilter International.

What was the result of this engagement?

- Quilter returned £328 million of the net proceeds arising from the sale of Quilter International to shareholders by way of a B Share Scheme accompanied by a Share Consolidation which was implemented in May 2022.
- The Board considers investor feedback on an ongoing basis. An example of how debtholders' and shareholders' interests were considered is set out on page 61 in the Principal Decisions of the Board regarding our new Tier 2 Bond Issue launched in January 2023.
- Following consultation with major shareholders, the new Directors' Remuneration Policy was approved by shareholders with a 96.16% majority at the 2022 Annual General Meeting.
- Continuing dialogue with major South African shareholders on the Company seeking an enabling authority at each Annual General Meeting regarding political donations.

£328m

returned to shareholders through the B Share Scheme in 2022

Regulators

Our regulators expect Quilter and its subsidiaries to:

- Run Quilter's operations in a prudent manner, being appropriately capitalised and with sufficient liquidity to enable it to discharge its obligations.
- Manage its conduct risk and internal controls.
- Operate in the best interests of its customers and meet the expected outcomes of customers.
- Operate in an open and transparent manner with its regulators, its customers and the financial markets both as an investment manager and a listed company in its own right.

How does the Board engage with the Group's regulators?

- Transparent and open regulatory relationships are fundamentally important and Quilter engages regularly with its main regulators to ensure business is conducted in line with their expectations and the evolving regulatory framework.
- The Board Risk Committee receive a quarterly report on the status of material regulatory relationships and matters under discussion.
- Quilter routinely shares certain Board and other relevant papers with our main regulators.
- Certain Board Directors, Executive Committee members and other senior leaders meet regularly with our main UK regulators. Matters discussed in 2022 include regulatory changes such as the Consumer Duty and Appointed Representative Regime changes, the implementation of the High Net Worth and Affluent segments, the new Tier 2 Bond Issue, diversity, governance and operational resilience.
- The Board received regular updates on regulatory developments in 2022. Subjects included an update on the FCA's Consumer Investments Strategy, the evolution of ESG-related regulation, the regulators' joint Discussion Paper on critical third parties to the financial sector, and the review of the UK's Financial Services Compensation Framework.

What was the result of this engagement?

- Consideration of the views and expectations of our regulators were core to the Board's decision making during 2022, including the return of the net proceeds to shareholders following the completion of the sale of Quilter International.
- Quilter contributed responses to a number of consultations and discussion papers, including in relation to the Consumer Duty, the UK's review of the Solvency II prudential regime for insurers, the calculation of redress for non-compliant DB transfer advice, the FCA and HM Treasury's review of the Appointed Representatives regime, the FCA's consultation on protecting investors in authorised funds following the Russian invasion of Ukraine, and the review of the UK's Financial Services Compensation Framework.

Responsible Business

Being a responsible wealth manager

Our purpose is to create prosperity for the generations of today and tomorrow. To do this, we must strive to create a sustainable business, that acts and invests responsibly. That is why being a responsible wealth manager is one of the four pillars of our Group strategy.

2022 materiality assessment

We are committed to reviewing our approach to responsible wealth management regularly to ensure it continues to reflect the areas of materiality for our business.

This year the materiality assessment was conducted between July and September. The output was presented to the Quilter Responsible Wealth Management Executive Steering Committee and the Quilter Board in September 2022.

The assessment included desk-based research of the regulatory landscape, our competitor propositions, the expectations set by the external bodies (of which we are a signatory) and societal trends relating to colleague, customer and adviser preferences. This research included consideration of customer and adviser research conducted by Quilter between 2020 and 2022. We also conducted a series of interviews with subject matter experts from our responsible investment, proposition, distribution and human resources teams to gain their perspectives.

Based on this assessment we have developed the following strategy for our responsible wealth management activities. This strategy is based around the framework you will find on the right-hand side of this page and three core areas which we are focusing on in the short term. You will find these detailed on page 27.

Our strategic framework:

Our materiality assessment has highlighted the need to leverage a framework which prompts us to think about how we act and how we invest.

Acting responsibly refers to the way we operate and do business. It is about our culture, values, business conduct and how we manage our relationships with our stakeholders.

Investing responsibly refers specifically to our products and services. It is about how we seek to integrate responsible investment ("RI") considerations into our financial advice process, investment platform tools and investment management approach.

Our current key areas of focus

	Why this pillar is important according to our assessment of materiality	Our commitments to our customers	Measuring our progress
Invest responsibly **Read more on page 28**	Customers expect us to be able to manage their money in a way that aligns with their values and needs, whatever their life stage. Customers trust us to protect, grow and pass on their wealth to the future generation. Colleagues want to be proud of the outcomes we achieve for our customers and the way we manage their money.	We will aim to: • make it easy for our customers to invest in line with their values and needs; and • safeguard the futures of our customers and their families by considering the environmental, social and governance issues that could impact their wealth where we actively manage their assets.	Our aim is to retain signatory status of the Financial Reporting Council's ("FRC") Stewardship Code and we will continue to be a signatory of the United Nations backed Principles for Responsible Investment ("UN PRI") as these are currently recognised as the custodians of best practice for responsible investment within our industry.
Reflect our community **Read more on page 29**	Customers expect us to care and understand their needs, making the right decisions in the moments that matter. Customers expect us to be able to service both them and their families as a whole. Colleagues want to feel included and part of something greater than themselves. They want to know the business values their individual needs.	We will aim to build a business that reflects the diverse needs of our customers, their families and the communities they live in.	We have set targets to increase the diversity of our senior management: 40% female representation for the end of 2025 and 5% ethnic minority representation by the end of 2023. Our aim is to have supported 100,000 young people since listing through the Quilter Foundation by 2025.
Consider climate impact **Read more on page 31**	Customers want the best for their families and future generations. Colleagues believe in the threat climate change poses; they want us to play our part to help tackle it.	We will seek to play our part in the global effort to create a more sustainable world for future generations.	We have set a target to reduce our Scope 1 and 2 emissions by 80% by 2030.

Oversight of delivery

Board	Responsibility for environmental, social and governance ("ESG") matters – captured in the responsible wealth management framework – resides with the Quilter plc Board, which has delegated oversight of the reporting framework to the Board Corporate Governance and Nominations Committee.
Executive	Responsibility for the responsible wealth manager strategy is delegated to the Chief Executive Officer, supported by the Executive Committee. The Responsible Wealth Management Steering Committee is a formal sub-committee of the Executive and provides executive oversight, direction and monitoring of the responsible wealth management strategy.

Invest responsibly

The United Nations backed Principles for Responsible Investment ("UN PRI") define responsible investment as 'a strategy and practice to incorporate environmental, social and governance ("ESG") factors into investment decisions and exercise active ownership'.

We believe that incorporating ESG data into investment decisions and exercising active ownership helps to mitigate risk and identify potential opportunities thereby contributing towards the generation of long-term sustainable returns. That is why we are in the process of integrating responsible investment ("RI") practices into the areas of the business where we actively manage assets on behalf of our customers. This includes iteratively improving the data and technology we provide to our investment professionals and broadening the impact we have through stewardship. There are differences in how this is and can be applied in practice in each area of our business and you can read more about how this was approached in 2022 on our websites or in our Stewardship Code Report.

Read more at www.quilter.com/investments/responsible-investment/ or in our Stewardship Code Report plc.quilter.com/responsible-business/reports-and-statements

We believe customers should have the information and choices to enable them to invest in line with their values and needs. That is why we strive to understand our customers' responsible investment preferences and provide them with the option to invest in a solution or service which has a specific responsible investment objective. In 2022, we made tools and training available to our advisers and investment managers so that they are able to understand a customer's responsible investment preferences and select a solution which aligns to these. We have delivered new investment strategies and portfolios in recent years which have responsible investment objectives, with some key new offerings delivered in 2022 as noted below. We will aim to continue to evaluate our proposition against our customers' responsible investment preferences and in 2023 will do so in line with the next phase of the FCA's Sustainability Disclosure Requirements ("SDR") Regime.

Marisol Hernandez
Head of Responsible Investment
Affluent Segment

Gemma Woodward
Head of Responsible Investment
High Net Worth Segment

Stuart Clark
Portfolio Manager, Wealth Select

Claudia Quiroz
Head of Sustainable Investment
Quilter Cheviot

Priorities 2022–4	2022 progress	Onward priorities
Continue to support customers, advisers and colleagues to engage with and understand responsible investment	Training for Quilter Cheviot Investment Managers to support the incorporation of RI preferences into suitability processes. Training made available to independent and Quilter advisers as part of Wealth Select launch.	Ongoing programme of engagement with customers, advisers and colleagues.
Embed responsible investment practices where relevant	Embedded consideration of responsible investment preferences into Quilter's advice and Quilter Cheviot suitability processes.	Improve ESG data coverage and broaden stewardship activities across Quilter Investors' portfolios.
Deliver reporting in line with regulatory change	Initiate roll out of task force for climate-related financial disclosures ("TCFD").	Roll out of SDR.
Ensure our proposition caters to the responsible investment preferences of our customers	Launched WealthSelect Responsible & Sustainable Portfolios in Quilter Investors. Launched Climate Assets Growth Fund, DPS Focused and a further version of the Positive Change strategy in Quilter Cheviot.	Ongoing assessment of customer preferences with updates made where relevant.

Stewardship Code

Stewardship involves engaging with companies and funds to discuss and encourage improvement in their handling and disclosure of ESG issues. Quilter was proud to retain its signatory status of the Financial Reporting Council's Stewardship Code in 2022, a status which is verified annually on the basis of our Stewardship Code Report. This report is updated annually on our website and our 2022 report will be added after it is submitted to the FRC in April. This report provides a summary of the key stewardship activities we have undertaken during the course of the year in Quilter Cheviot and Quilter Investors as well as further detail on our responsible investment activities more generally.

Propositional enhancements:

In 2022 we launched our new WealthSelect Sustainable and Responsible Portfolios and broadened our Climate Assets range through the launch of a new growth fund.

Reflect our community

We believe that having an inclusive culture that embraces diversity helps us better understand the evolving needs of our customers, and therefore improves decision making for them and our business.

We are making changes to our internal practices to enable us to attract and retain a diverse colleague community under the leadership of our Head of Inclusion and Diversity. We want to invest in initiatives designed to make our services more accessible to a broader range of clients. Quilter Cheviot's Women in Investing Hub is an example of this.

We want all of our colleagues to remain focused on the customers and advisers they serve and connected to the community they operate within. That is why we chose to establish a charitable foundation when we listed back in 2018. The Foundation aims to break down the barriers to prosperity for young people and has supported 57,710 young people since its launch.

Priorities	2022 progress	Onward priorities
Put the customer and adviser experience at the heart of our culture	Implemented next phase of customer-centric operating model.	Deliver Consumer Duty Programme.
Create a more inclusive and diverse Quilter	Quilter Cheviot's Women in Investing Hub continued & Female Client Survey conducted. Recruitment practice refresh.	2025 senior management targets. Assess routes of action to support greater diversity in adviser market.
Respond to the needs of our employees in the moments of truth	Provided additional support during the cost-of-living crisis to colleagues.	Launch refreshed wellbeing strategy.
Create a demonstrable symbol of our commitment to go beyond making a profit	Appointed new manager of the Quilter Foundation (joined January 2023) and refreshed trustee Board. Launched the Foundation's Local Community Fund. Donations to Disaster Emergency Committee ("DEC") appeals for Ukraine and Pakistan.	Launch next phase of Quilter Foundation employment grant.

Quilter Foundation highlights

3-year employment grant concluded

In 2022 our three-year employment grant concluded. We partnered with three charities, Street League, Safe New Futures and School of Hard Knocks, to support 424 15-25 year olds reduce the barriers they faced to gaining employment.

Local Community Fund launched

In response to colleague feedback, we launched the Foundation's Local Community Fund in 2022. The aim of the fund was to create a mechanism through which the Foundation could make smaller grants to causes nominated by colleagues or advisers.

During the year we granted £120,000 to 17 charities across the British Isles. This included a number of organisations contributing support to those affected by the rising cost of living.

£120,000
granted

Colleagues fundraised

£120k

In 2022 our colleagues continued to show their support for the Quilter Foundation, raising over £100,000. Colleagues also raised over £20,000 for other charitable causes. Matched funding from Quilter plc contributed a further £60,000.

DEC donations

£195k

In 2022 we unfortunately continued to see emergencies around the world. Quilter responded to both the DEC's appeal for Ukraine and it's appeal for Pakistan. Colleagues fundraised over £70,000 and Quilter plc contributed a further £125,000.

You can read more about our impact through the Foundation by visiting plc.quilter.com/responsible-business

Inclusion and Diversity Action highlights:

In 2022, we launched our two-year action plan designed to identify and deliver sustainable, long-term change.

You can read more about our two-year Inclusion and Diversity Action Plan here plc.quilter.com/responsible-business

The Action Plan was endorsed by the Quilter plc Board and delivery is overseen by the Inclusion and Diversity Executive Steering Committee, chaired by Quilter's Chief Executive Officer. Good progress was made in 2022 but we are cognisant of the industry wide challenge to address inclusion in financial services and realise that significant effort and focus is required over a sustained period. In 2022 our focus was on setting the foundations for success, encouraging data disclosure and education.

Attracting and retaining diverse talent: A thorough review of recruitment processes was conducted to ensure our talent acquisition practices can enable our action plan. In addition, the talent acquisition team, along with the wider human resources function, underwent specialist training to ensure they are appropriately equipped to support delivery of our ambition.

Education and community: The Quilter plc Board, senior leaders and line managers attended informative and inspiring sessions with John Amaechi OBE. Over 300 employees attended in total. To reinforce the importance of inclusion and diversity we also mandated a specific performance objective for managers, offering guidance and setting clear expectations. We launched our new Inclusion and Diversity Forum. The Forum meets quarterly and is designed to create a safe space for dialogue on this topic between colleagues from across our organisation. We also continue to support our employee networks – Together with Pride, Gender Diversity and Cultural Diversity.

Data disclosure: We recognise the importance of data disclosure, not least in measuring and monitoring progress but also as an indicator of colleagues' level of psychological safety in sharing personal data with Quilter. In 2022 we focused on creating psychological safety through storytelling and role modelling, and we also expanded our disclosure fields to cover a broader set of diversity characteristics.

Colleague diversity data

We use targets to drive our desired improvement in the diversity of our senior management. In 2022, our target was to achieve 38% female representation and 5% ethnic minority representation in this community. Although gender diversity improved year-on-year, we narrowly underachieved these targets, ending the year with 36% female and 4% ethnic minority representation. Nonetheless, we remain committed to sustainable change and believe the progress noted above will support this. To further reinforce our long-term goals, we have set out new minimum targets for the end of 2025 to have 40% female representation, which is in line with the FTSE Women Leaders Review Target, and 5% ethnic minority representation by the end of 2023. As we progress toward these medium-term minimum goals, we will continue to set stretch targets for the executive that will drive and support diverse representation across our senior management.

With regards to our pay gap data, in 2022 we have reported a median gender pay gap of 31% and a median bonus gap of 44%, a reduction on 2021. We have also voluntarily included our ethnicity pay gap calculations. Our median ethnicity bonus gap of 35% is lower than 2021.

The data below is as at 31 December 2022 and staff are asked to contribute their data via an electronic portal. For detail on the diversity of our Board directors see page 54.

Data disclosure response rates

Gender	Gender identity	Sexual orientation	Ethnicity	Disability	Age group	Religion	Socio economic
100%	46%	72%	90%	61%	100%	80%	60%

Gender representation

Senior management[1]

	Male	Female
2022	32 (64%)	18 (36%)

All colleagues

	Male	Female
2022	1,676 (56%)	1,329 (44%)

Latest UK Census (2021) benchmark

	Male	Female
2022	49%	51%

■ Male ■ Female

Gender pay gap

Gender pay data	2022	2021
Mean hourly pay gap	30%	33%
Median hourly pay gap	31%	29%
Mean bonus gap	62%	72%
Median bonus gap	44%	53%
Female colleagues receiving a bonus	90%	92%
Male colleagues receiving a bonus	92%	91%

Ethnicity pay gap

Ethnicity pay data	2022	2021
Mean hourly pay gap	12%	15%
Median hourly pay gap	5%	4%
Mean bonus gap	48%	44%
Median bonus gap	35%	38%
Colleagues from an ethnic minority group receiving a bonus	82%	87%
White colleagues receiving a bonus	92%	92%

Ethnic group representation

Ethnic group representation	Asian[2] %	Black[3] %	Mixed[4] %	White[5] %	Other[6] %	N/A[7] %
Senior Management	2%	0%	2%	92%	0%	4%
All colleagues	6%	2%	2%	87%	1%	2%
Latest UK Census (2021) benchmark	10%	4%	3%	81%	2%	–

[1]Senior Management is defined as Executive Committee and their direct reports, excluding personal assistants.
[2]Colleagues who identified as belonging to one of the following ethnic groups: Bangladeshi, Chinese, Indian, Pakistani or Asian other.
[3]Colleagues who identified as belonging to one of the following ethnic groups: Black African, Black Caribbean, Black other.
[4]Colleagues who identified as belonging to one of the following ethnic groups: Mixed White/Asian, Mixed White/Black African, Mixed White/Black Caribbean, Mixed other.
[5]Colleagues who identified as belonging to one of the following ethnic groups: White British. White Irish, White Gypsy/Traveller, White other.
[6]Colleagues who identified as belonging to one of the following ethnic groups: Arab, Any other.
[7]Colleagues who responded but opted not to disclose their ethnic group.

Consider climate impact

We believe in the importance of playing our part in the global effort to create a more sustainable world and consider our exposure to climate-related risks. In 2022 we set a reduction target for the emissions associated with our direct and indirect operations (Scope 1 and 2) and continued to develop our understanding of the emissions from our value chain (Scope 3). Excluding our investments, the biggest contributor to our Scope 3 emissions are those associated with our third-party spend. In 2022, we worked with a third-party to broaden our understanding of the emissions generated by the third-parties we procure services from and the levers we have available to reduce this impact. Delivering on these opportunities will be a priority in 2023 and we remain committed to building out our approach further. Further details can be found in our Task Force on Climate-Related Financial Disclosures ("TCFD") report which is summarised on page 32.

Priorities	2022 progress	Onward priorities
Contribute to a just transition to net zero by 2050	Scope 1 and 2 targets set.	Set purchased goods and services engagement target. Iteratively improve our action plan with a focus on our investments.
Enable our people to take tangible action to address the climate crisis	Colleague sustainability committee launched. First Colleague Sustainability Survey.	Iterative improvements to encourage colleague action.
Assess the action required of Quilter on biodiversity		Assess Taskforce for Nature Related Financial Disclosures recommendations and determine actions.

Colleague sustainability survey

In June 2022, we ran our first Quilter sustainability survey. The survey was designed to obtain more information on colleague commuting and working from home habits. It allowed us to hear their ideas about the opportunities we have to act more sustainably. We had a 33% response rate, with coverage across our office locations. We made the results of the survey available to colleagues so that they could see the emissions impact of different commuting choices. As a result of the feedback, we were able to refine our Scope 3 emissions calculations through the use of some actual employee commuting data and also launched a new quarterly sustainability newsletter, designed to promote the support we are making available to colleagues to enable more sustainable choices. We currently intend to repeat this survey to track the impact of our improvements and reflect on engagement.

Operational greenhouse gas emissions

Our 2022 Scope 1 and 2 emissions were 46% lower than our 2020 baseline. The primary driver of this was the reduction in our office footprint driven by the sale of our International business. Moving forwards, we anticipate short-term reductions will be harder to achieve. In 2022 we worked with a third party to update our methodology for calculating Scope 3 emissions and this has meant we have restated higher 2021 figures below.

Operational greenhouse gas emissions and energy use data

Greenhouse gas emissions as at 31 December		2022 tCO2e	2021 tCO2e
Scope 1 emissions	Global	377	1,132[1]
	UK	371	1,125[1]
Scope 2 (location-based) emissions	Global	1,085	1,622
	UK	1,043	1,505
Scope 2 (market-based) emissions	Global	833	1,151[2]
	UK	754	1,017
Total Scope 1 & 2 emissions[3]	Global	**1,462**	2,754
	UK	**1,414**	2,630
Scope 3 emissions[4] (excluding investments)	Global	39,900	56,599
	UK	39,891	54,013
Total operational emissions	Global	**41,362**	**59,353**
	UK	**41,305**	**56,643**
Operational carbon intensity (tCO2e per Full Time Equivalent (FTE))[5]	Global	**14.10**	**19.56**
	UK	**14.22**	**18.80**

Streamlined Energy and Carbon Reporting (SECR)	2022 kWh	2021 kWh
Global energy use	8,776,775	11,935,393
UK energy use	8,605,404	11,615,018

Meaning of Scope Definitions

All operational emissions data (incl. energy consumed) calculated according to the Greenhouse Gas (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, heat and 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 emissions according to a 'location-based' method and a 'market-based' method (see below):
  - **Location-based.** This reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data).
  - **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.
- **Scope 3** (value chain – indirect) These are all indirect emissions (not included in Scope 2) that occur in a company's value chain, including both upstream and downstream emissions (e.g. business travel, waste).

Due to data availability, Quilter's calculations do not take into account the emissions generated by self-employed advisers. This includes, Quilter Financial Planning, Quilter Financial Advisers and other independent advisers who use our platform or asset management services. Our Scope 3 disclosures do not include data for the impact generated by our investments.

Footnotes to data table

[1] Including a refrigerant leak accounting for 509 tCO2e. This figure differs from last year's reported value due to underestimation of gas supply in our Southampton office.
[2] This figure differs from last year's reported value due to a change in market-based emission factors for our geothermal supply in our Southampton office.
[3] This is calculated as the total of Scope 1 and Scope 2 (location-based) emissions.
[4] Our disclosed Scope 3 emission metrics (excluding investments) contain some estimations and reliance on externally provided data. Following a change in methodology, our emissions from purchased goods and services have been recalculated for 2021.
[5] Calculated as total operational emissions divided by the average number of FTE employees as at year-end. This metric is provided as a comparison against other organisations.

Task Force on Climate-related Financial Disclosures statement

For accounting periods starting on or after 1 January 2021, the FCA required premium listed companies, such as Quilter plc, to include a statement of consistency with the TCFD's recommendations and recommended disclosures within their Annual Report.[1] Where the relevant disclosures are provided in a separate report, listed companies must provide a description of where that document can be found. Whilst material and significant climate-related information can be found in this report, we have chosen to produce disclosures consistent with the TCFD's recommendations and recommended disclosures in a separate standalone report, intended to supplement our annual report. This allows us to produce more detailed supplemental climate-related information, in a form tailored and accessible to a wide range of stakeholders. Our '2022 Group TCFD report' can be found online at: plc.quilter.com/responsible-business/reports-and-statements. See below for a summary of the TCFD recommended recommendations, our disclosures and where in the standalone 2022 Group TCFD report they can be found[1]:

Theme	TCFD Recommended disclosure	Our disclosure
Governance Disclose the organisation's governance around climate-related risks and opportunities.	Describe the Board's oversight of climate-related risks and opportunities. See page 9 Describe management's role in assessing and managing climate-related risks and opportunities. See pages 10 - 12	• We have presented the governance structure for Board oversight and management of climate-related risks and opportunities. • We have described relevant recent activities performed by the Board and senior management.
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning, where such information is material.	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. See pages 14 - 16 Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. See pages 17 - 20 Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. See page 21	• The climate-related risks we have identified are market, reputational and legal, policy and regulatory, and physical risks such as extreme weather events. • Our climate-related opportunities include increased demand for sustainable products and services. • We have described how the identified risks have informed our strategy, business activities and services. We have an opportunity to expand upon how these risks have informed financial planning in our 2023 disclosure. • A climate-related scenario analysis exercise for the Group, which explored our long-term resilience to three potential climate scenarios, is described.
Risk management Disclose how the organisation identifies, assesses, and manages climate-related risks.	Describe the organisation's processes for identifying and assessing climate-related risks. See page 23 Describe the organisation's processes for managing climate-related risks. See pages 23, 25 - 30 Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management. See pages 23 - 24	• We have described how climate-related risks have been integrated into our overall risk management framework, including information on how climate-related risks are determined in relation to other identified risks. • Our approach to managing climate-related risks within our investments is described in more detail, covering our approach to ESG-integration, stewardship activities and engagement.
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	Disclose the metrics used by the organisation to assess climate-related risks and opportunities In line with its strategy and risk management process. See pages 32 - 34 Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions, and the related risks. See pages 32 - 33 Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. See page 32	• With regard to our operational activities we use GHG metrics to assess, monitor, and manage our exposure to climate-related reputational risks. We have disclosed our Scope 1 and Scope 2 GHG emissions and estimated our Scope 3 emissions (excluding investments) and set a target to reduce our Scope 1 and 2 emissions. • With regard to our investment activities, we are not able to disclose our GHG emissions for investments due to data limitations. However, in our High Net Worth segment, we have provided a carbon-related matrix, the weighted average carbon intensity ("WACI") as a measurement of exposure to climate-related market risk in our investments. Within Affluent, we have provided carbon footprint metrics for our WealthSelect Responsible and Sustainable ranges and have disclosed the WACI of a proportion of our investments to the extent that data is available and reasonable credible.

[1]Our disclosures are consistent with the four recommendations and the eleven recommended disclosures set out in the report entitled 'recommendations of the task force on climate-related financial disclosures' published in June 2017 by the TCFD as required under the FCA's listing rules. We have considered the document entitled 'annex: implementing the recommendations of the task force on climate-related financial disclosures' published in October 2021 and highlighted where future improvements are needed to meet these enhanced recommended disclosures above.

Other key activities: our people

Talent management and engagement

The success of our business relies on recruiting and retaining the very best talent. As part of our annual talent and succession review, future skill needs of the organisation are identified in order to highlight any skill gaps within the organisation and plan for how to address these (for example through training, recruitment, apprenticeships etc).

We have continued our partnership with Future Talent, a leading education and learning platform, to provide two flagship leadership development programmes: the Transformational Leadership Programme for experienced leaders and managers looking to step into senior leadership roles, and the Aspiring Manager Transformational Leadership programme, aimed at first-time line managers or those aspiring to take on a management position. We currently have 234 people on our leadership programmes. 6% of people who have participated in the programme have since been promoted, compared with the Quilter average of 2.5%. A new coaching framework was also rolled out last year, primarily designed to support new leadership and management teams that were coming together as the business transformed. In addition, colleagues can access training and development, including degree programmes and relevant professional qualifications, where relevant to their role and development needs.

We seek the views of our colleagues through the Workday Peakon Employee Voice tool. The survey provides key engagement insights to leaders and managers and informs our people strategy to ensure we are focusing on employee needs whilst also tracking key priorities such as inclusion and diversity. Our engagement score increased to 7.4/10 in 2022, independently rated as 'good' and in the middle range of the finance sector. The Employee Forum represents colleagues across Quilter and meets with senior leaders on a monthly basis to discuss key issues that impact the interests of our people. The views of the Employee Forum, together with views and feedback from our weekly surveys, are taken into account and support management's decision making.

We continue to make the option available to permanent employees to invest in Quilter shares via a save as you earn ("SAYE") scheme and arrange townhalls and provide regular communications to explain our business performance.

HR policies

Our people policies support our aim to create an inclusive culture that embraces diversity and enables our people to thrive. They also reflect relevant employment laws, including the Universal Declaration of Human Rights and ILO Declaration on Fundamental Principles and Rights at Work. All employees and suppliers providing on site services in the UK are paid no less than the real Living Wage, a voluntary initiative run by the Living Wage Foundation. In October 2021 they published the rates of £11.05 per hour for London and £9.90 per hour outside of London and these were refreshed in September 2022 to £11.95 and £10.90 respectively – the largest percentage increases in recent memory in direct response to the cost of living challenges. Firms have six months to update any employees whose pay is below these minimums to remain accredited, however, we voluntarily made the appropriate changes for affected individuals with immediate effect and ensured all of our starting salaries begin in excess of these amounts. In light of the pressures faced by many of our colleagues due to the rising cost of living, we made a one off payment in August 2022 to all employees on an full time salary of £50,000 or less.

We promote equal opportunities and ensure that no job applicant or colleague is subject to discrimination or less favourable treatment on the grounds of gender, marital status, nationality, ethnicity, age, sexual orientation, responsibilities for dependants, or physical or mental disability. We are committed to continuing the employment of, and for arranging training for, employees who have become disabled while employed by Quilter. We select candidates for interview, career development and promotion based on their skills, qualifications, experience and potential.

A grievance procedure is in place to provide a clear and secure route for employees to raise a complaint or problem about any issue relating to their work, working environment, pay and benefits, working hours or a concern about any other issue affecting their employment. In line with our whistleblowing policy, colleagues are required to report knowledge or suspicion of malpractice or actions that endanger Quilter'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. This hotline is also available to suppliers and advisers who work with Quilter.

Our customers

Customer service and engagement

We continue to invest effort into the collation of customer feedback and seek to act upon the insights it provides to improve service and ensure our proposition continues to meet customer needs. We continue to monitor our Trustpilot score. As at December 2022, our score stood at 4.2/5, meaning we saw an improvement through the course of the year. In 2022 we linked our pre-existing customer satisfaction surveys generated for customers of our platform and Quilter Private Client Advisers to Trustpilot to enable greater transparency of the feedback we are receiving and continued to work with an external organisation to collate customer satisfaction scores for these two areas of our business. Our customer satisfaction score remained flat on 2021 at 84% and market insight indicates that this was a good outcome given the disruption seen last year due to market conditions. The feedback gained from these sources is made available to a variety of stakeholders across the business and we seek to ensure we act on any areas for improvement which are highlighted.

To broaden our understanding of our customers and target customers further, we continue to run research projects. The most notable example of this in 2022 was the Female Client Survey run by Quilter Cheviot as part of the Women in Investing initiative. The survey aimed to understand the investment experiences of our female clients including what aspects lead them to invest, how they make investment decisions, and how their differing circumstances affect the way they invest. We have released the output of this project externally and have used the insights to inform our proposition.

In advance of the implementation of the FCA's Consumer Duty in 2023, in 2022 we initiated a pan-Quilter programme designed to ensure readiness and have a specific workstream focused on customer support. One of the customer groups we have considered as part of this work is those customers who could be considered vulnerable, for whom we have already made various adjustments in recent years to ensure they are appropriately supported. The programme is also implementing a new approach to the testing of customer communications so that we can continue to ensure they are as understandable as possible.

Consumer advocacy

During 2022, we continued to call for the UK Government to protect consumers against the threat of online financial scams. This included campaigning for the online advertising elements of the Online Safety Bill to remain part of the bill and responding to Department for Digital, Culture, Media & Sport on the Online Advertising Programme to make the case that it should align with the Online Safety Bill to help prevent online financial scams advertisements. As part of our work advising NHS employees, we led successful calls for the government to extend the 2020/21 NHS Pension Scheme Pays deadline and the continuation of the extension of the cessation of abatement rules. Both issues helped to ensure healthcare workers were given adequate time to plan their finances and did not face undue tax costs while they were focused on fighting the NHS backlog, as well as ensuring the most experienced and senior doctors and nurses continue to work without being penalised for doing so.

Policies and practices

Customer policies

Our Product Governance Policy sets minimum standards for the Group and its subsidiaries in manufacturing and distributing financial products appropriately to meet customer needs. The policy is implemented to support compliance with various regulatory frameworks, including the UK implementation of the Markets in Financial Instruments Directive ("MiFID II"), the underlying regulation on markets in financial instruments ("MiFIR"), and the Insurance Distribution Directive ("IDD"). The Product Governance Policy is subject to an annual attestation process managed by the Quilter Risk Function. In our Group, individual legal entity Boards are responsible for setting product strategy and ensuring product governance is effective. The Boards delegate execution of product strategy and operational responsibility to the business Chief Executive Officer.

Our Product Governance Policy outlines minimum marketing and communications requirements for Quilter Group functions and subsidiaries. Marketing material published by businesses must be clear, fair and not misleading. Materials should be sufficient to ensure customers can make informed financial decisions in relation to the product or service, including the clear communication and explanation of charging structures for related products.

All communications must consider our customers' information needs and comply with applicable regulations, including the Financial Conduct Authority's ("FCA") Treating Customers Fairly ("TCF") requirements.

Data privacy and IT security

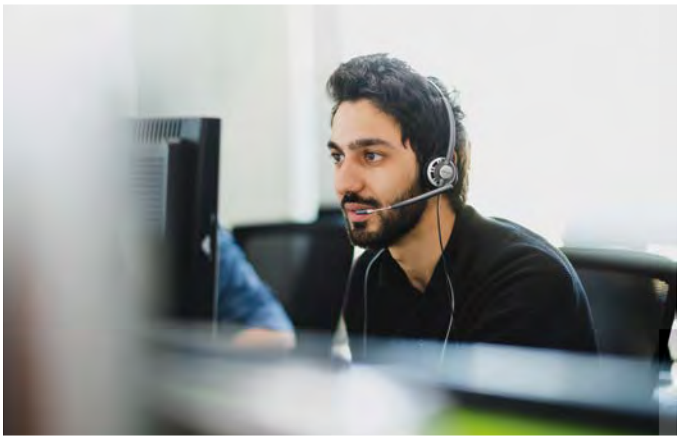
The collection and use of customers' and advisers' personal data is governed by our Privacy Policy and supporting standards and overseen by a Group Data Protection Officer ("GDPO") with the support of a formal committee, the Quilter Privacy Forum. The Board oversees Quilter's IT strategy, including our 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 Director of Information Security & Technology and team, with input also from the GDPO and Data Guardians embedded in our businesses. All colleagues and full-time contractors are required to complete mandatory annual training on data privacy and IT security.

Our Code of Conduct

Our Code of Conduct sets out the duties 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.

Financial crime, 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 a 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, and 4) Financial Crime Prevention Policy. All colleagues are required to complete mandatory training on these topics annually to ensure that they understand their role in preventing financial crime, bribery and corruption.



Human rights and modern slavery

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 resource and supplier policies and processes prohibit Quilter from doing business with parties involved in modern slavery, forced labour, compulsory labour and child labour. These policies also promote equal opportunity and eschew 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.

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 and 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 our suppliers 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.

Political lobbying

Quilter is a politically neutral organisation and does not engage in party political campaigning or make party political donations. We will not employ any current politician to conduct public affairs activities in any capacity. Furthermore, we will not make any award or payment in money or in kind to any current politician for the provision of public affairs activities. Quilter did not employ any former politician to conduct public affairs activities on our behalf in 2022. If Quilter wishes to employ any former UK Government Minister or senior official within two years of leaving office, the appointment must be approved by the Advisory Committee on Business Appointments ("ACOBA"), and the employee must not lobby the government for two years after leaving office, as stated in the Ministerial Code.

Quilter does, however, seek to influence government policy which could impact our customers, with particular focus on consumer rights and protection. Quilter is a member of several industry trade bodies in the UK, including the Investment Association ("IA"), Personal Investment Management and Financial Advice Association ("PIMFA"), the Association of British Insurers ("ABI"), the UK Sustainable Investment and Finance Association ("UKSIF") and The Investing and Savings Alliance ("TISA").

Non-financial information statement

The Responsible Business report from pages 26 to 35 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	Page 34
Business model	Pages 20 to 21
Employees	Pages 30 and 33
Environmental matters	Pages 31 to 32
Human rights	Page 35
Non-financial KPIs	Pages 16 to 19
Principal risks	Pages 47 and 48
Social matters	Page 29

Financial review

Mark Satchel
Chief Financial Officer

Review of financial performance

Overview

The Group delivered a robust set of results during 2022 against the backdrop of a recessionary global economic environment, with higher inflation, which reduced the value attributed to equity and bond investments. Accordingly, investor sentiment for wealth and savings solutions reduced during the year.

Against this backdrop, the Group's AuMA ended the year at £99.6 billion, down 11% from the starting position at the beginning of the year with £14.0 billion of negative market movements more than offsetting net inflows of £1.8 billion. Average AuMA for the year was £102.8 billion compared to £105.3 billion in the comparative year. Adjusted profit before tax was £134 million, down 3% on the prior year (2021: £138 million), reflecting lower revenues given the lower average AuMA for the year, offset by good cost discipline despite the cost-of-living and inflation pressures.

In this section, unless indicated otherwise all results are presented excluding Quilter International in both the current year and prior year comparative, following its sale to Utmost Group in November 2021.

Alternative Performance Measures ("APMs")

We assess our financial performance using a variety of measures including APMs, as explained further on pages 209 to 211. In the headings and tables presented, these measures are indicated with an asterisk: *.

Net inflows of £1.8 billion for the year were 55% lower than the prior year (2021: £4.0 billion). The more challenging macroeconomic and geopolitical environment contributed to lower investment activity across the wealth management industry, with this notably evidenced through subdued gross inflows. Net inflows are stated inclusive of net outflows from assets on third-party platforms of £1.1 billion (2021: £0.6 billion). Gross flows for the Group were 20% lower than the prior year at £10.5 billion (2021: £13.2 billion), primarily as a result of lower flows into the Quilter Platform. This was due to lower investor confidence and the wider impacts of rising interest rates and inflation on the cost-of-living, leading to an industry-wide slow-down. As a consequence, net inflows as a percentage of opening AuMA were 2% (2021: 4%).

- **The Affluent segment's** net inflows of £1.1 billion were down 62% on the prior year (2021: £2.9 billion) due to £1.3 billion lower net inflows in the Quilter Investment Platform against a strong prior year comparative, and net outflows of £1.1 billion (2021: net outflows of £0.6 billion) in assets managed by Quilter on third-party platforms in relation to legacy and closed books of business. Net inflows of £2.2 billion onto the Quilter Investment Platform were down 37% (2021: £3.5 billion), with lower gross sales in the IFA channel being a specific contributing factor. The Quilter distribution channel performed broadly in line with the prior year where the Platform is winning a greater share of sales from our own advisers, weighted towards pensions, and we established a simplified procedure to allow us to accelerate back book transfers. This is offset with lower overall market activity as investor confidence reduced during the course of 2022. Gross flows on the Quilter Investment Platform of £7.5 billion (2021: £9.0 billion) were 17% lower as clients reacted to the macro environment. Pension and ISA product sales comprise £5.5 billion (2021: £6.4 billion). Persistency for the Affluent segment remained good and slightly ahead of historical levels at 91% (2021: 90%).

- **The High Net Worth segment** recorded net inflows of £0.9 billion which were down 18% from the prior year (2021: £1.1 billion), and continued to deliver a robust performance with good flows from the Quilter channel offsetting a slowdown in IFA flows. Gross inflows of £2.3 billion were down on 2021 of £2.7 billion, offset by lower outflows compared to the prior year. This reflects improved persistency at 95% versus 94% in 2021.

Key financial highlights

Quilter highlights from continuing operations[1]	2022	2021
Assets and flows		
AuMA* (£bn)[2]	99.6	111.8
Of which Affluent	74.9	83.3
Of which High Net Worth	25.5	28.7
Inter-segment dual assets	(0.8)	(0.2)
Gross flows* (£bn)[2]	10.5	13.2
Of which Affluent	8.5	10.5
Of which High Net Worth	2.3	2.7
Inter-segment dual assets	(0.3)	0.0
Net inflows* (£bn)[2]	1.8	4.0
Of which Affluent	1.1	2.9
Of which High Net Worth	0.9	1.1
Inter-segment dual assets	(0.2)	0.0
Net inflows/opening AuMA*[2]	2%	4%
Gross flows per adviser* (£m)[2,3]	2.3	2.3
Asset retention*[2]	92%	91%
Profit and loss		
IFRS profit/(loss) before tax from continuing operations attributable to equity holders* (£m)[2]	199	12
IFRS profit/(loss) after tax from continuing operations (£m)	175	23
Adjusted profit before tax* (£m)[2]	134	138
Operating margin*[2]	22%	22%
Revenue margin* (bps)[2]	47	48
Return on equity*[2]	7.0%	8.3%
Adjusted diluted EPS* from continuing operations (pence)[2]	7.9	7.4
Recommended total dividend per share from continuing business (pence)	4.5	4.0
Basic earnings per share from continuing operations (pence)	12.2	1.4
Non-financial		
Total Restricted Financial Planners ("RFPs") in both segments[4]	1,502	1,623
Discretionary Investment Managers in High Net Worth segment[4]	179	170

[1]Continuing operations represent Quilter plc, excluding the results of Quilter International. Adjusted profit before tax for Quilter International in 2021 was £50 million. Adjusted diluted EPS from Quilter International in 2021 was 3.0 pence per share.
[2]Alternative Performance Measures ("APMs") are detailed and defined on pages 209 to 211.
[3]Gross flows per adviser is a measure of the value created by our Quilter distribution channel.
[4]Closing headcount as at 31 December.

The Group's AuMA ended the year at £99.6 billion, down 11% from the opening position at the start of 2022 (2021: £111.8 billion), due to the fall in global equity and bond indices. The Affluent segment AuMA of £74.9 billion decreased by 10% (2021: £83.3 billion) of which £24.9 billion is managed by Quilter, down on the opening position at the start of 2022 (2021: £27.4 billion). High Net Worth's AuM was £25.5 billion, down 11% from opening 2022 (2021: £28.7 billion), with all assets managed by Quilter. In total, £50.2 billion of AuMA is managed by Quilter across the Group (2021: £56.0 billion).

The Group's revenue margin of 47 bps was 1 bp lower than the prior year (2021: 48 bps). For assets administered within the Affluent segment, the revenue margin remained in line with the prior year at 27 bps. For assets managed in the Affluent segment, the revenue margin decreased by 2 bps to 47 bps as a result of anticipated mix shifts in underlying assets towards lower margin products. Within the High Net Worth segment the revenue margin decreased by 2 bps to 69 bps, primarily due to lower commission and contract charges.

Adjusted profit before tax decreased by 3% to £134 million (2021: £138 million). The decline in net management fees to £483 million (2021: £500 million) broadly matched the decline in average AuMA year-on-year (2022: £102.8 billion compared to 2021: £105.3 billion). Other revenue increased by 4% to £123 million (2021: £118 million) reflecting interest income earned on cash and capital resources, offset by lower mortgage and protection new business levels and lower adviser headcount. Operating expenses in 2022 were £472 million, down 2% on the prior year (2021: £480 million) primarily due to continued cost discipline, lower FSCS levies and the Optimisation and Simplification cost initiatives delivering the intended cost reductions. These decreased expenses have been partially offset by higher annualised FNZ charges following the late Q1 2021 launch of the Platform and inflationary increases. The Group's operating margin was 22%, in line with the prior year.

The Group's IFRS profit after tax from continuing operations was £175 million, compared to £23 million for 2021. The increase in IFRS profit is largely attributable to policyholder tax credits resulting from market losses up to December 2022 of £134 million compared to market gains in the prior year (2021: tax charge £73 million).

Adjusted diluted earnings per share for continuing operations increased 7% to 7.9 pence (2021: 7.4 pence).

Total net fee revenue*

Total net fee revenue from continuing operations 2022 (£m)	Affluent	High Net Worth	Head Office	Continuing operations
Net management fee*	300	183	–	483
Other revenue*	87	29	7	123
Total net fee revenue*	387	212	7	606

Total net fee revenue from continuing operations 2021 (£m)	Affluent	High Net Worth	Head Office	Continuing operations
Net management fee*	311	189	–	500
Other revenue*	95	23	–	118
Total net fee revenue*	406	212	–	618

Total net fee revenue for Affluent was £387 million, down 5% from the prior year (2021: £406 million). Net management fees of £300 million were 4% down on the prior year (2021: £311 million) due to the impact of lower average AuMA which decreased by 2% to £77.1 billion in 2022 (2021: £78.5 billion), and anticipated changes in fund mix in Quilter Investors where the proposition continues to evolve into a broader mix of investment strategies. Other revenue predominantly reflects revenue generated from the provision of advice within Quilter Financial Planning. Within the revenue generated by advice, mortgage and protection, recurring charges and fixed fees were at lower levels than the prior year due to lower markets and lower average adviser headcount. This decrease is offset with increased interest income earned on cash balances that support the capital and liquidity requirements of the business.

Total net fee revenue in High Net Worth was £212 million, in line with the prior year. This was principally driven by Other revenue in Quilter Cheviot, up £8 million (2021: £nil) due to interest received from clients' cash assets as a result of the rise in UK base rate. The Other revenue balance predominantly reflects the revenue generated from Quilter Private Client Advisers which was at similar levels to those of 2021. Net management fees decreased by 3% compared to the prior year which is aligned to a similar decrease in the average AuM. This also includes an expected reduction in commission revenue as the proportion of clients on fee-only propositions continues to increase.

Operating expenses*

Operating expenses decreased by £8 million to £472 million (2021: £480 million) as a result of continued cost discipline as we emerged from the 2020/2021 pandemic and faced into higher UK inflationary pressures and suppressed market conditions.

	2022		2021	
Operating expense split (£m)	Continuing operations	As a percentage of revenues	Continuing operations	As a percentage of revenues
Support staff costs	118		127	
Operations	22		27	
Technology	35		42	
Property	31		31	
Other base costs[1]	30		25	
Sub-total base costs	236	39%	252	41%
Revenue-generating staff base costs	92	15%	83	13%
Variable staff compensation	75	12%	80	13%
Other variable costs[2]	46	8%	36	6%
Sub-total variable costs	213	35%	199	32%
Regulatory/professional indemnity costs	23	4%	29	5%
Operating expenses*	472	78%	480	78%

[1]Other base costs includes depreciation and amortisation, audit fees, shareholder costs, listed-related costs and governance.
[2]Other variable costs includes FNZ costs, development spend and corporate functions variable costs.

Support staff costs decreased by 7% to £118 million (2021: £127 million) primarily driven by Business Simplification activities delivering sustainable benefits.

Operations costs decreased by 19% to £22 million (2021: £27 million) which reflects the move to the outsourced operations model within the Quilter Investment Platform for the full period in 2022, and a simpler operational base following the business divestments made in preceding years. FNZ costs are reflected in Other variable costs.

Technology costs decreased as we continue to rationalise our infrastructure following the sale of Quilter International. Further reductions are due to the elimination of dual running costs following the completion of the Platform Transformation Programme and ongoing Business Simplification activity.

Property costs remained stable at £31 million (2021: £31 million) driven by an increase in operating costs because of higher occupancy post pandemic, and the rising inflationary cost associated with utility usage which were offset by the property portfolio consolidation in 2022.

Other base costs increased by 20% to £30 million (2021: £25 million) driven by annualised depreciation charges post completion of property portfolio projects.

Revenue-generating staff base costs have increased by 11% to £92 million (2021: £83 million) reflecting the competitive environment in which we operate and as a consequence of continued investment in both Affluent and High Net Worth segments, which included increasing the number of discretionary managers and the build out of the combined advice and investment proposition in High Net Worth. In particular, the Group invested in the development of further business activities located in Dublin, Ireland within the High Net Worth segment.

Variable staff compensation decreased by 6% to £75 million (2021: £80 million) with reductions in share-based payment accruals reflecting global equity market falls and further reductions relating to the business performance against the backdrop of an increasingly volatile global economy which negatively impacted markets and investor sentiment throughout 2022.

Other variable costs increased by 28% to £46 million (2021: £36 million) principally due to operating expenses associated with the new platform and increased development spend following the deferral of change activity during the pandemic.

Regulatory and professional indemnity costs decreased by 21% to £23 million (2021: £29 million) largely driven by reduced FSCS levy costs to Quilter of £6 million as a result of an overall lower industry levy.

Taxation

The effective tax rate ("ETR") on adjusted profit before tax was 14% (2021: 9%). The Group's ETR is lower than the UK corporation tax rate of 19% principally due to utilisation of previously unrecognised deferred tax assets in relation to trade losses. The Group's ETR is dependent on a number of factors, including future changes in the UK corporation tax rate.

The Group's IFRS income tax expense was a credit of £110 million for the year ended 31 December 2022, compared to a charge of £62 million for the prior year. The income tax credit in 2022 is largely due to adverse movements in the market values of unit-linked assets during the year compared to favourable movements in those assets during 2021. The income tax expense or credit can significantly vary 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 to fund the policyholder tax liability (which is included within the Group's IFRS revenue) 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 40 and in note 7(b) of the consolidated financial statements.

Optimisation

The Optimisation programme, which we announced in 2018, has now completed, achieving its target of annualised run-rate cost savings of £65 million. Total implementation costs since inception of £87 million are £4 million below the original £91 million estimate. In 2022, we successfully deployed the final delivery of our Group-wide general ledger system and further consolidated our data centre and data reporting solutions within the IT estate. No further costs are expected on this programme.

Business Simplification

Quilter's Business Simplification programme continues to track towards the proposed £45 million target announced at the Capital Markets Day in November 2021, with costs to achieve expected to be £55 million. In 2022, we completed the initial phase of simplification of our organisational structure following re-segmentation of the business. Further savings have been delivered across our Group functions with ongoing rationalisation of our property and technology estates being key contributors. To date the programme has delivered £23 million of annualised run-rate cost savings with an implementation cost of £17 million.

Lighthouse DB pension transfer advice provision

As reported previously, a provision was recognised in relation to DB to DC pension transfer advice provided by Lighthouse advisers prior to Lighthouse transitioning to our systems and controls following our acquisition of Lighthouse.

A provision of £5 million (31 December 2021: £29 million) remains for the potential redress of British Steel Pension Scheme cases and other DB to DC pension transfer cases. This includes anticipated costs of legal and professional fees associated with the redress activity. The provision reflects (i) the outcome of the suitability review on a case-by-case basis for all cases identified as being in scope of the skilled person review relating to DB to DC pensions transfers by Lighthouse, (ii) redress calculations performed by the skilled person using the methodology designed following discussions and in collaboration with the FCA, as well as the offers made to customers who received unsuitable advice which caused them to sustain a loss, and (iii) an estimate for cases to be considered as part of the subsequent Group-managed past business review (covering an extension of the population of non-British Steel customers who were included in the skilled person review) with the current skilled person acting as reviewer. The provision decreased by £4 million during 2022, recognised as a reduction within expenses of the Group (and excluded from adjusted profit before tax), in order to reflect the results of the redress calculations performed under the skilled person review, and an estimate for cases to be considered as part of the past business review. During the year £4 million of additional legal, consulting, and other costs were incurred. Redress on British Steel Pension Scheme cases and other DB to DC pension transfer cases of £19 million and professional fees of £3 million were paid during the year. Payments are expected to be completed during 2023. Subject to FCA confirmation, we anticipate that the skilled person review will conclude during 2023. The FCA has agreed that the remaining review work described above (relating to certain Lighthouse non-British Steel customers who received DB pension transfer advice) can be conducted as a Group-managed past business review.

Professional indemnity insurance coverage in relation to claims in respect of legal liabilities arising in connection with Lighthouse cases has been confirmed and the proceeds received, contributing £12 million to the profit of the Group, which has also been excluded from adjusted profit before tax.

Reconciliation of adjusted profit before tax* to IFRS profit

Adjusted profit before tax represents the Group's IFRS profit, adjusted for specific items that management considers to be outside of the Group's normal operations or one-off in nature, as detailed on page 142 in the consolidated financial statements. The exclusion of certain adjusting items may result in adjusted profit before tax being materially higher or lower than the IFRS profit after tax.

Adjusted profit before tax does not provide a complete picture of the Group's financial performance, which is disclosed in the IFRS income statement, but is instead intended to provide additional comparability and understanding of the financial results.

Reconciliation of adjusted profit before tax to IFRS profit after tax	For the year ended 31 December 2022	For the year ended 31 December		
£m		Continuing operations	Discontinued operations[1]	Total
Affluent	105	111	50	161
High Net Worth	45	56	–	56
Head Office	(16)	(29)	–	(29)
Adjusted profit before tax*	134	138	50	188
Reallocation of Quilter International costs	–	(10)	10	–
Adjusted profit before tax after reallocation*	134	128	60	188
Adjusting for the following:				
Impact of acquisition and disposal-related accounting	(42)	(41)	–	(41)
Profit on business disposals[2]	–	2	90	92
Business transformation costs	(30)	(51)	(19)	(70)
Managed Separation costs	–	(2)	–	(2)
Other adjusting items	(1)	–	–	–
Finance costs	(10)	(10)	–	(10)
Policyholder tax adjustments	138	(7)	–	(7)
Customer remediation	12	(7)	–	(7)
Voluntary customer repayments	(6)	–	–	–
Exchange rate gain (ZAR/GBP)	4	–	–	–
Total adjusting items before tax	65	(116)	71	(45)
Profit before tax attributable to equity holders*	199	12	131	143
Tax attributable to policyholder returns	(134)	73	–	73
Income tax credit/(expense)	110	(62)	–	(62)
Profit after tax[3]	175	23	131	154

[1]2021 discontinued operations include the results of Quilter International.
[2]In 2021, the discontinued operations profit on business disposals of £90 million resulted from the disposal of Quilter International. The £2 million continuing operations profit on business disposals resulted from the disposal of LighthouseCarrwood Limited. See note 6(a) for details.
[3]IFRS profit after tax.

The impact of acquisition and disposal-related accounting costs of £42 million (2021: £41 million) include amortisation of acquired intangible assets. These costs remained stable on those of the prior year.

Business transformation costs of £30 million were incurred in 2022 (2021: £70 million, of which £51 million was on continuing operations) consisting of:

- Business Simplification costs of £17 million (2021: £nil). In 2022, the Group simplified its structures to support the two segments, Affluent and High Net Worth, with further work planned into 2024. During the year, we also delivered early simplification benefits related to our property strategy and technology estate enabled by the completion of the Platform Transformation Programme and sale of Quilter International. To date the programme has delivered £23 million of annualised run-rate cost savings with an implementation cost of £17 million.
- The Optimisation programme incurred costs of £6 million (2021: £22 million). The Optimisation programme commenced in 2018 to provide closer business integration, create central support, rationalise technology and reduce third-party spend and is now complete, delivering annualised run-rate cost savings of £65 million. This programme concluded during 2022.
- Restructuring costs following the disposal of Quilter Life Assurance of £3 million in 2022 (2021: £1 million), including property exit costs after the conclusion of the Transitional Service Agreement with ReAssure.
- The Platform Transformation Programme concluded in 2021 with lifetime costs of £202 million. No further costs were incurred in 2022 (2021: £28 million).
- Investment in business costs of £4 million were incurred in 2022 (2021: £nil) as the Group continues to enable and support advisers, clients and improve productivity through better utilisation of technology.

Policyholder tax adjustments were a credit of £138 million for 2022 (2021: debit of £7 million) in relation to the removal of timing differences 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 before tax attributable to equity holders.

The customer remediation adjustment of £12 million of income in 2022 (2021: expense of £7 million) reflects the impact of the insurance proceeds received, final redress calculations performed compared with the provision estimated, as part of the ongoing skilled person review, and subsequent Group-managed past business review with the current skilled person acting as reviewer. Insurance proceeds in relation to claims in respect of legal liabilities arising in connection with Lighthouse DB to DC pension transfer advice have been received, contributing £12 million to the profit of the Group. These impacts are excluded from adjusted profit on the basis that the advice activities to which the charge and benefit relates was provided prior to the Group's acquisition of the business. Additionally, a provision release of £4 million was recognised in the current period (2021: net increase in provision of £7 million), with further costs recognised of £4 million in relation to the additional population to be reviewed as part of that Group-managed past business review, including associated professional costs. Further details of the provision are provided in note 28.

The voluntary customer repayments of £6 million (2021: £nil) relate to revenue previously recognised in respect of Final Plan Closure (FPC) receipts.

Foreign exchange movements for 2022 were £4 million (2021: £nil) and relate to foreign exchange gains on cash held in South African Rand in preparation for the capital return and Final Dividend payments in May 2022. Cash was converted to South African Rand upon announcement of the details of the capital return and dividend payment providing an economic hedge for the Group. The foreign exchange gain is equally offset by an amount recognised directly to retained earnings. See note 7(b)(viii) to the Group's consolidated financial statements for further detail.

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 75% of adjusted profit after tax over 2022 (2021: 76%).

Review of financial position

Capital and liquidity

Solvency II

The Group's Solvency II surplus is £820 million at 31 December 2022 (31 December 2021: £1,030 million), representing a Solvency II ratio of 230% (31 December 2021: 275%). The Solvency II information for the year to 31 December 2022 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 foreseeable dividend payment of £45 million (31 December 2021: £62 million).

Group Solvency II capital (£m)	At 31 December 2022[1]	At 31 December 2021[2]
Own funds	1,451	1,617
Solvency capital requirement ("SCR")	631	587
Solvency II surplus	820	1,030
Solvency II coverage ratio	230%	275%

[1]Filing of annual regulatory reporting forms due 19 May 2023.
[2]As reported in the Group Solvency and Financial Condition Report for the year ended 31 December 2021.

The 45 percentage point decrease in the Group Solvency II ratio from the 31 December 2021 position is primarily due to the capital return to shareholders of £328 million from the net surplus proceeds arising from the sale of Quilter International to Utmost Group, partly offset by the net profit recognised in the period.

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 2022	At 31 December 2021
Tier 1[1]	1,249	1,412
Tier 2[2]	202	205
Total Group Solvency II own funds	1,451	1,617

[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 198% of the Group SCR of £631 million. Tier 1 capital represents 86% of Group Solvency II own funds. Tier 2 capital represents 14% of Group Solvency II own funds and 25% of the Group surplus.

Dividend
The Board recommended a Final Dividend of 3.3 pence per share at a total cost of £45 million. Subject to shareholder approval at the 2023 Annual General Meeting, the recommended dividend will be paid on 22 May 2023 to shareholders on the UK and South African share registers on 21 April 2023 (the "Record date"). For shareholders on our South African share register, a Final Dividend of 72.78087 South African cents per share will be paid on 22 May 2023, using an exchange rate of 22.05481. This will bring the dividend for the full year to 4.5 pence per share (2021: 4.0 pence per share).

At our Capital Markets Day on 3 November 2021, we announced a revised Group dividend policy. The new policy sets a target pay-out range of 50% to 70% of post-tax, post-interest adjusted profits, revised from 40% to 60% of post-tax adjusted profits previously and applies for the 2022 financial year.

Share buyback programme
Early in 2022, the Company completed the share buyback programme that was initiated to return to shareholders the net surplus sale proceeds (after disposal costs) of £375 million from the disposal of Quilter Life Assurance. The share buyback programme was subject to staged regulatory and Board approvals and a total of 264.1 million shares were purchased and cancelled at an average price of 141.97 pence per share.

Capital Return (the "B Share Scheme" and the "Share Consolidation")
In March 2022, following the completion of the sale of Quilter International at the end of November 2021, the Company proposed to return the majority of the net surplus sale proceeds to shareholders through the issuance and redemption of a new class of redeemable B Shares followed by an Ordinary Share consolidation on a six new Ordinary Shares for seven old Ordinary Shares basis.

Following receipt of regulatory approval and shareholder approval at a General Meeting held on 12 May 2022, the B Shares, with nominal value of 20 pence per share, were issued to shareholders on 23 May 2022. The B Shares were subsequently redeemed on 24 May 2022 in the form of a payment of 20 pence per old Ordinary Share for shareholders on our UK share register. For shareholders on our South African share register, this equated to a return of 401.33300 South African cents per old Ordinary Share, using an exchange rate of 20.06665 South African cents to one pence, the average rate achieved on 7 and 8 March 2022 (the two days immediately preceding the announcement of the Capital Return). In total, £328 million of capital was returned to our shareholders through the B Share Scheme.

The six for seven Share Consolidation was executed on a contemporaneous basis with the effect of reducing the number of shares in issue to c.1.4 billion, a c.500 million decrease in the number of shares in issue since the Company was Listed on 25 June 2018. Following the Share Consolidation, the new Ordinary Shares have a nominal value of 8 1/6 pence.

Debt issue
In early January 2023, the Company announced plans to issue a new subordinated debt instrument in order to refinance its existing £200 million 4.478 percent Fixed Rate Reset Subordinated Notes due 2028 on their first call date of 28 February 2023. A new issue of £200 million 8.625 percent Fixed Rate Reset Subordinated Notes due April 2033 was completed on 18 January 2023.

Holding company cash
The holding company cash statement includes cash flows generated by the three main holding companies within the business: Quilter plc, Quilter Holdings Limited and Quilter UK Holding Limited. The flows associated with these companies are not directly comparable to those disclosed in the statutory statement of cash flows, which comprises flows from the entire Quilter plc Group including policyholder movements.

£m	2022	2021
Opening cash at holding companies at 1 January	756	517
Single Strategy business sale – warranty	–	(2)
Quilter International sale proceeds	–	481
Return of capital to shareholders	(328)	–
Share repurchase	(28)	(197)
Cost of disposal	(23)	–
Dividends paid	(78)	(89)
Net capital movements	(457)	193
Head Office costs, Business Simplification and Optimisation programme funding	(52)	(74)
Interest received	4	–
Interest costs	(9)	(9)
Net operational movements	(57)	(83)
Cash remittances from subsidiaries	163	184
Net capital contributions, loan repayments and investments	(15)	(53)
Other net movements	2	(2)
Internal capital and strategic investments	150	129
Closing cash at holding companies at end of year	392	756

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Net capital movements

Net capital movements in the year were an outflow of £457 million. This includes £328 million of capital returned to shareholders following the sale of Quilter International, £28 million relating to the share repurchase programme, dividend payments made to shareholders of £62 million in May 2022 and £16 million in September 2022, plus £23 million of costs relating to the disposal of Quilter International.

Net operational movements

Net operational movements were an outflow of £57 million for the year and include £52 million of corporate and 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, with £4 million interest received on money market funds and cash holdings.

Internal capital and strategic investments

The net inflow of £150 million is principally due to £163 million of cash remittances from the trading businesses, partially offset by £15 million of net capital contributions to support business operational activities.

Mark Satchel
Chief Financial Officer

Risk review

Nick Sacre-Hardy
Chief Risk Officer

Introduction

The coming year is likely to remain challenging for Quilter given the prospect of a prolonged economic downturn, continued inflationary pressures, high interest rates and muted markets. Effective risk management is key to generating value safely and in supporting Quilter in managing through these difficult times.

The focus will remain on progressing Quilter's long-term strategy, growing with our clients and advisers, enhancing the efficiency of operations, increasing digitalisation and being a responsible wealth manager. This, alongside the FCA's new Consumer Duty, present new challenges and opportunities for Quilter to create a real competitive advantage by delivering against our established strategy. Risks remain in the execution of this strategy and the effective management of these risks will be key to ensuring Quilter's future success and the continued delivery of good customer outcomes.

How we manage risk

Our Enterprise Risk Management Framework ("ERMF") is embedded across Quilter and helps 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 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.

Risk governance

Quilter maintains a Group Governance Manual ("GGM") which sets out Quilter's approach to governance. 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. The Risk Function Charter provides clarity on the purpose and role of the Risk Function as Quilter's second line of defence, 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 Quilter. This forum is chaired by the Quilter Chief Executive Officer, with representation from across the Group. 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.

On a quarterly basis, the Quilter Chief Risk Officer formally reports to the Board Risk Committee the second line perspective on the risk profile of the Group, performance against risk appetite and perspectives 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.

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Quilter's three lines of defence model

First line of defence	Second line of defence	Third line of defence
Management and employees 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.	**Risk function** 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** Group Internal Audit provides the Board and Management with independent, objective assurance.

Strategic risk appetite principles

Customer	Liquidity	Capital	Control environment
Quilter will enable the delivery of good customer outcomes	Quilter will ensure that it has sufficient liquidity to meet its financial and funding obligations	Quilter will hold or have access to sufficient capital to maintain its own capital needs	Quilter will at all times operate a robust control environment
Owner: Chief Distribution Officer Chief Operating Officer	**Owner:** Chief Financial Officer	**Owner:** Chief Financial Officer	**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 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 determined by the Board. These principles provide the top down guidance on our attitude towards key areas of risk for Quilter. They 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.

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 very 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 is aligned to the expectations of individuals set out in the FCA's Conduct Rules.

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 to the Board Risk Committee on Quilter's conduct risk profile, emerging issues and trends. Areas of concern are noted, and actions are identified and are tracked to completion.

Prudential risk
Quilter is prudentially regulated by the Prudential Regulation Authority ("PRA") under Solvency II, by the FCA under the Investment Firms Prudential Regime ("IFPR") and other applicable prudential regulations.

To meet these regulations, we operate a consistent approach to risk management across Quilter. We have integrated the Own Risk and Solvency Assessment ("ORSA") and Internal Capital Adequacy and Risk Assessment ("ICARA") into our risk management framework. Quilter's ORSA and ICARA 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 changes in the external environment.

We determine the capital and liquidity required to protect Quilter's resilience. We project the development of capital and liquidity requirements over our planning period. The assessments include a range of stress and scenario tests covering a broad range of potential events, including market stresses, events which could damage Quilter's reputation and operational risk events. In accordance with IFPR requirements we have developed recovery plans to identify the management actions and recovery options which are available in the event of extreme stresses, and wind-down plans to ensure that we maintain sufficient capital and liquidity to support the orderly wind-down of our investment and advice businesses.

Operational risk
Quilter operates a series of 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") and risk event management is facilitated by our risk system, along with remedial action tracking. Root cause analysis is conducted on material events.

Digital security
Embracing Digital is a key component of Quilter's strategy, ensuring we actively engage with our current and future customers in the right way, across all facets of our business. Information security is a core part of our ongoing management of digital platforms, and a key requirement for projects that are delivering new or updated digital functionality. Real-world information security events continuously inform our risk posture, and we use a combination of internal metrics and external threat intelligence to assess and periodically revaluate the effectiveness of our control environment. Using internationally recognised methodologies, we characterise and actively monitor a wide variety of criminal actors who could be a threat to Quilter. Understanding how these criminals operate has enabled us to ensure we have the relevant controls in place and to test these controls, using both internal methods and external parties.

The identification, assessment and continuous management of digital security related risks is aligned to our ERMF. Quilter's risk taxonomy is a key part of this framework which drives our risk management processes and includes technical elements of these risks such as systems availability, data loss and compromise, but also the important wider reaching business impacts of digital risk such as customer service risk. These risks are governed as part of a well-established framework, including the executive sponsored IT and Security Governance Forum and the Operations Committee which report ultimately into Quilter plc Board Committees. The Quilter Chief Risk Officer formally reports the second line opinion on the risk profile of the firm, including information security and technology risk, on a quarterly basis. Internal Audit also regularly include digital and related risks as part of their audit planning process.

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 personal 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-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 undertaken by the Risk Function across the risk domains, including regulatory compliance, and includes advisory and assurance. The Risk Plan is approved annually by the Board Risk Committee, with regular tracking of progress on its delivery throughout the plan year.

Risk profile
2022 has been a very challenging year. The rapid deterioration in the economic and geopolitical environment which began at the start of the year gave rise to significant impacts on consumers and the markets, and had a material impact on Quilter's business performance, impacting net flows, assets under management and administration ("AuMA") and revenues.

Despite these challenges Quilter remained focused on its four strategic priorities. Good progress was made on a number of fronts, including the launch of Wealth Select +, the establishment of the new Affluent commercial and proposition function, continued Platform improvements and good progress in Business Simplification.

In July the FCA published the final rules and guidance in relation to the new Consumer Duty, which sets higher and clearer standards of consumer protection across financial services, and requires firms to put their customers' needs first. Good progress has been made to date in the delivery of our Consumer Duty programme with appropriate first and second line resources mobilised to support implementation by July 2023.

Principal risks and uncertainties

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 is consistent with Quilter's Enterprise Risk Framework categorisation, and with the 'Top Risk' reporting that is provided quarterly to the Board Risk Committee and 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. Since 2021, improvements in the risk exposure associated with Information Technology, Information Security, Change Execution, Third Party and Operational Resilience has seen them removed from the table below. The table below sets out Quilter's principal risks and uncertainties throughout 2022, 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 2022.

Risk trend key

→ Stable
↘ Decreasing
↗ Increasing

Business and strategic risks

Risk owner: Chief Financial Officer	**Economic environment** Quilter's principal revenue streams are asset value related and as such Quilter is exposed to the condition of global economic markets. The evolving Ukraine conflict and increased political uncertainty in the UK saw significant market volatility during 2022 and this is expected to continue into 2023. Inflation acted as a significant headwind to Quilter, due to risings costs, and lower NCCF with the potential that higher interest rates could further impact equity markets and Quilter's flows. Inflationary pressures are expected to start easing in 2023 but the pace and timing remains uncertain.	**Mitigation:** **2022 activity** • 2022 economic scenario testing at Group and subsidiary level. • Diversification of shareholder cash balances across bank accounts and money market funds to reduce credit concentration risk. **Planned and ongoing activity** • Stress and scenario analysis, including in respect of market shocks. • Ongoing enhanced monitoring of market and liquidity risk exposures.	**2022 risk trend:** ↗
Risk owner: Chief Financial Officer	**Business financial performance** Any negative impact on earnings, share price and/or capital position could have a resulting adverse effect on Quilter's market credibility and financial standing. Throughout 2022, external economic and market conditions remained challenging, and this impacted flows, AuMA and revenues. The economic and political outlook remains uncertain and ongoing inflationary pressures, alongside increasing interest rates, risk damaging consumer confidence further as cost-of-living pressures continue.	**Mitigation:** **2022 activity** • Implemented revised 2022 cost targets. • Explore structural efficiencies that can be employed to deliver 2023 cost base and beyond. **Planned and ongoing activity** • Continued monitoring of Key Risk Indicators relating to liquidity, free cash and solvency positions.	**2022 risk trend:** ↗
Risk owner: Chief Executive Officer	**Strategic delivery** The current stage of our strategy brings with it continued strategic execution risk and the challenging external conditions have led to an increase in this risk over the year. Improved structural efficiency will reduce vulnerability to short-term market conditions and enable long-term investment. Customers place their trust in Quilter to help deliver their financial futures, and delivery of good customer outcomes in all of Quilter's client propositions will be key to the success of Quilter's next phase.	**Mitigation:** **2022 activity** • Reprioritisation of the operating plan. • Development of customer proposition and points of differentiation. **Planned and ongoing activity** • Maintaining robust change discipline through a comprehensive change framework and effective governance structures. • Dependency and resource mapping, identifying and retaining key capabilities.	**2022 risk trend:** ↗

Business and strategic risks continued

Risk owner: Chief Executive Officer

Climate strategy

Climate strategy risk is the risk that Quilter fails to develop and deliver the achievable, coherent, comprehensive and robust long-term climate strategy needed to appropriately manage climate related financial and non-financial risks (as set out in our 2022 TCFD report), meet regulatory and other stakeholder expectations, and fulfil our strategic ambition. This could result in reputational damage, the potential for regulatory action, and/or financial impacts. Quilter takes its responsibility to the environment very seriously, and is determined to play its part in reducing climate impacts.

Mitigation:

2022 activity

- Recruited a Head of Responsible Wealth Management.
- Began developing a detailed climate action strategy for the business which encompasses Scope 3 emissions.
- Completed the requirements phase for 2022 TCFD-related disclosure deliverables.

Planned and ongoing activity

- Develop requirements for 2023 TCFD-related disclosure deliverables.
- Complete a full risk assessment to ensure the climate action strategy addresses any underlying risk factors.

2022 risk trend: →

Operational and regulatory risks

Risk owner: Chief Executive Officer, Quilter Financial Planning

Advice

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 ongoing delivery of suitable advice could expose Quilter to risks associated with customer detriment, regulatory censure and remediation programmes, with consequential impacts to the Group's business, financial condition and reputation. Quilter continues to build on significant improvements to the control environment over the past 18 months, with an improving trend seen against this risk.

Mitigation:

2022 activity

- Conclusion of programme of work to enhance the control environment that supports the delivery of suitable advice in the Quilter Financial Planning business.
- Defined benefit transfer advice remediation activity is entering latter stages, with a small number of residual cases being handled in compliance with the FCA's published section 404 compensation scheme.

Planned and ongoing activity

- Ongoing control improvement programme transitioning into business as usual activity.
- A programme of work designed to make doing business with us easier for customers and our advisers.
- Automating wherever possible in support of a less manual control environment.

2022 risk trend: ↘

Risk owner: HR Director

People

Quilter relies on its talent to deliver its service to customers. The tight labour market and the cost-of-living pressures are continuing to drive some challenging conditions for employee retention. Failure to attract and retain suitable talent may impact on 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.

Mitigation:

2022 activity

- We Rise framework to support the delivery of Quilter's strategic objectives with agility and flexibility to adapt to the changing internal and external environment.

Planned and ongoing activity

- Talent management and succession programme.
- Performance and risk-adjusted remuneration arrangements.
- Regular employee engagement surveys.
- Quilter's staff wellbeing initiative, 'Thrive'.
- Coaching programme to support new teams coming together as part of business transformation/change.

2022 risk trend: ↗

Risk owner: Chief Risk Officer

Regulatory

Quilter is subject to regulation in the UK by the PRA and the FCA. Additionally, the firm is subject to the privacy regulations enforced by the 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.

Mitigation:

2022 activity

- Plan defined for Consumer Duty implementation and mobilisation of the programme.
- Implemented Appointed Representative regime changes.

Planned and ongoing activity

- Implement Consumer Duty requirements.
- Compliance monitoring programme.
- Regulatory engagement management, and regulatory horizon scanning.
- Staff training and staff awareness programmes.

2022 risk trend: →

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. Economic outlook and Geopolitical risk have been split out this year so they can be appropriately articulated given the current external environment

Term	Risk	Description
Near term	Economic outlook and inflationary pressure	The Bank of England's Monetary Policy Committee latest projections describe a challenging outlook for the UK economy with CPI inflation expected to remain elevated in the near term, it is expected to fall sharply from mid-2023. Global GDP growth has slowed and is projected to remain weak during 2023. There are some signs that labour demand has started to soften, though the labour market remains tight. Persistent high inflation and a recession could significantly impact all of Quilter's stakeholders, including customers, colleagues, and shareholders.
	Margin pressure	Increasing market pressures may require provision of services at a lower overall cost to customers to remain competitive. An inability to adapt to margin pressure could cause a reduction in market share of new business and negatively impact retention of existing business. Operating margin is a key focus with cost control and expense management activities ongoing.
	Geopolitical risk	Instability within the Eurozone, the Russia-Ukraine conflict, tensions in the Middle East, Taiwan, the South China Sea and North Korea, as well as ongoing strain in trade relations between the US, China and the EU have contributed to increased volatility in the financial markets in recent years and have contributed to diminished growth expectations for the global economy. It is possible that the effects of such geopolitical events will include further financial instability, slower economic growth, significant regulatory changes, currency fluctuations or higher unemployment and inflation in the UK, continental Europe and the global economy, at least in the short to medium term.
	Cyber threat developments	Quilter operates in an environment where the nature of cyber threats are continually and quickly evolving. The ever-increasing sophistication of cyber criminality presents a persistent threat of attack, capable of compromising the continuity of operations, or the security and integrity of information. Cyber security systems need to continuously monitor and innovate in response to emerging cyber threat developments.
	Infectious disease outbreak	Whilst the risk of pandemic resurgence remains low, a rise in outbreaks of other infectious diseases could potentially have impacts on Quilter's operations should mitigations be required to reduce the spread.
Medium term	Disruptive competition and technology	The white labelling of platforms coupled with financial advice consolidations by private equity firms who are aligning to white labelling partners could see competitors acquire skills and technology, accelerating their digital capabilities. This, alongside advancements in Digital/Hybrid advice could see new entrants enter the already highly competitive market, having the potential to erode Quilter's market share and increase fee pressure across the value chain.
	Climate change – physical risks	Physical climate risks are now crystallising, evidenced by summer heat waves in the UK and low rainfall. Whilst Quilter's flexible working policy allowed employees to cope well with extreme heat last year, some were impacted by public transport delays and reduced childcare provision. Such events are expected to become more extreme and more frequent in future, posing challenges to Quilter, the UK's infrastructure and critical third parties' operations.
	Climate change – transition risks	To avoid a climate catastrophe, global emissions must peak by 2025, halve by 2030, and be net zero by 2050. Achieving these aims has profound implications across the global economy and all industries. A disorderly transition to a low carbon economy could have financial impacts for Quilter caused by investment volatility or increased costs due to additional regulatory burden. COP27 was an opportunity for world leaders to show how they planned on turning their promises into action and whilst disappointing progress was made on phasing out fossil fuels, a historic agreement was reached on a fund to compensate developing countries for losses and damage caused by climate change.
Longer term	Generational shifts	The UK population is ageing. A significant proportion of UK household wealth is held by the over-45s and, over the next 30 years, this is set to be transferred between generations as inheritance or gifts. These trends present both opportunities and risks to Quilter in the form of changing consumer demands and expectations.

Viability statement and going concern

Risk management and internal control

The Directors are responsible for ensuring that management maintains an effective system of risk management and internal control and for assessing its effectiveness. Such a system is designed to identify, evaluate and manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Quilter is committed to operating within a strong system of internal control that enables business to be transacted and risk taken without exposing itself to unacceptable potential losses or reputational damage. The Quilter Group Governance Manual sets out the Group's approach to internal governance and establishes the mechanisms and processes by which management implements the strategy set by the Board to direct the organisation, through setting the tone and expectations from the top, delegating its authority and assessing compliance.

Quilter's principles of internal control (covering financial, operational and compliance areas) are to maintain:

- clearly defined delegated authorities;
- clearly defined lines of responsibility;
- robust recording and reporting of transactions to support the financial statements;
- financial reporting controls procedures and systems which are regularly reviewed;
- protection of assets; and
- financial crime prevention and detection.

The Enterprise Risk Management Framework is overseen by the Board Risk Committee and aims to align strategy, capital, processes, people, technology and knowledge in order to evaluate and manage business opportunities and threats in a structured, disciplined manner. The Group's principal risks and uncertainties are set out on pages 47 to 48.

Further information on the Directors' review of Risk and internal control can be found on pages 75 to 78.

Viability statement

In accordance with provision 31 of the UK Corporate Governance Code 2018, 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 the longer-term viability of the Group by reviewing the three-year Business Plan, the Own Risk and Solvency Assessment ("ORSA") and the Internal Capital Adequacy and Risk Assessment ("ICARA") for the Group. The three-year review period is considered appropriate because it aligns with the timeframe focused on for the annual strategic review exercise conducted within the business and reviewed by the Board. The Business Plan makes certain key assumptions in respect of the competitive markets and the economic and political environments in which the Group operates, the level of support provided to companies within the Group and the impact of key strategic initiatives. This year, the Business Plan considered the impact of market risk and the prevailing economic and geopolitical climate, and the risks and challenges this presents to the Group. In particular, the Business Plan considered the potential for volatility in debt, equity and currency markets which can adversely impact the Group's AuMA, revenue and profitability.

The first year of the Business Plan has the greatest 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 includes the Board's assessment of the principal risks and uncertainties facing the Group in the longer term, including climate change and any emerging risks, such as 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 and liquidity and an assessment of the principal risks over the three-year planning period. 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.

The ORSA and ICARA processes include an assessment of a range of stresses and scenarios. These are performed in order to assess capital and liquidity requirements and to test the impact of severe stresses on the Group. Certain scenarios are tested at severity levels which would be expected to occur once in every 50 and once in every 200 years. These scenarios are tested in order to confirm whether the Group and underlying operating entities have sufficient capital and liquidity to meet their financial risk appetites.

Quilter has a documented recovery plan which sets out the management actions and recovery options available to manage the impacts of severe stresses.

In all the severe but plausible adverse scenarios tested, the Group had sufficient capital and liquidity after allowing for management actions. This demonstrates the Group's resilience to adverse conditions. The management actions which were assumed included the cessation of dividend payments in the most extreme scenarios, as well as actions to reduce costs, including reductions in variable compensation costs and discretionary spending, and staff recruitment freezes, similar to the tactical cost savings made during 2020.

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 beyond the market falls experienced during the first half of 2020 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 2 to 51, 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 are set out on pages 47 to 48.

Conclusion on viability

Considering the Group's current capital and trading position, its principal risks, and the remaining three-year period of the Business Plan, with due consideration of the impact of the current economic climate, the Board has a reasonable expectation that the Company and the Group can continue in operation and meet their liabilities as they fall due over the period to 31 December 2025.

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 has 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 8 March 2023.

Ruth Markland

Ruth Markland
Chair
On behalf of the Board

Chair's introduction to corporate governance

Ruth Markland
Chair

Dear shareholder

I am pleased to write to you as your Chair. I have served on the Board as the Senior Independent Director since Quilter was listed in 2018 and I was honoured to be asked by my fellow Directors to chair your Board of Directors during the year. Since that time, I have spent time with colleagues, major shareholders and other stakeholders to hear their views directly and I am grateful for the support I have received.

Whilst 2022 was undoubtedly a year of change for your Board, you will see that there was also continuity. In April, Rosie Harris stood down from the Board and George Reid agreed to act as the Board Risk Committee Chair until such time as Rosie's replacement was in place. In May, Glyn Jones, our former Chair, who had indicated in late 2021 he wished to step down, also left the Board at the conclusion of the 2022 AGM. I wish to note, on behalf of the Board, my sincere thanks to Rosie and Glyn who both played such important roles preparing Quilter for Listing, and particularly to Glyn who served as Quilter's Chair with distinction and led the Group though significant change as we reshaped the Company into the UK centric wealth management business we are today.

2022 also saw the implementation of our succession plan for a transition in Chief Executive Officer. Paul Feeney's departure in October after over a decade of service marked the beginning of a new chapter for Quilter under the leadership of Steven Levin. Steven, who came to the role with deep knowledge and experience of Quilter built up over many years, is wholly focused on the successful execution of our strategy.

In May, we announced that Neeta Atkar, an experienced Non-executive Director, following a career spent in financial services regulation and risk management, would join the Board on 11 August and would be Chair of our Board Risk Committee from 1 October. Glyn Barker joined the Board in June with a view to assuming the role as Chair but for personal reasons resigned on 11 November. At this time, and following careful consideration by the Board, I was delighted to agree to continue as Chair. I was also pleased that Tim Breedon agreed to continue as Senior Independent Director and Chair of the Board Remuneration Committee.

An important role of the Board is to oversee the delivery of the Company's strategy by the executive within the agreed risk appetite in order to create long-term success for our shareholders and I am confident that the current Board has the right skills and experience for Quilter to achieve the successful execution of our strategy.

My Chair's statement on pages 3 and 4 has touched on the external political and economic environment and challenging market conditions with the year opening with the formal cessation of COVID-19 isolation measures and the on-going conflict in Ukraine, and it is in that context that your Board has operated. On the following pages, I would like to share with you the work of your Board, and some of the principal decisions we have made during the course of 2022.

I would like to thank my fellow Directors, Quilter colleagues and our stakeholders who continue to show their strong support for our Company and I look forward to providing you with an update on our progress in 2023.

Ruth Markland
Chair

Compliance with the UK Corporate Governance Code 2018

UK Corporate Governance Code 2018 (the "Code")

Quilter is subject to the Code. It is the Board's view that the Company complied with the Code and took appropriate actions during the Chair succession process to ensure compliance. Details of the actions taken can be found on pages 66, 70 and 83. Details of our Corporate Governance framework are available on page 55 and our website at plc.quilter.com. The Code is publicly available at www.frc.org.uk.

Disclosure Guidance and Transparency Rules ("DTRs")

By virtue of the information included in this Governance section of the Annual Report including our Directors' Report (pages 108 to 111) we comply with the corporate governance requirements of the FCA's DTRs.

Johannesburg Stock Exchange (the "JSE")

Quilter has a secondary listing on the Johannesburg Stock Exchange and is permitted by the JSE Listing requirements to follow the corporate governance practices of our primary listing market, London. Quilter is, however, mindful of the provisions of the King IV Governance principles and the expectations of our South African shareholders.

Principles of the UK Corporate Governance Code 2018	More information
Board leadership and company purpose	
Long-term value and sustainability	1 to 51
Culture	61 to 63
Shareholder engagement	25
Other stakeholder engagement	22 to 25
Oversight of Board level conflicts of interest	67
Division of responsibilities	
Role of the Chair	55
Division of responsibilities on the Board	55
Assessment of Non-executive Director role	55 and 66
Assessment of independence on the Board	55
Composition, succession and evaluation	
Board effectiveness	68
Board and Executive succession planning	66 to 67
Audit, risk and internal control	
Integrity of financial statements	71
Fair, balanced and understandable	72
Internal controls and risk management	72 and 77
Assessment of external independent auditor	73 to 74
Principal and emerging risks (Risk Review)	47 to 49
Viability statement and going concern	50 to 51
Remuneration	
Policy, practices and alignment with purpose, values and long-term strategy	86 to 93
Independent judgement and discretion	82 to 83

Board meeting attendance and Board changes during 2022

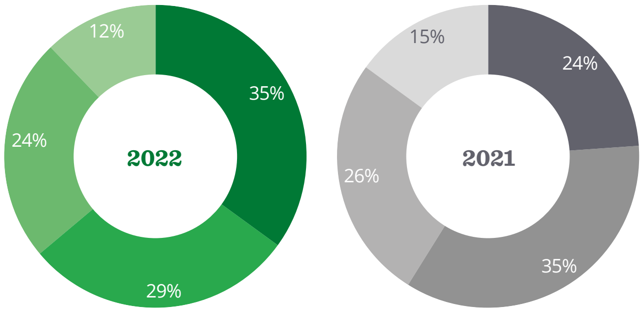
	Scheduled Board meetings	Ad hoc Board meetings	Appointment date	Resignation date
Directors				
Ruth Markland[1] (Chair)	**8**/8	**7**/7		
Steven Levin	**2**/2	**1**/1	1 November 2022	
Mark Satchel	**8**/8	**7**/7		
Independent Non-executive Directors				
Neeta Atkar	**2**/3	**3**/3	11 August 2022	
Tim Breedon[2] (Senior Independent Director)	**7**/8	**6**/7		
Tazim Essani	**7**/8	**7**/7		
Moira Kilcoyne	**7**/8	**7**/7		
Paul Matthews	**8**/8	**5**/7		
George Reid	**7**/8	**7**/7		
Chris Samuel	**8**/8	**7**/7		
Former Directors				
Glyn Barker	**2**/2	**2**/2	1 June 2022	11 November 2022
Paul Feeney	**6**/6	**5**/5		31 October 2022
Rosie Harris	**3**/3	**2**/4		30 April 2022
Glyn Jones	**4**/4	**4**/4		12 May 2022

[1]Stepped down as Senior Independent Director and appointed as Chair on 12 May 2022 at the conclusion of the 2022 AGM.
[2]Appointed as Senior Independent Director on 12 May 2022 at the conclusion of the 2022 AGM.

In addition to the meetings reported above, sufficient time was provided, periodically, for the Chair to meet privately with the Senior Independent Director and the Non-executive Directors. The Board had access to briefings and training during the year, including the new FCA Consumer Duty. Where a Director was unable to attend a meeting due to illness or a long-standing conflicting commitment, they reviewed the Board papers and provided comments to the Chair in advance of the meeting. Some ad hoc Board meetings were held at short notice.

Governance at a glance

2022 Board activity and how the Board spent its time



Board activity	2022	2021
Risk management and governance	●	●
Strategy and delivery of strategy	●	●
Business performance oversight	●	●
Stakeholder management	●	●

Board composition as at 31 December 2022

Gender identity

	Number of Board members	Percentage of the Board	Number of senior positions on the Board*
Men	6	60%	3
Women	4	40%	1
Not specified/prefer not to say	0	0	0

Ethnic background

	Number of Board members	Percentage of the Board	Number of senior positions on the Board*
White British or other White (including minority-white groups)	8	80%	4
Mixed/Multiple Ethnic Groups	0	0	0
Asian/Asian British	2	20%	0
Black/African/Caribbean/ Black British	0	0	0
Other ethnic group, including Arab	0	0	0
Not specified/prefer not to say	0	0	0

*Chair, Chief Executive Officer, Chief Financial Officer, Senior Independent Director.

Board skills and experience as at 31 December 2022

Length of tenure for Chair and Non-executive Directors

	2022	2021
0-1 years	1	2
1-3 years	3	1
3-4 years		2
4-5 years	2	3
5-6 years	1	1
6 or more years	1	

Industry knowledge and experience

Industry knowledge	
Accounting and finance	5
Asset management	2
Distribution	2
Governance	2
International financial services	5
IT and operations	4
Legal	1
Risk	3
Wealth management	3

Figures represent number of Board members with relevant experience.

Operating within a robust governance framework

The Board is the decision-making body for all matters of such importance as to be of significance to Quilter as a whole because of their strategic, financial or reputational implications or consequences. A summary of the matters that are reserved for the Board's decision, which includes Board appointments, Quilter's strategy, financial statements, capital expenditure and any major acquisitions, mergers or disposals, and the appointment and removal of the Company Secretary, can be found at plc.quilter.com.

The Board

Chair
Ruth Markland

The Chair is accountable to shareholders for leading the Board and ensuring the Board receives timely accurate information to take good decisions for the benefit of all stakeholders. The Chair was independent on appointment.

Senior Independent Director
Tim Breedon CBE

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

Independent
Non-executive Directors

The Non-executive Directors support and constructively challenge the executive team within a spirit of partnership and mutual respect. All the Non-executive Directors are considered to be independent.

Board Corporate Governance and Nominations Committee
Chair: Ruth Markland

Board Audit Committee
Chair: George Reid

Board Risk Committee
Chair: Neeta Atkar MBE

Board Remuneration Committee
Chair: Tim Breedon CBE

Board Technology and Operations Committee*
Chair: Moira Kilcoyne

Executive Directors

Steven Levin and Mark Satchel

The Quilter Board has delegated the day to day running of the Group to the Chief Executive Officer. The Executive Directors make and implement operational decisions to run the Quilter business on a day-to-day basis. To support the Chief Executive Officer in discharging his responsibilities, he is supported by the Quilter Executive Committee. The Quilter Executive Committee has in turn delegated certain of its responsibilities to the management committees below. The Executive Committee reports to the Chief Executive Officer for their respective areas of responsibility and delivery of the Operating and Business Plans. You can read more about the Executive Committee on pages 8 and 9.

Key management committees

Responsible for overseeing specific areas of responsibility such as the Group's operations, technology functions and responsible investing.

Executive Risk Forum
Overseeing, challenging and monitoring the management of risk and effectiveness of the systems of internal control within the Quilter Group.

Operating Committee
Supporting the Chief Operating Officer in the discharge of her duties and co-ordinating the Group's operations and technology arrangements.

Inclusion and Diversity Steering Committee
Driving the Group's diversity, inclusion and wellbeing strategy and action plan.

Responsible Wealth Management Steering Committee
Providing direction and monitoring of the responsible wealth management strategy.

*The Board Technology and Operations Committee was initially formed to oversee the implementation of the new investment platform and now this has successfully completed the Committee formally closed at the end of 2022. Further information can be found on pages 79 to 81.

Board of Directors

The Quilter Board comprises the Chair, the Senior Independent Director, Chief Executive Officer, Chief Financial Officer and independent Non-executive Directors. All Directors are subject to re-election annually by shareholders at the Company's Annual General Meeting. The skills and experience and how our Directors contribute to the long-term sustainable success of the Company are set out in their biographies on the following pages.

Ruth Markland
Chair

Appointed: June 2018

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

Skills and experience:
Ruth, a former solicitor and previously Managing Partner of Freshfields Bruckhaus Deringer's Asia business, has a wealth of FTSE 100 Board experience. She spent over ten years on the Boards of Standard Chartered plc and Sage Group plc, where she served as Senior Independent Director and Chair of the Remuneration Committees. Ruth was also an independent Non-executive Director of Deloitte LLP for five years until May 2020 and was a member of the Supervisory Board of Arcadis NV until April 2021. Her considerable experience in senior board roles provides her with the skills and experience to effectively chair the Quilter Board. Ruth was appointed as Chair of the Board on 12 May 2022.

Tim Breedon CBE
Senior Independent Director

Appointed: June 2020

Committee membership
- Board Corporate Governance and Nominations Committee
- Board Remuneration Committee **(C)**
- Board Risk Committee[1]

Skills and experience:
Tim is an experienced Non-executive Director and Committee member. He has had a distinguished career in financial services, with past appointments including Group Chief Executive Officer of Legal & General, being a Member of the Takeover Panel, and holding Non-executive Director roles with the Association of British Insurers and the Financial Reporting Council. In February 2022, Tim retired from the board of Barclays Bank plc, and stood down as Chair of the Barclays plc and Barclays Bank plc Board Risk Committee, and as a member of the Barclays Board Audit Committee, Board Nominations Committee and Board Remuneration Committee. Tim continues to serve on the Board of Barclays plc and chairs Barclays Bank Ireland PLC and Apax Global Alpha Limited.
Tim's extensive business leadership and governance best practice experience enables him to provide challenge, advice and support to Quilter management on business strategy, performance, decision making and governance matters. Tim was appointed as Senior Independent Director on 12 May 2022 and his prior experience enables him to act as a helpful sounding board for the Chair and other Board members.

Changes to Committee membership
[1]Tim Breedon stood down as a member of the Board Risk Committee on 31 December 2022.
[2]The Board Technology and Operations Committee was initially formed to oversee the implementation of the new investment platform. Now this has successfully completed, the Committee was formally closed at the end of 2022. More information can be found on pages 79 –81.
[3]Paul Matthews will step down as a Workforce Engagement Director, after serving three years in the role, at the conclusion of the 2023 AGM.

Steven Levin
Chief Executive Officer

Appointed: November 2022

Skills and experience:
Steven has deep industry knowledge, having worked in asset management, investments, platform and distribution roles. He joined the Group in 1998, the Executive Committee in 2011 and the Board in November 2022 when he was appointed as Chief Executive Officer. Steven has played a leading role in delivering several high-profile strategic initiatives for the Group, including the implementation of Quilter's new investment platform and supporting the development of Quilter's ESG proposition. As Head of Affluent, Steven focused on bringing Quilter's Platform and Investment Solution businesses together to operate in a more customer centric manner with our Advice business. Steven's broad industry and leadership experience allows him to effectively drive strategic delivery. Steven is a qualified Actuary and Chartered Financial Analyst.

Mark Satchel
Chief Financial Officer

Appointed: March 2019

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

Neeta Atkar MBE
Independent Non-executive Director

Appointed: August 2022

Committee membership
- Board Audit Committee
- Board Risk Committee **(C)**
- Board Technology and Operations Committee[2]

Skills and experience:
Neeta has extensive experience of the financial services industry, having worked initially at the Bank of England and subsequently the Financial Services Authority before taking on roles with Andersen Consulting, Abbey National, Royal & Sun Alliance, Lloyds Banking Group and, latterly, with TSB Bank where as Chief Risk Officer, she was a member of the executive team responsible for creating and listing the Bank on the Stock Exchange. Neeta has broad experience of chairing risk committees, gained previously at Yorkshire Building Society and currently at Nomura Europe Holdings plc and at the British Business Bank plc, where she is also the Senior Independent Director. This experience, together with her deep understanding of customers, risk and regulation, will enable Neeta to make a significant contribution to the Board as it continues to ensure that Quilter's risk management framework is integrated with its strategy.

Tazim Essani
Independent Non-executive Director

Appointed: March 2021

Committee membership
- Board Audit Committee
- Board Remuneration Committee
- Workforce Engagement Director

Skills and experience:
Tazim's wealth of experience in senior executive roles at regulated financial services businesses over the last 30 years equips her well to provide strategic guidance and constructive challenge to Quilter's leadership team. Her executive career has focused on strategy and business development to drive growth and transformation, with her previous roles including a senior business strategy role at Santander UK, Group Head of Corporate Development at Close Brothers Group plc and senior roles at GE Capital and Royal Bank of Scotland. Throughout her career, Tazim has developed a deep understanding of corporate finance, transformational change and business development, enabling her to contribute strongly to the Board's deliberations. Alongside Paul Matthews, Tazim is a designated Workforce Engagement Director with a particular interest in promoting diversity and inclusion. Tazim is a Non-executive Director of City of London Investment Group plc, a Council Member of the Royal Horticultural Society and an executive coach at The Alliance.

Moira Kilcoyne
Independent Non-executive Director

Appointed: December 2016

Committee membership
- Board Risk Committee
- Board Technology and Operations Committee[2] **(C)**

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

Paul Matthews
Independent Non-executive Director

Appointed: August 2018

Committee membership
- Board Risk Committee
- Board Remuneration Committee
- Workforce Engagement Director[3]

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

George Reid
Independent Non-executive Director

Appointed: February 2017

Committee membership
- Board Corporate Governance and Nominations Committee
- Board Audit Committee **(C)**
- Board Risk Committee
- Board Technology and Operations Committee[2]

Skills and experience:
George has extensive financial experience having spent over 20 years in the accounting profession. This knowledge, gained during lengthy tenures at PwC, and, latterly, Ernst & Young LLP as managing partner and Head of Financial Services for Scotland and UK regions, provides George with a deep understanding of accounting and audit matters, and the control environment required for a wealth management business. Such experience allows him to critically assess key accounting and financial considerations including those associated with our recent disposal of Quilter International. George is a Fellow of the Institute of Chartered Accountants in England and Wales. George is the Senior Independent Director and Audit Committee Chair of FIL Life Insurance Limited. In July 2022, George was appointed as a member of the Board Corporate Governance and Nominations Committee.

Chris Samuel
Independent Non-executive Director

Appointed: July 2021

Committee membership
- Board Risk Committee
- Board Technology and Operations Committee[2]

Skills and experience:
Chris is an experienced Chair and Non-executive Director and his deep experience in the financial services industry enables him to challenge, advise and support Quilter's management team on a wide range of business, investment, distribution, finance and operational matters. Chris was Chief Executive of Ignis Asset Management, a business with circa. £65bn of assets under management, from 2009 to mid-2014. Over this period, he led the successful transformation, and then sale, of the business. Chris has held Board-level positions at a number of asset management businesses including Gartmore, Hill Samuel Asset Management, Cambridge Place Investment Management and spent 10 years with a US Investment Bank, Prudential-Bache. He began his career with KPMG where he qualified as a Chartered Accountant. Chris chairs BlackRock Throgmorton Trust plc. Chris will step down as a Non-executive Director of UIL Limited on 31 May 2023 and as Chair of JP Morgan Japanese Investment Trust plc at their Annual General Meeting in January 2024.

Principal decisions of the Board in 2022

Delivery of our strategic objectives

Simplification

As Quilter has become a smaller, more UK focused Group, the Board, supported in part by findings of the 2022 externally facilitated Board effectiveness review, examined its own working practices with the intention to move to providing a more efficient way of delivering effective oversight. We wish to become a leaner and more agile organisation and the Board and its processes are no exception to this. A review of the Board's governance structure was conducted, with assistance from the Company Secretary, in order to simplify and streamline the principal Board Committees. Following this review, the Board concluded that the activities of the Board Technology and Operations Committee, which had delivered on its original strategic objective of overseeing the delivery of Quilter's new investment platform, could be handled in our governance process without the need for a separate Board Committee. In terms of the Committee's remit, responsibility for oversight of strategic technology development will be assumed by the Board as a whole, whilst technology and operational risk matters will be subsumed by the Board Risk Committee. At its December 2022 meeting, the Board formally noted their sincere thanks to the Committee Chair for her excellent leadership, and to management for their focus and dedication in delivering this pivotal strategic matter, and agreed to formally dissolve the Board Technology and Operations Committee. The work this Committee oversaw has now been fully integrated into other governance processes and care has been exercised to ensure that management still have appropriate access to the skills, insights and experience of the Chair of that Committee, Moira Kilcoyne.

In a similar vein, and in recognition of the maturing internal controls and benefits delivered from the introduction and embedding of new financial systems, the number of Board Audit Committee meetings scheduled for 2023 has been reduced.

Being a responsible wealth manager

The Board has continued to provide close oversight on the delivery against this objective, as well as ensuring we are effectively managing climate-related risks. The Board was updated on the tools and training made available to our advisers and investment managers so that they are able to understand a customer's responsible investment preferences and select a solution which aligns to these. The Board will continue to be informed about management's delivery of the proposition against our customers' responsible investment preferences and have asked to be kept updated with regards to the FCA's Sustainability Disclosure Requirements ("SDR") Regime. The Board routinely examines the investment performance of the funds Quilter offer and the Board has asked the Board Risk Committee to scrutinise in more detail how we mitigate the risk of greenwashing.

Digital strategy

During the year, the Board continued to provide oversight to the digital strategy. In November 2022 a new mobile Customer App was launched to help customers manage their products and services more easily. The Board has been kept closely briefed by management on the development of the Digital Hybrid Advice initiatives. The Board has discussed in detail the operating model, products, target customers and regulatory requirements for this business growth initiative. The technology that underpins this proposal is expected to have additional broader implications for the advice business that will drive efficiency and growth and the Board agreed to reschedule the launch of the firm's hybrid advice proposition. This reprioritisation will enable us to strengthen and automate internal controls in Quilter Financial Planning, which is a necessary building block to enable hybrid advice to be fully integrated into Quilter's proposition.

The Board reviewed and approved proposals that are aimed at deepening and strengthening Quilter's relationships with the advisers in the Quilter Network and National by making it easier for our advisers to do business with Quilter and increasing opportunities for advisers to grow and invest in their businesses. In a competitive market, the Board believe that there is more to be done to deliver on our advice led model.

Reviewing the Group strategy

In July 2022 the Board held an in person two day strategy session. Guided by the Board, the management team presented a comprehensive overview and analysis of each business segment and the challenges, opportunities and progress made towards delivering our strategic goals. External experts supported the discussions with insightful analysis on the competitor and market position and industry insights and trends. The Board tested and challenged the strategic priorities and asked management to accelerate the execution of the strategy to ensure Quilter was truly customer centric, our governance, processes and costs are fit for the size of our current business and we are well positioned to serve the needs of our customers, advisers and our investors.

Product and proposition

The new platform is fully embedded and despite the challenging market conditions, and ongoing programme of improvements, the platform continues to be a springboard for the further development of our strategy. The Board considered and approved further investment in our technology to enable more channels to be available for our customers and advisers to interact with us, particularly as we support customers in generational wealth planning. This is also a way for all our businesses to leverage the capability we already have. Our digital reach improved but we also recognise that there is more to do. With investors increasingly aware of environmental concerns and as we develop solutions to support generational wealth, the Board was heartened by the progress made on environmental solutions, how these are embedded in the investment products and how we make this information clear for advisers and customers.

Customers

The new FCA Consumer Duty (the "Duty") represents a significant regulatory change over which the Board has maintained close oversight during the year. The Group Board and regulated subsidiary board members have been briefed in full on the impacts of the Duty and progress has been monitored. In October 2022, the Board and subsidiary Non-executive Directors met together to consider the plans for Quilter to implement the new Duty consistently across the Group in a way that is appropriate and fair for all customers. The Directors examined the plans to assess the changes and enhancements needed to demonstrate fully how Quilter's products and services deliver good customer outcomes. Having been reviewed by the Group and subsidiary boards and the independent Non-executive Director Consumer Duty Champions, the Board agreed the implementation plan. The Board Risk Committee will closely scrutinise progress against the plan in 2023. The Group implementation plan was shared with the FCA as part of our routine engagement.

In addition, the Board also received updates on the programme of voluntary redress for customers within our platform business where fees had been erroneously taken. The Board was pleased that management took prompt action to rectify the issues once they became apparent. As is part of normal practice, a "lessons learnt" exercise has been undertaken, which identified the need to ensure that there are appropriate escalation routes for all colleagues to raise issues so that customer complaints can be considered by appropriately qualified people. We continue to work closely with our regulator to agree any possible redress for customers who were given unsuitable historic advice with regards to DB to DC pensions.

During the year, the Board has paid particular regard to investment performance, particularly given the macroeconomic and market headwinds, and the impact the cost-of-living crisis has had on the amount of new money that people are willing to invest. The Board had a clear focus on ensuring that our investment processes, risk oversight and investment risk were closely monitored at a time of extreme market volatility, given the potential impacts for customers.

Setting realistic but stretching financial and operating targets

In November 2022, the Board reviewed and approved the Business Plan for the forthcoming three year period. The Business Plan sets the financial and non-financial targets for the period and shows the capital and liquidity impacts of that Plan which are aligned to the Group's risk appetite. Noting the significant uncertainties in the external environment at the time of setting the Business Plan, and the relatively smaller size of the business following the sale of Quilter Life Assurance and Quilter International, the Board carefully considered the targets and were mindful during 2023 that a rebase of some elements of the Plan may be necessary to take account of the market movements.

Alongside the production of the Business Plan, management developed an Operating Plan which sets out the key strategic initiatives and programmes of work required to deliver the Business Plan and the Group strategy. The Board carefully considered the resource available to deliver the Operating Plan, the alignment of the financial and operating plans and the achievability of the Plans. In particular, the Board raised some concerns with the Executive regarding employee capacity to manage the demands upon them and asked for some aspects of the Plan to be reconsidered to ensure targets were realistic and could be delivered safely and within reasonable time parameters.

A priority of the Board has been to continue to oversee the delivery of the Operating Plan and any material changes to that Plan, which underpins the Business Plan. Given the market conditions in 2022 and the implementation of our Board succession plans, we have directed management to carefully prioritise where they should focus their time. The Board supported management's recommendation for there to be further investment in technology to deliver on our Business Simplification programme.

Monitoring the delivery of the 2022 Operating Plan

During the year, the Board has received quarterly updates on the progress being made to deliver the 2022 Operating Plan, which supports the delivery of the Business Plan and our Group strategy.

Our Chief Operating Officer has continued to provide regular updates to the Board on the progress made in simplifying the Group's operations, and the improvements made to operational processes through automation as well as expected cost savings achieved by the use of technology. The Board spent time challenging the pace of change and asked to receive updates from the Chief Executive Officer on cost management at each meeting.

Overseeing material risk matters

In addition to receiving reports from the Chair of the Board Risk Committee after each of their meetings, the Chief Risk Officer attends as a matter of course all Board meetings and provides his assessment of activity against the agreed risk appetite.

The Board has also spent time considering the impacts for our customers of the redress programmes in place for those customers who received unsuitable advice, which resulted in a loss. This advice was in relation to DB to DC pension transfers from Lighthouse advisers prior to Lighthouse transitioning to Quilter's systems and controls after its acquisition by Quilter.

The Board was also kept appraised and endorsed a voluntary programme of redress proposed by management to affected customers where we had inadvertently withheld dividends and interest payments.

Ensuring Quilter's people and culture remain appropriate

During the year, the Board received biannual updates on people, culture and ways of working. There are positive indicators around how Quilter's people work together, and the Board recognise how the distinct cultures in our business segments sit together under our overarching culture and values framework. The Board has asked management to consider further how they can ensure that Quilter continues to be a place where all colleagues thrive whilst supporting a culture where high performance is recognised and celebrated. You can read more about the Inclusion and Diversity Action Plan on page 30. We are delighted to report that the Board itself met its own current diversity targets for both gender and ethnicity and you can read more about our new Board Diversity Policy on pages 64 and 67.

Capital return and dividends

Despite the challenging external market conditions, the Company's capital, liquidity and cash flow continue to be strong and the Board continued to exercise prudent oversight of these important metrics.

As reported in last year's Annual Report, following conversations with major shareholders regarding the best method to return the proceeds from the sale of Quilter International, Quilter returned over £328m to shareholders by way of a B Share Scheme and Share Consolidation.

The Company's dividend continues to be in line with the Dividend Policy approved by the Board and implemented in May 2022.

Debt funding

During the second half of 2022, the Board considered the options as to how to manage the potential refinancing of the existing £200 million bond issued by the Company in 2018 with a first call date option of 28 February 2023. The Board, led by our Chief Financial Officer and with support from our corporate advisers, carefully assessed the options available to us given the market dislocation in the UK bond markets in November 2022 following the government's mini budget. The Board Risk Committee reviewed in detail the Risk Factors that would be disclosed in the debt prospectus and the Board asked management to begin preparations to allow the Company to undertake a new bond issue in early 2023 to maintain optionality in the event of public debt markets reopening. The Board received a further update in December 2022 on the conditions in the debt market and were kept appraised of the potential options available to the Company.

Following a normalisation of debt market conditions in early 2023 coupled with receipt of necessary legal and regulatory approvals, the Board held an ad hoc Board meeting on 6 January 2023 to consider the options available and to review in detail the transaction documents including the Prospectus associated with a potential new issue. The Board considered that the 2018 bond be called and refinanced through a new bond issue of similar size. Cognisant of its responsibilities under s172(1) of the Companies Act, the Board debated in full the appropriate course of action. Although the cost of the new debt issue was higher than the coupon on the existing funding, had the debt not been repaid, it would have repriced to a broadly similar coupon to the new issue as well as potentially having a negative impact on our reputation with credit market investors which, as a relatively infrequent issuer, could have had a negative impact on the Group's reputation across the capital markets. The new capital funding arrangement will support Quilter over the medium term. The Board confirmed that a new Tier 2 Bond should be launched and on 16 January 2023 the new bond was announced to the market with a coupon rate of 8.625% and a maturity date of 18 April 2033, and with an initial call option in the period from 18 January 2028 to 18 April 2028. The Board received an update on market and shareholder sentiment at its next Board meeting.

Business review

Following the move to simplify our structure to better support the end-to-end customer journey, the Board monitored the progress being made to fully integrate our private client advice business into Quilter Cheviot.

Following the Board Strategy meetings in July 2022, and given the evolving competitor environment, the challenging external market conditions, and with the appointment of our new Chief Executive Officer, the Board asked Steven Levin to focus on execution and the delivery of our strategy. As part of this work, Steven has implemented a business review and is due to bring back to the Board his assessment of how best to deliver Quilter's strategic priorities.

Report from the Designated Workforce Engagement Directors

Paul Matthews
Independent Non-executive Director

Tazim Essani
Independent Non-executive Director

We are pleased to present our joint report as Workforce Engagement Directors. We want to share with you some of the activities we undertook throughout 2022 and our thoughts on the outputs of this work.

What is our role

Our role is to ensure that the views and concerns of the workforce are central to all our Board decisions and are considered, in line with the Company's values, to support our long-term sustainable success. Our role offers a clear and direct link to the Board for colleagues from diverse groups and at all levels of the organisation. Our feedback complements management's colleague engagement programmes and provides the Board with further insights on colleagues and organisational culture more broadly. The Board receives biannual updates on people, culture and ways of working, with data sourced from a weekly Colleague Pulse survey, and it is our role to provide more colour around this data and help understand the tone of the conversation.

Colleagues are the key to our success, and the Board recognises the importance of attracting and retaining talented people in a highly competitive labour market. The Board is committed to support colleagues, both within and outside the workplace, particularly given the current economic environment and the cost-of-living challenges in 2022 and into 2023.

Our progress

In 2022 we continued to collaborate with the Quilter Employee Forum, whose membership is made up of individuals from all parts of the organisation. With the agreement of the Forum members, we attend part of the Forum meetings to listen to the discussions, gauge the views of members and obtain feedback to share with the Board on topics as diverse as the impact for colleagues of the rising cost-of-living and the change of Chief Executive Officer. In addition, we meet monthly with the Forum Chair to discuss colleague sentiment and to share any Board updates which are relevant for the Forum.

Attending the Quilter Employee Forum has also provided the opportunity to understand the experience of colleagues working in the business and to hear from them about how the business and leadership changes in 2022 have impacted them. It has been pleasing to hear that, overall, these challenges have been received positively and generated a desire from our people to see more collaboration across the business to support our customers. Through engagement with the Employee Forum, we continue to recognise how committed our colleagues are and have been able to observe many examples throughout the year of where colleagues have come together to promote good customer outcomes.

During the year, we observed that the Employee Forum could be even more representative of the broader Group. Through collaboration with HR, we have considered ways to ensure all businesses and colleagues are fully represented.

5
Employee Forums attended

12
Discussions with the Chair of the Employee Forum

This year we also attended a face-to-face workshop with the Chairs of all Quilter colleague networks – the LGBT+ Network, the Cultural Diversity Network, the Inclusion & Diversity Steering Committee and the Gender Equality Network. By discussing their achievements to date and planned activities for 2023, we recognise the value that these networks bring to the Group. It was a pleasure to hear how the networks, which are populated and chaired by colleagues in addition to their professional roles, display a real desire and energy to make a difference.

In January 2022 the Board received a briefing from an external speaker on diversity and inclusion to support our Board in effectively overseeing the Group's efforts to drive the diversity and inclusion agenda and to better understand the benefits that openness can bring to an organisation. As a result of this, we asked management to make this session available to the senior management community and as a result, over 300 management colleagues joined a tailored virtual discussion on this vital topic. A key goal of the Quilter Inclusion & Diversity Action Plan, which was launched in July 2022, is to drive transparency about the make-up of Quilter's people. Sponsored by Tazim, the Board warmly endorsed the Action Plan. In line with other Directors and colleagues, we directly supported the Action Plan by providing our demographic data, including our age, gender identity, sexual orientation ethnicity, religion, disability, and socio-economic background to support internal and external initiatives to provide clear base metrics in order to measure and hold management and the Board to account on progress achieved.

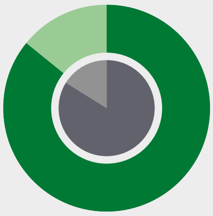
To celebrate International Women's Day, Tazim and other female Non-executive Directors attended a session focused on female talent and career progression, designed to forge connections between senior female talent and the Board. The session provided senior female colleagues the opportunity to ask the Non-executive Directors questions about their careers, and to discuss challenges, opportunities and experiences at Quilter.

Looking forward to the year ahead

2023 will be another year of continued engagement with colleagues. The Board recognises that the dialogue between Workforce Engagement Directors and our colleague networks is an important mechanism in promoting our values across the business and understanding the perspectives of colleagues. Alongside our engagement with the Employee Forum, we attended the Quilter Conference in January 2023, and will meet with the colleague networks Chairs, engage with colleagues on our apprenticeship scheme, and identify opportunities to engage with colleagues across the organisation. Paul Matthews will step down as a Workforce Engagement Director, after serving three years in the role, at the conclusion of the 2023 AGM.

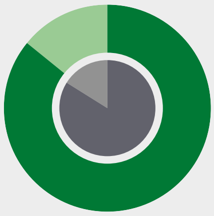
2022 employee engagement survey scores

"My manager cares about me as a person."



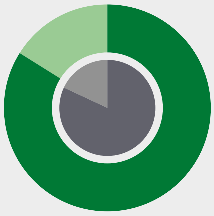
2022		8.6/10
2021		8.4/10

"People from all backgrounds are treated fairly here."



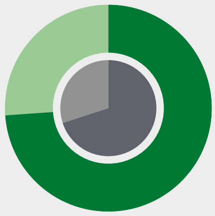
2022		8.6/10
2021		8.4/10

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



2022		8.4/10
2021		8.2/10

"Overall engagement."



2022		7.4/10
2021		7.0/10

Workforce engagement key themes

Leadership

Quilter's people strategy continues to be an essential feature to support our leadership team and all colleagues. In January 2022, the Executive Committee led a virtual conference for all colleagues to discuss our business strategy and reinforce support for our people strategy and we are pleased to see that throughout 2022 there has been positive colleague engagement and participation with the colleague programme. Colleagues also heard from external guests who covered a range of subjects, including how to shape organisational culture and financial wellbeing and resilience.

Group hybrid working principles and guidelines were published in December 2022, to offer clarity to colleagues about Quilter's hybrid working arrangements. The approach encourages colleagues on a case-by-case basis to discuss with management working patterns, taking into account what works for colleagues, our customers and our business. As workforce engagement directors, we view this approach as an example of where management are adapting to the change in how people want to work in a post-pandemic environment.

Supporting our people

Quilter continues to carry out regular surveys on colleague engagement. We have seen a steady improvement in engagement across the Group with engagement scores increasing marginally throughout 2022. We are delighted to see that across the six engagement metrics we reported on last year, each score has increased.

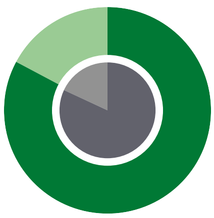
Feedback from colleagues this year highlighted that the frequency of engagement surveys is considered too high. Colleagues have reported that they often do not have the time each week to complete the survey. Following our recommendation to management that the frequency of these touchpoints be reconsidered, the frequency will change to quarterly in 2023.

Aligning our culture and values to our strategy

It is important that colleagues align with our culture and values, which are Dependable, Stronger Together and Pioneering, and that the Board has confidence that this alignment continues to strengthen. In 2022, the Board has kept oversight of the people strategy, which focused on targeted Group-wide and individual business actions to target underlying issues and improve colleague engagement scores. The Board also dedicated time to discuss culture and values at our meetings in May and September.

The Board considers the way colleagues feel able to voice concerns and know that they will be listened to and appropriate action taken should issues be raised, an extremely important measure of a strong and healthy culture. We are pleased to see a rise in the related metric in this year's survey results. The survey result demonstrates that most colleagues continue to feel it is easy to highlight areas of potential concern. George Reid, who is our Whistleblowing Champion, talks more about this important role in the Board Audit Committee Report which you can read on page 73.

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



2022		8.3/10
2021		8.2/10

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

2022		7.5/10
2021		7.4/10

Note: Data as at 30 December 2022 and 31 December 2021 respectively.

Board Corporate Governance and Nominations Committee Report

Ruth Markland
Chair

Dear shareholder

This is my first report to shareholders as your Board Corporate Governance and Nominations Committee Chair. This Committee plays a key role in ensuring that our Board and Executive leadership have the right skills and experience to deliver our strategic priorities. It has been a busy year for the Committee with succession plans implemented for a number of key Board and Executive roles. During 2022, we announced the appointment of two new Non-executive Directors and a new Chief Executive Officer and completed the Chair succession process following Glyn Jones stepping down from the Board in May 2022.

Mindful of the changes to the Board during the year, we carefully considered the membership of our Board Committees and made arrangements to refresh the membership in line with the UK Corporate Governance Code 2018. Further details including our approach to governance during this time are included in the Board Committee reports.

The change in Chief Executive Officer and his senior management team gave us the opportunity to ensure that we have the right people in senior roles and that we also take action to build a strong senior management team for the longer term. There will be continuing focus on talent and succession planning in 2023.

We were fortunate to conduct an externally facilitated Board effectiveness review in the Autumn of 2022, which has helped me work with my fellow Board colleagues and management to consider how we can best drive the business forward. An overview of the process and the key outputs are set out on page 68.

The Committee recommended to the Board a new Board Diversity Policy which was approved with effect from 31 December 2022. The new Board Diversity Policy is a broad refresh to reflect the importance of Diversity and Inclusion at Quilter and to closely align to the voluntary targets set out in the FTSE Women Leaders Review and the new Listing Rules, which will be in place for reporting periods commencing from April 2022.

I am pleased to report that Quilter has continued to meet the targets in our Board Diversity Policy for the Board. We have also met the targets in the new Listing Rules for there to be 40% female representation on the Board and for there to be at least one woman in a senior Board position (being the Chair, Chief Executive Officer, Chief Financial Officer or Senior Independent Director). In accordance with the recommendations of the Parker Review, Quilter further had at least one Director from a minority ethnic background serving on the Board. Whilst we did not achieve our internal aspiration to reach 38% female representation within our senior management population (being the Executive Committee and their direct reports), we know that we need to sustain our focus to attract and retain more senior women and to enable women to grow their careers with us. That will, we hope, ensure we reach our goal of 40% female representation in senior management roles by the end of 2025. In accordance with the Code, as at 31 December 2022, 39% of senior management (being the Executive Committee, Company Secretary and their direct reports) were female (2021: 28%). We remain committed to maintaining the momentum of our gender diversity programme. A summary of the diversity and composition of the Board is set out on page 54 and the progress made by management is summarised on page 30.

The Committee has also carefully considered the next steps in simplification as Quilter is now organised in its new business segments. We continue to oversee preparations to implement a new Board and management governance structure in 2023 which will enable Quilter to be more agile and reflect the more focused organisation we now are.

In December 2022, following consideration of the Board effectiveness review, the Committee recommended to the Board that the Board Technology and Operations Committee be closed. You can read more about the process and how technology and operational matters are now addressed on page 81. The Committee will continue to review the Group's Corporate Governance framework and activities performed by the Board Committees.

As previously reported, the Committee further continued to oversee the Responsible Business framework and received updates on the progress being made in this strategically important area.

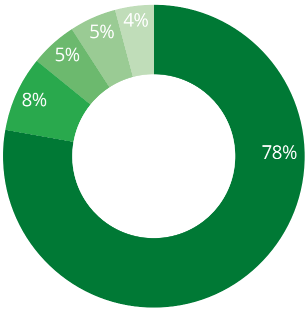
Finally, I would like to note my thanks to Glyn Jones for his careful stewardship of Quilter during his tenure as Chair. I would further like to thank our former Company Secretary, Patrick Gonsalves, who retired at the end of July 2022. Patrick's support to Quilter in preparation for Listing and in the years following Listing was invaluable. The Board was delighted to appoint Clare Barrett, Patrick's deputy, as his successor.

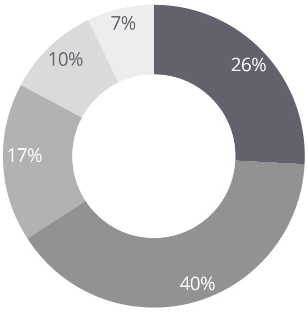
Ruth Markland

Ruth Markland
Chair

At a glance

Committee activity





Committee activity	2022	2021
Board & Board Committee Succession Planning	●	●
Corporate Governance	●	●
Responsible Business framework	●	●
Executive Succession Planning and Talent	●	●
Board Evaluation	●	●

Committee membership and meetings attended/eligible to attend

	Scheduled meetings	Ad hoc meetings[1]
Ruth Markland (Chair)	**3**/3	**8**/8
Tim Breedon	**2**/3	**8**/8
George Reid[2]	**2**/2	**8**/8
Former members		
Glyn Barker[3]	–	**3**/3
Glyn Jones[4]	**2**/2	–

[1]Some of the ad hoc meetings were sub committee meetings relating to succession.
[2]George Reid joined the Committee on 27 July 2022.
[3]Glyn Barker served as a member of the Committee during his time as a Director between June and November 2022.
[4]Glyn Jones resigned from the Board and stood down as Committee Chair on 12 May 2022 at the conclusion of the 2022 AGM.

Where a Director was unable to attend a meeting due to illness or a long-standing conflicting commitment, they reviewed the Committee papers and provided comments to the Committee Chair in advance of the meeting.

Committee responsibilities

- Reviews the composition of the Board and recommends the appointment of new Directors.
- Considers succession plans for the Chair and other Board positions.
- Considers succession plans for key executive leadership positions.
- Monitors corporate governance issues.
- Oversees the annual Board effectiveness review.
- Provides oversight of the Group's Responsible Business framework

Committee governance

The Board Corporate Governance and Nominations Committee currently comprises the Chair of the Board, the Senior Independent Director and one independent Non-executive Director. Ruth Markland was appointed as Chair of the Committee on 12 May 2022 at the conclusion of the 2022 AGM, when she was also appointed as Chair of the Board.

Details of the skills and experience of the Committee members can be found in their biographies on pages 56 to 58.

Committee evaluation

As part of the 2022 Board effectiveness review, the Board has assessed that the Committee membership is appropriate in providing challenge and oversight and that the Committee is operating effectively.

Discharging our responsibilities

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

Attendance

The Chief Executive Officer and HR Director regularly attend Committee meetings, except when it would not be appropriate for them to do so. Given the Chair and Chief Executive Officer succession matters considered during the year, careful consideration was given to ensure that the attendees were appropriate for all scheduled and ad hoc meetings.

Collaboration

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

Key areas of Committee focus

Board and Board Committee succession planning
A key area of responsibility for the Committee is to consider the skills and composition of the Board and Board Committee membership with a view to ensuring that there is an appropriate balance of Directors with the desired skills, experience, thought, independence and knowledge required to deliver Quilter's strategy. The accountabilities, competencies and expectations required of the holder of each role on the Board, including those required by the Code, have been documented in our Board Charter, which is reviewed annually. This includes the responsibilities of the Directors as a whole, including their responsibilities under section 172(1) of the Companies Act 2006, and the role profiles of the Chair, Senior Independent Director, Committee Chairs, Non-executive Directors and Executive Directors. The Chair considered each Directors' individual contribution to the Board together with feedback from the 2022 Board effectiveness review. The Chair provided feedback to the Non-executive Directors on their performance and Tim Breedon, as Senior Independent Director, provided feedback to the Chair. Ruth Markland, when in role as Senior Independent Director, provided feedback to the former Chair, Glyn Jones. It was confirmed that all Directors were discharging their roles effectively. The time commitment expected of the Non-executive Directors is set out in the Board Charter and their letters of appointment.

The Committee is also responsible for reviewing and making recommendations to the Board on succession planning for the Board and key leadership positions within Quilter. As at year end, the Chair and all the Non-executive Directors have served on the Board for six years or less. Heightened focus is applied in the assessment of independence where Non-executive Directors have served for more than six years. All the Directors are subject to annual re-election by shareholders and the specific reasons why each Director's contribution is, and continues to be, important to the Company's long-term sustainable success are set out in their biographies on pages 56 to 58. All Non-executive Directors have been assessed as independent in accordance with the Code, and the Chair was independent on appointment.

The membership of the Quilter Board is regularly reviewed by the Committee using a Board Skills, Experience and Diversity matrix to ensure that the Board has available to it all of the required skills to oversee the delivery of Quilter's strategy and long-term success. A summary of this matrix is set out on page 54. In line with best practice, the Committee has also agreed emergency succession arrangements for all of the key Board positions including the Chair of the Board, the Senior Independent Director and the Board Committee Chairs. Although strong candidates are available for each position on an emergency basis, it is still likely that some external recruitment would be required for permanent successors given that the Board is not large enough to carry a pool of succession candidates for all Board roles.

Board changes and succession planning
In April 2022, Rosie Harris stood down from the Board. Rosie had served on our Board since April 2017 and was Chair of the Board Risk Committee. The Board were extremely grateful for Rosie's wise oversight as management embedded the Risk Framework as a newly listed company. The search for Rosie's successor was led by an external executive search agency, Egon Zehnder, who have only been retained for Board searches and have no other connection with Quilter or any individual Director.

Whilst the external search was conducted, the internal succession plan was enacted and George Reid, who has served on the Board Risk Committee and the Board Technology and Operations Committee since he joined the Board in 2017, and is the Chair of our Board Audit Committee, agreed to chair the Board Risk Committee until such time as a replacement could be identified. George did an exemplary job in chairing this Committee.

Following the search process, the Board were pleased to welcome Neeta Atkar to the Board on 11 August 2022 with a view to Neeta assuming the role of Board Risk Committee Chair once her induction had largely concluded. Neeta has a wealth of experience as a risk practitioner and as a Board Risk Committee Chair. The Chair responsibilities were handed over to Neeta on 1 October 2022.

As noted in the 2021 Annual Report, Glyn Jones, who had been Quilter Chair since November 2016 indicated in late 2021 his desire to stand down from the Board in 2022. Glyn resigned from the Board in May at the conclusion of the 2022 Annual General Meeting. Glyn was instrumental in supporting the Quilter executive team through Managed Separation and the Company's Listing in 2018, and the subsequent reshaping of the business. The Board were extremely grateful to Glyn for his oversight and careful stewardship during his tenure as Chair. In accordance with best practice, Glyn took no part in the process to oversee the search for his successor. In line with the Board Succession Plan, and given a full external search was progressing, the Board asked Ruth Markland to take on the Chair role from the conclusion of the Annual General Meeting and, in line with best practice, she ceased to chair any meetings of the Board Remuneration Committee and stood down from the Board Audit Committee at the same time.

In June 2022, following an external search by Egon Zehnder against pre-agreed criteria, Glyn Barker was appointed to the Board as a Non-executive Director with a view to him becoming Quilter Chair. Glyn informed the Board of his decision to step down for personal reasons on 11 November 2022. We wish Glyn well for the future. Following this, the Board concluded it was in the best interests of shareholders and other stakeholders that Ruth Markland be asked to continue as Chair. Ruth is committed to working with her Board colleagues and the executive team to deliver for all our stakeholders. Ruth was not involved in the discussions or process to confirm her appointment as Chair which was led by our Senior Independent Director, Tim Breedon. Tim's appointment as Senior Independent Director and Chair of Board Remuneration Committee was confirmed at the same time and he was not involved in this process. Tim's wealth of business, governance and remuneration experience and wise counsel is appreciated by the whole Board.

For the period from Ruth's initial appointment as Chair in May to November 2022, when she was asked to continue as Chair, the Board put in place arrangements in line with the recommendations of the Code. Tim Breedon chaired all meetings of the Board Remuneration Committee and was appointed as Senior Independent Director.

Executive succession

As announced on 10 October 2022, Paul Feeney stood down from the Board on 31 October 2022 after over a decade of service as Chief Executive Officer and an Executive Director. Paul led the Company with vision and passion and was responsible for building Quilter into the strategically well positioned wealth manager it is today. In considering Executive succession, the Board identified Steven Levin as the nominated successor to the Chief Executive Officer role. Steven had been supported by a development plan to equip him to succeed Paul and over time his Group level responsibilities had increased to run the Affluent business. Steven was a member of Paul's Executive Committee, has a strong track record of execution and delivery and is well known to Quilter colleagues. Following an assessment of Steven's readiness and consideration of Quilter's strategy, the Board were pleased to confirm the appointment of Steven, as our Chief Executive Officer.

The Committee also delegated to a Sub-Committee, chaired by the Board Audit Committee Chair, and composed of the Senior Independent Director and the Chair of the Board Risk Committee, the oversight of the process to appoint a new Chief Risk Officer and Chief Internal Auditor.

In appointing our new Chief Executive Officer from within Quilter, the Committee and Board have a heightened focus on talent management in 2023.

Diversity and inclusion

An important area of focus for this Committee is to oversee Quilter's work on diversity and inclusion for the Board, senior management and broader colleagues. We received updates on the progress being made to build supportive networks, promote mentoring and achieve greater diversity in its broadest sense. Early in 2022, the Board, along with senior executives who support the Board, took part in a thought provoking interactive session on diversity and inclusion led by John Amaechi OBE, Founder of APS Intelligence, exploring our roles as leaders in making change happen.

Having commented on the FCA consultation on diversity in the financial services industry and in view of the publication in February 2022 of the FTSE Women Leaders Review, and the new Listing Rule and DTR requirements for reporting periods commencing from April 2022, the Committee reviewed the Board Diversity Policy and recommended some changes to the Policy to the Board. The Board approved the new Board Diversity Policy with effect from 31 December 2022. The changes include setting more stretching targets for gender diversity on the Board and senior management. The Committee, who were joined by Tazim Essani who has a particular interest in diversity and inclusion, were keen to ensure that the Policy appropriately expressed the Board's interest in the promotion of Quilter as a place all can thrive. The Directors provided the Company Secretary with their personal data and this is aggregated and will be used by the Committee when considering Board succession and composition. I am pleased to report that the Board continues to meet the voluntary recommendations of the FTSE Women Leaders Review for female representation on the Board, including the recommendation that at least one of our senior Board members (defined as a Chair, Chief Executive Officer, Chief Financial Officer or Senior Independent Director) is female. The Board also meet the Parker Review recommendation to have at least one Director from a minority background on the Board. A summary of the diversity and composition of the Board is set out on page 54.

The Board routinely engages with colleagues in a variety of ways, including mentoring and attending team events. Paul Matthews and Tazim Essani continued to serve on the Board's behalf as Workforce Engagement Directors. Tazim's sponsorship of the Company's Inclusion and Diversity Action Plan was a visible signal to our colleagues and other stakeholders as to the Board's commitment to making Quilter a place where everyone can thrive. How our Workforce Engagement Directors have discharged their responsibilities and the key areas of focus for 2023 are set out on pages 62 and 63. Paul Matthews will step down as a Workforce Engagement Director, after serving three years in the role, at the conclusion of the 2023 Annual General Meeting.

We endeavour to ensure that our colleagues are representative of the communities that they work in. In accordance with the Code, as at 31 December 2022, 39% (2021: 28%) of our senior management team, comprising the Executive Committee, the Company Secretary, and their direct reports, are female.

Responsible Business framework

Being a responsible wealth manager is a core strategic priority and the Committee focused our efforts on overseeing the Responsible Business framework receiving updates during the year on how management are delivering the targets to support our reporting requirements. As in 2021, the Board directly monitored our responsible investment strategy, the Board Risk Committee ensured that the reporting of risks and risks around our ESG strategy were appropriately identified, monitored and mitigated and the Board Audit Committee scrutinised our external reporting.

Corporate governance

As noted in our 2021 Annual Report, the Committee keeps actively under review our Corporate Governance framework. With the refocusing of our business and management now reporting under the Affluent and High Net Worth segments, the Committee has spent time examining how best to govern the Group. A recommendation has been made to the Board on a simplified approach that has regard to the legal and regulatory responsibilities for our operating entities, whilst ensuring our governance is simple, proportionate and appropriate.

Conflicts of interest

In accordance with the Companies Act 2006 and the Company's Articles of Association, the Board may authorise conflicts of interest. Directors are required to declare any potential or actual conflicts of interest that could interfere with their ability to act in the best interests of Quilter. The Company Secretary maintains a Conflicts of Interest Register, which is reviewed by the Board and the Board Corporate Governance and Nominations Committee.

Noting the recommendations of the Code, the Committee recommends to the Board any new external appointments that a Director wishes to adopt. During the year, the Committee carefully reviewed requests to approve new external appointments for a number of our Non-executive Directors and concluded that these additional responsibilities would not impact their time commitment or cause any potential conflicts of interest for Quilter.

Board effectiveness review

Background

In 2022, the Board agreed it was appropriate to commission an externally facilitated Board effectiveness review in line with best practice. Quilter's last externally facilitated review was performed in 2019. The review was conducted between August 2022 and November 2022 and was carried out in line with the recommendations of the UK Corporate Governance Code 2018. The review was led by the Chair, and we are pleased to be able to report on the process we undertook, the outputs from the review and our approach for 2023. The Chair has asked the Senior Independent Director to provide oversight to the action plan and he will report on that to the Board.

Appointment

Following a selection process led by the Chair with support from the Company Secretary and overseen by the Board Corporate Governance and Nominations Committee, Quilter appointed Manchester Square Partners ("MSP") to facilitate the Board effectiveness review. MSP has no connection to any individual Director. They do provide coaching support to a small number of executives, but aside from this have no other connection with Quilter. The Board Corporate Governance and Nominations Committee considered the scope of MSP's engagement with Quilter and concluded that this would not preclude MSP from being the external facilitator of the 2022 Board effectiveness review. The Board Corporate Governance and Nominations Committee recommended to the Board the scope of the review with a view to examining the performance of the Board, its Committees, individual Directors and the Chair.

Process

Following briefings by the Chair and Company Secretary, the review was carried out by the qualitative approach of in-depth structured one-to-one interviews by MSP with each Board member, anchored around the following key themes:

- Strategy I Challenges and Risk I Values and Culture
- Role of the Board I Dynamics I Engagement
- Structure of the Board I Composition I Succession
- Governance I Execution I Leadership

MSP also reviewed Board and Committee papers for the 12 month period prior to the review and the full report of the previous externally facilitated review conducted in 2019. Due to the timing of the interviews, the current Chief Executive Officer, Steven Levin, was not interviewed as part of the process. As Neeta Atkar was new to the Board in August 2022, she did not participate in the in-depth interviews, but her initial impressions were gained by way of an informal meeting.

Results and actions

MSP presented their report to the Quilter Board in December 2022, which facilitated an open and constructive debate by the Board. The key themes emerging from the review were used to develop an action plan, which was reviewed and endorsed by the Board at its meeting on 2 March 2023. A summary of the themes and actions identified by the Board are set out opposite.

We are pleased to report that the review concluded that good progress has been made on all suggested improvements since the last external Board review in 2019. The review identified that the Board and Board Committees are functioning well, and that governance procedures and practices are strong. The Board is collegiate and supportive and that there is a good degree of trust and respect between Non-executive Directors.

Following discussion of the MSP report, the Board identified some areas of focus for the future which have formed the basis of the action plan. The actions, as summarised in the table below, have been endorsed by the Board. Led by the Senior Independent Director, the Board Corporate Governance and Nominations Committee will monitor the delivery of the plan, and the Senior Independent Director will provide regular updates to the Board. The Board has already taken action to address some of the recommendations. The Board have asked MSP to perform a follow up review to check on progress in the first half of 2023.

Summary of the key themes the Board agreed in the action plan and how these will be addressed

Matter to be addressed	How the issue will be addressed
Future Board Governance Framework and Operating Model	
As Quilter has refined its perimeter and refocused to be a UK wealth manager, Board Governance will be reviewed to rationalise how Quilter is run. This will include reviewing Committee remits and membership.	The Board will continue to drive the work to simplify the Board and management governance.
Board Focus and Operation	
The Board will take the opportunity to reconsider how best to use their time effectively.	The Board Strategy meeting has been brought forward to May 2023. The Board calendar to be reconsidered and clear steer provided to management on any papers required for the Board and sufficient time allocated to ensure time is spent on the most strategically important matters. Board papers will be refined to be more succinct with Board KPIs re-examined and refreshed. The Board will keep under active review where external stakeholder engagement may be of benefit to the Board, including ensuring the views of the workforce are appropriately considered by the Board.
Board Dynamics	
The Non-executive Directors will continue to consider how best to engage both inside and outside of the boardroom.	Non-executive Director only sessions will be scheduled and how the Board is working will be kept under active review. The format of talent events will be refreshed.

Update on 2021 Board and Board Committee effectiveness

The Board Corporate Governance and Nominations Committee has regularly reviewed the progress on the action plan in response to the 2021 Board effectiveness review and concluded that all actions have been satisfactorily addressed.

Board Audit Committee Report

George Reid
Chair

Dear shareholder

As Chair of the Board Audit Committee, I am pleased to report on the work the Committee has undertaken during 2022.

The Committee's core duties and responsibilities remain unchanged. The Committee has continued to assist the Board in monitoring the Group's control environment, providing strong governance over the Group's financial reporting, and challenging the judgements made by management and the estimates and assumptions on which they are based, whilst ensuring appropriate, balanced disclosures are made.

During the year, the Committee continued to assess the financial control and reporting environment and is pleased to see improvements resulting from the embedding of the new general ledger. There is more work to do to fully embed these process improvements in some of the subsidiary businesses. We will remain focused on ensuring greater consistency in the reporting processes applied across the Group. Further information on how the Committee has overseen the Group's financial reporting and controls can be found on pages 71 and 72.

Towards the end of the year, the Committee commissioned an effectiveness review of the Internal Audit function which was conducted internally by way of a questionnaire. We are pleased to see that the function continues to perform strongly particularly given the change in Chief Internal Auditor during the year. Details of the Chief Internal Auditor appointment can be found on page 73.

We have received assurance from both our internal effectiveness review and the FRC's Audit Quality Review ("AQR") that our external auditors, PricewaterhouseCoopers LLP ("PwC"), continue to perform satisfactorily. The outcome of these reviews can be found on pages 73 and 74.

The Committee spent time considering the accounting and related disclosures for the capital return to shareholders by way of a B Share Scheme accompanied by a Share Consolidation which was implemented in May 2022. Since year-end we have also considered the disclosure requirements arising in connection with the new issue of £200 million subordinated debt and redemption of the previous £200 million subordinated debt instrument.

There have been some changes to the membership of the Committee during the year and I would like to take this opportunity to extend my thanks to Rosie Harris for her valuable contribution to the work of the Committee. In accordance with the UK Corporate Governance Code 2018 and best practice, Ruth Markland ceased to be a member of the Committee on assuming the role as Quilter Chair. We were pleased to welcome Neeta Atkar who joined the Board and the Board Audit Committee in August 2022.

I reported to you last year that the Committee will focus on simplifying the Group's financial disclosures and I am pleased to report that progress has been made in this regard following the sale of Quilter International. The Committee has also worked to ensure that other disclosures are presented more simply and clearly. There will be further scope for simplification in the 2023 financial statements and the Committee will stay focused in this regard.

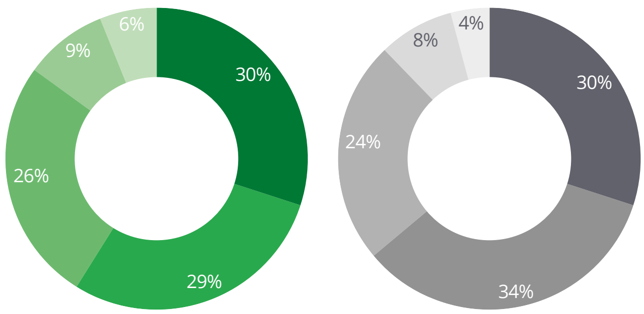
The following pages provide further information on how the Committee has discharged its responsibilities during the year.

It is anticipated that in 2023 the Committee's main focus will be on overseeing, challenging and holding management to account on the provisions held and the evolution and adequacy of finance systems, procedures and controls.

George Reid
Chair

At a glance

Committee activity



Committee activity	2022	2021
Review of Financial Statements	●	●
Internal and External Audit	●	●
Internal Controls	●	●
Regulatory Compliance and Reporting	●	●
Governance	●	●

Committee membership and meetings attended/eligible to attend

	Scheduled meetings	Ad hoc meetings
George Reid (Chair)[1]	**9**/10	**1**/1
Neeta Atkar[2]	**3**/3	–
Tazim Essani	**9**/10	**1**/1
Former members		
Glyn Barker[3]	**2**/2	**1**/1
Rosie Harris[4]	**4**/4	–
Ruth Markland[5]	**5**/5	–

[1]George Reid was unable to attend one meeting due to illness and this meeting was chaired by the Risk Committee Chair.
[2]Neeta Atkar joined the Committee on 11 August 2022.
[3]Glyn Barker joined all Committee meetings during his time as a Director between June and November 2022.
[4]Rosie Harris resigned from the Board and stood down as a Committee member on 30 April 2022.
[5]Ruth Markland ceased to be a member of the Committee on appointment as Quilter Chair.

Where a Director was unable to attend a meeting due to illness or a long-standing conflicting commitment, they reviewed the Committee papers and provided comments to the Committee Chair in advance of the meeting.

Committee responsibilities

- Reviews the Group's accounting policies and the contents of financial statements.
- Monitors disclosure controls and procedures.
- Considers the adequacy, scope of work and resourcing of the external and internal audit functions.
- Oversees the relationship with our external auditors.
- Monitors the effectiveness of internal financial controls.

The Committee relies on and is supported by the detailed work conducted by the Audit Committees and Governance, Audit and Risk Committees of Quilter's significant subsidiaries.

Committee governance

The Board Audit Committee currently comprises three independent Non-executive Directors. The Chair of the Committee has recent and relevant financial experience and the Committee as a whole has competence relevant to the business sectors that Quilter operates in. On appointment as Quilter Chair, Ruth Markland ceased to be a member of the Committee. Glyn Barker, a former accountant, attended each Committee meeting whilst he was on the Board. No meetings were held in the period between Ruth Markland stepping down from the Committee and Glyn Barker joining the Board.

Details of the skills and experience of the Committee members can be found in their biographies on pages 56 to 58.

Committee evaluation

As part of the 2022 Board effectiveness review, the Board has assessed that the Committee membership is appropriate in providing challenge and oversight and that the Committee is operating effectively.

Discharging our responsibilities

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

Attendance

The Chief Internal Auditor, the Chief Financial Officer, the Chief Risk Officer and representatives of PwC, the external auditors, attend all meetings of the Committee. The Committee holds regular private sessions with the Chief Internal Auditor and the representatives of PwC, without management present.

Collaboration

The Chair briefs the Board on key discussions and provides a written report to the Board after each meeting. The papers and reports presented to the Committee are made available to all Quilter Non-executive Directors. The Committee has continued to work collaboratively and effectively with other Board Committees on matters such as the effectiveness of internal controls.

Key areas of Committee focus

Financial reporting

The Committee reviewed and challenged the Annual Report and Accounts, Preliminary Announcement and Interim Results for 2022. The Committee's reviews were supported by analysis and discussion from the Finance and Actuarial teams, reports from the second line on the solvency position and reports of the external auditors. Having considered these inputs and the Committee's own independent judgements, the Committee recommended to the Board the approval of each of these reports.

The Group's accounts are prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain alternative performance measures ("APMs") are used to aid the understanding of the Group's financial statements by Quilter's shareholders and other stakeholders. The Committee has continued its close scrutiny of APMs and great care has been taken to ensure that where they are used, they are necessary, clearly highlighted and explained and are reconciled to statutory performance measures in line with the guidance from the FRC.

The Committee has reviewed the Group's Accounting Policies and confirmed that they are appropriate to be used for the 2022 financial statements.

The Committee has also reviewed the basis of accounting, the appropriateness of adopting the going concern basis of preparation for the Group's financial statements, and the Group's assessment of viability for a period longer than 12 months. In doing so, the Committee considered:

- the Group's three-year Business Plan which includes consideration of the economic, regulatory, competitive and risk environment; and
- the latest Group Own Risk and Solvency Assessment, and Internal Capital Adequacy and Risk Assessment reports, which cover current and future risk profile and solvency positions based on a series of core assumptions, stress tests and scenario analysis.

The form of the viability statement and period covered by the statement were specifically considered by the Committee. The Committee was satisfied with the content of the viability statement and supported the time period for the statement which is aligned with the Group's three-year business planning cycle. The viability statement can be found on pages 50 and 51.

During the year-end process, the Committee also reviewed the Task Force on Climate-related Financial Disclosures Report.

Accounting judgements and estimates

The Committee received regular updates on the Group's key accounting judgements and estimates to enable the Committee to consider and discuss these with management and the external auditors in advance of the end of each reporting period. Critical accounting judgements and material accounting estimates deliberated by the Committee during review of the 2022 Annual Report and Accounts included the treatment of:

Area of focus	Issue/role of the Committee
Provisions for past business review cases and the related insurance recovery assets	The Committee reviewed the estimates involved in the provisioning for DB to DC pension transfer cases which are subject to a skilled person review in Lighthouse and other past business review cases. The Committee also reviewed the approach taken to the recognition and measurement of insurance recovery assets in the June 2022 interim financial statements, and year-end financial statements. The Committee's work included consideration of regulatory developments and correspondence received from the skilled person. The disclosures in the Group's financial statements were reviewed by the Committee to ensure compliance with IFRS and transparent presentation.
Goodwill and intangibles	The Committee considered the appropriateness of the key assumptions underpinning the Group's goodwill impairment testing, and the sensitivities modelled. In particular, the Committee considered whether the carrying amounts of goodwill and intangibles remained appropriate in the context of changes in the UK and global economy during 2022. The Committee reviewed the associated disclosures in both the interim and annual financial statements to ensure these met the requirements of IFRS, and provided relevant information to the readers of the financial statements.
Deferred tax	The approach taken to the recognition and measurement of deferred tax assets, and the estimations and assumptions used, were reviewed by the Committee. In particular, the Committee considered the impact of changes in the economic climate during 2022 on the recoverability of deferred tax assets. In addition, the Committee reviewed the deferred tax disclosures in the Group's financial statements to ensure compliance with IAS 12 (Income Taxes).

Key areas of Committee focus

Fair, balanced and understandable

There has been a comprehensive review process to support the Board in reaching its conclusion that the 2022 Annual Report is fair, balanced and understandable and provides the necessary information for shareholders to assess the Group's position, performance, business model and strategy.

The process which enabled the Committee to reach this conclusion included:
- the production of the 2022 Annual Report and Accounts, managed closely by the Chief Financial Officer, with overall governance and co-ordination provided by a cross-functional team of senior management;
- cross-functional support for the drafting of the 2022 Annual Report and Accounts which included input from Finance, Risk, Investor Relations, Corporate Secretariat, HR and wider business leaders;
- a robust review process of inputs into the 2022 Annual Report and Accounts by all contributors, to ensure disclosures are balanced, accurate and verified, with further comprehensive reviews by senior management;
- a review by the Company Secretary of all Board and Board Committee minutes to ensure all material matters considered at Board level meetings have been disclosed in the 2022 Annual Report and Accounts;
- a specific management paper detailing the 2022 year-end assessment of fair, balanced and understandable;
- a formal review by the Board Audit Committee of the draft 2022 Annual Report and Accounts in advance of the final sign-off; and
- a final review by the Quilter plc Board of Directors.

Having evaluated all relevant information, the assurances by management and underlying processes used to prepare the financial information the Committee is satisfied that, taken as a whole, the 2022 Annual Report and Accounts are fair, balanced and understandable and has confirmed this to the Board. This process was also undertaken in respect of the Group's 2022 Interim Results.

Controls over financial reporting

The Committee has remained focused on ensuring the Group's internal controls over financial reporting operate effectively. Management has regularly reported on the state of the financial control environment throughout the year, confirming that, overall, there is an improving trend in the financial control environment across Quilter. This is evidenced by improved controls testing results, the low volume of risk events and improvements in data quality. The financial control environment within the Quilter Financial Planning business has received the Committee's utmost attention to ensure the necessary improvements are made. Time has also been spent monitoring the progress made against the internal control recommendations from PwC and the Committee is content that adequate progress is being made towards closing these agreed actions.

As part of the process to review and challenge the 2022 financial statements, the Committee considered the processes and controls in place to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements. The Chair of the Committee has reported to the Board on this area.

CASS compliance

Monitoring compliance with the FCA's Client Assets Sourcebook (CASS) rules, and the frameworks in place to maintain appropriate CASS controls in each of the regulated businesses, is essential to protecting the interests of Quilter's customers. The Committee performs this role by reviewing the reports on CASS produced by the internal and external auditors, the second line Risk Function and by management. Throughout the year, there has been a focus on collaboration across the Quilter CASS entities and on streamlining the control frameworks. The Committee has been kept informed on the progress made and is encouraged that there has been a move towards greater consistency in CASS controls over the year.

Regulatory reporting

During the year, the Committee reviewed, challenged and recommended to the Board for approval, the Group's 2021 annual Solvency II reporting having received detailed reports on the disclosures from management, the second line Actuarial function and the external auditors. The 2021 year-end consolidated Capital Requirements Directive IV disclosures were approved by the Committee ahead of their publication on Quilter's website. Towards the end of the year, the Committee also scrutinised and approved the methodology and assumption changes to be applied to the 2022 year-end Solvency II reporting. The Committee has, and will continue to, closely monitor the potential impacts of the Department of Business, Energy & Industry Strategy ("BEIS") consultation on restoring trust in audit and corporate governance. The Committee reviewed the BEIS Response Statement published in May and FRC Position Paper that followed in July.

Whistleblowing

To ensure a transparent and open culture that encourages employees to speak up, Quilter recognises the importance of having effective and trusted whistleblowing arrangements in place. It is important that the Group's whistleblowing arrangements are not only effective in practice but are seen by staff and all other stakeholders as being fair, rigorous and effective in resolving concerns. The Committee has received semi-annual reports on whistleblowing from management and has considered the details of specific whistleblowing complaints, the outcome of management's investigations and the effectiveness of the whistleblowing processes in place. The reports have included metrics from the Peakon colleague surveys which relate directly to a "speak up" culture. The Committee has also reviewed data on grievances and other indicators that the Group has an open culture where employees feel able to raise concerns. A "mystery shopper" survey of the whistleblowing hotline was conducted in the year and the outcome reported to the Committee. The Chair of the Board Audit Committee is the Whistleblowing Champion for Quilter.

Internal audit

Throughout the year, the Committee reviewed regular reports from the Chief Internal Auditor, which drew the Committee's attention to the key audit findings together with management's response, updating on progress against the audit plan and proposed changes to the plan as the year progressed. The reports also detailed the extent to which management has self identified the issues being raised by Internal Audit, as well as the progress and effectiveness of management actions taken to address audit findings. These measures are tracked closely as they provide an indication of the maturity of the Group's control framework. The Committee has also heard regularly from Internal Audit on its overall assessment of the internal control environment and where action is needed to enhance internal controls.

During the year, the Committee approved the appointment of a new Chief Internal Auditor, Daniel Baynton, following the appointment of the previous incumbent as Chief Risk Officer. This appointment was initially on an acting basis. In December 2022, the Committee confirmed Daniel Baynton as the Chief Internal Auditor on a permanent basis following a comprehensive selection process which was overseen by the Chair of the Committee and by a Sub-Committee of the Board Corporate Governance and Nominations Committee.

Each year, the Committee meets jointly with the Board Risk Committee to consider together the Risk Function Plan and the Internal Audit Plan. The Committee approved a risk-based internal audit plan for 2023 focused on the most critical areas for the Quilter business and focused on supporting the safe delivery of the organisation's strategic priorities. In particular, the plan recognises the importance of considering Consumer Duty requirements during each audit review in 2023. The Chief Internal Auditor has confirmed that the necessary resources and skillsets are in place to deliver the 2023 Internal Audit Plan, including having appropriate contingency to ensure that the Internal Audit function can adjust and react to unexpected demands.

Following last year's External Quality Assessment of the Internal Audit function, the Committee commissioned an internal review this year which sought views from key stakeholders across the business. The results concluded that the function is well respected, operates efficiently and effectively and makes a strong contribution to the control environment across the Group. The function scored highly for independence, objectivity and integrity. The Committee also regularly monitors the effectiveness of the function using a balanced scorecard, which is reviewed periodically to ensure it remains appropriate. In addition to reviewing the Internal Audit function's effectiveness, the Committee assessed the level of internal audit resource and the suitability of the skills and experience of the Internal Audit function.

External audit

The Committee is responsible for overseeing the relationship with the external auditors and the effectiveness of the audit process. PwC were appointed as the Group's statutory auditor, with effect from the 2020 financial year, following a formal tender process.

In advance of each Committee meeting, the Chair of the Committee meets separately with PwC's lead audit partner, Mark Pugh, to ensure the discussions at Committee meetings are appropriately focused, challenging the conclusions reached by management as well as the audit work performed thereon.

Key areas of Committee focus

To support a robust and high-quality external audit the Committee has received regular and detailed reports from PwC throughout 2022 covering all aspects of their work. The Committee has reviewed PwC's internal control recommendations and also assessed management's response to these internal control findings. PwC has continued to contribute strongly to discussions on Quilter's financial statements, the Group's financial reporting processes and key accounting judgements.

To safeguard the independence and objectivity of the external auditors, the Committee adopted a policy on non-audit services, which requires that non-audit services provided by the statutory auditor, will not exceed 25% of the fees charged for audit and audit related services. In addition to the reports provided by PwC on their independence, the Committee has also received reports from management providing details of the non-audit services provided by PwC and consultancy support provided by other leading audit firms. Towards the end of 2022, PwC were engaged on work in relation to the issue of subordinated debt and this engagement constituted a non-audit service. The Group's total fees for non-audit services remain within the 25% limit set out in the policy.

Following the successful implementation of Audit Quality Indicators ("AQIs") last year, use of these as a tool to inform the assessment of the effectiveness of the external audit has continued this year. The indicators agreed are broadly in line with the prior year audit and focus on areas important to an effective audit, such as project management and the timeliness of management deliverables. The AQIs have been reported on by the external auditors to the Committee throughout the course of the audit which has provided the Committee with more in-depth information about factors that influence the external audit quality.

In November 2022, an effectiveness review, similar to that undertaken in 2021, was conducted by the Company Secretary using a written survey to seek the views of key stakeholders to inform the Board Audit Committee's assessment of PwC's performance across a range of criteria including independence, effectiveness, objectivity, industry knowledge, efficiency and service quality. The results of that survey concluded that PwC continues to perform satisfactorily and had delivered an effective service overall for the Group. PwC scored highly for independence, integrity and objectivity which provides assurance over audit quality. The Committee was pleased to note that PwC's delivery of a high-quality audit is further supported by the outcome of the FRC's AQR which assessed PwC's 2021 audit as 'limited improvements required'.

The scope of the inspection under the AQR covered the audit work performed on the following key audit matters:
- Sale of Quilter International (Group);
- Compensation provisions (Group);
- Goodwill impairment assessment (Group); and
- Impairment assessment of investments in subsidiaries (Parent).

As well as the audit work performed on the following other areas of audit focus:
- Cash and cash equivalents; and
- Revenue recognition.

The Committee has discussed the findings of the AQR with PwC and was pleased to note that there were no key findings and some areas of good practice. We note that this puts the review in the top category for public reporting. There were two areas of limited improvements required that the Committee are satisfied have been addressed by PwC.

The Company has complied with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the financial year ended 31 December 2022. Quilter has no intention of tendering for an alternative external auditor before the end of the current required period of 10 years.

PwC are recommended for re-appointment by shareholders at Quilter's AGM to be held in May 2023.

Auditors' remuneration

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Fees payable for audit services		
Group and Parent Company	1.3	1.5
Subsidiaries	2.1	2.2
Total fees for audit services	3.4	3.7
Fees for audit-related assurance services	1.2	0.8
Fees for non-audit services	0.2	0.5
Total Group auditors' remuneration – continuing operations	4.8	5.0
Total Group auditors' remuneration – discontinued operations	–	0.3
Total Group auditors' remuneration[1]	4.8	5.3

[1]All fees are presented net of VAT.

Board Risk Committee Report

Neeta Atkar MBE
Chair

Dear shareholder

This is my first report to you as Chair of the Board Risk Committee having joined the Quilter Board in August 2022 and becoming Chair of the Board Risk Committee on 1 October. I am grateful to George Reid, who served as the Committee Chair following the departure of Rosie Harris at the end of April 2022. Both George and Rosie provided excellent stewardship of the Committee and effective oversight of management during their periods as Chair.

Through my induction I have spent time with all members of the Quilter Board as well as the Executive Committee and senior members of the Risk Function. I am pleased to share with you my report on the work the Committee has undertaken during the year. I have been impressed by both the support and challenge given to management during the year and I look forward to further enhancing the role of the Committee in 2023.

The Committee supports and advises the Board on Quilter's risk profile providing a pan-Quilter perspective on all material risk matters. We monitor the Group's overall risk appetite, which is the amount and type of risk Quilter is prepared to accept in the delivery of its strategy, by monitoring both our internal and external risk profile. The macroeconomic climate has been challenging during the year, given high inflation and a fluctuating interest rate profile. However, we have maintained strong and conservative capital and liquidity positions, with prudent surpluses over risk appetite targets throughout the year. As part of the issuance of the Bond the Committee reviewed, considered and recommended to the Board, the risk factors set out in the Prospectus dated 16 January 2023.

There continues to be a high level of external regulatory change and we are focused on ensuring our plans to implement the new FCA Consumer Duty are robust with appropriate governance and resources in place to ensure that the Duty is appropriately embedded in Quilter's day-to-day processes and will be well understood by our advisers and employees. Other regulatory changes, such as the enhancements to the Appointed Representatives Regime and the continuing focus on ESG risk, have been carefully considered during the year and we will continue to monitor risk mitigation activities closely. The Committee's activity during the year in relation to ESG risk included receipt of a deep dive assessment on the risk of greenwashing and a review of the outputs of a new climate and environmental stress scenario test that has been implemented by management. More information can be found in our Responsible Business Report which forms part of the Strategic Report on pages 26 to 35.

The Committee continues to review the adequacy of our systems for risk assessment, internal controls and reporting. As in prior years, the Committee has remained focused on protecting customers, with a focus on providing oversight of Advice Risk. We have challenged management to continue to make the necessary enhancements to the control environment in Quilter Financial Planning and continue to exercise oversight of the delivery of operational change and automation of procedures to support and enhance customer experience.

The Committee has also had close regard to people risk given the pressures of the economic environment and our business change initiatives.

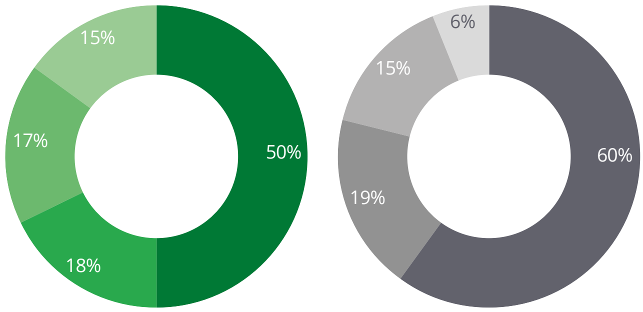
I am pleased to confirm that the Committee has fully discharged its responsibilities within the year and worked in collaboration with other Board Committees to ensure that appropriate scrutiny and oversight was exercised on key risk matters. During the year, the Committee Chair has provided regular updates to the Board on matters considered by the Committee.

As we look forward to 2023, I intend to work closely with the Chief Risk Officer to enhance the reporting the Committee receives in order to support more effectively the Committee in discharging its responsibilities on behalf of our stakeholders. I am grateful to the Quilter team for their continuing focus and to my fellow board colleagues for their support.

Neeta Atkar MBE
Chair

At a glance

Committee activity



Committee activity	2022	2021
Top Risk Oversight	●	●
Regulatory Change	●	●
Risk Appetite, Profile and Capital & Liquidity	●	●
Risk Governance and Remuneration	●	–
Change programmes	–	●

Committee membership and meetings attended/eligible to attend

	Scheduled meetings	Ad hoc meetings
Neeta Atkar[1] (Chair)	**4**/4	–
Tim Breedon[2]	**8**/9	**1**/1
Moira Kilcoyne	**8**/9	**0**/1
Paul Matthews	**9**/9	**1**/1
George Reid	**8**/9	**1**/1
Chris Samuel	**8**/9	**1**/1
Former member		
Rosie Harris[3]	**3**/3	**1**/1

[1]Neeta Atkar joined the Committee on 11 August 2022.
[2]Tim Breedon stepped down from the Committee on 31 December 2022.
[3]Rosie Harris resigned from the Board and stood down as Committee Chair on 30 April 2022.

Where a Director was unable to attend a meeting due to illness or a long-standing conflicting commitment, they reviewed the Committee papers and provided comments to the Committee Chair in advance of the meeting.

Committee responsibilities

- Oversees risk strategy.
- Monitors and reviews the internal control framework.
- Recommends the total level of risk Quilter is prepared to take (risk appetite).
- Assesses the top and emerging risks.
- Monitors the risk profile.
- Oversees the effectiveness of the Risk and Compliance function.

Committee governance

The Board Risk Committee currently comprises five independent Non-executive Directors, with Tim Breedon stepping down from the Committee on 31 December 2022. George Reid chaired the Committee from 1 May 2022 to 30 September 2022.

Details of the skills and experience of the Committee members can be found in their biographies on pages 56 to 58.

Committee evaluation

As part of the 2022 Board effectiveness review, the Board has assessed that the Committee membership is appropriate in providing challenge and oversight and that the Committee is operating effectively.

Discharging our responsibilities

The Committee reviewed its activities over the previous 12 months against its Terms of Reference and confirmed that it had fully discharged its responsibilities in line with its remit.

Attendance

The Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Risk Officer and Chief Internal Auditor regularly attend Committee meetings. The Group Chair and, on occasion, other Non-executive Directors attended Committee meetings for matters as desired.

Collaboration

The Chair briefs the Board on key discussions and provides a written report to the Board after each meeting. The papers and reports presented to the Committee are made available to all Quilter Non-executive Directors. The Committee has continued to work collaboratively and effectively with other Board Committees on matters such as the effectiveness of internal controls.

Key areas of Committee focus

Risk appetite

The Committee monitors and receives routine updates on the Group's risk appetite on behalf of the Board. During the year we reviewed the Strategic Risk Appetite Principles ("SRAPs") and approved changes to Information Security and Regulatory risk measures within the Control Environment SRAP. The Committee has closely engaged on the enhancements to the Customer SRAP as management continue to refine this to more appropriately reflect how management assess customers' outcomes in line with the new Consumer Duty.

During Q3 the Internal Audit Failed Issues Assurance measure, which forms part of the Control Environment SRAP, exceeded the risk appetite threshold and the Committee welcomed the action taken by management to address and mitigate the areas of risk in relation to the Issues Assurance failures. With the exception of this matter, the Committee was pleased to note that Quilter continued to operate within its risk appetite limits in 2022, based on performance against the SRAP measures.

The Committee also approved the methodology for constructing the risk appetite thresholds (Long Term Targets, Early Warning Thresholds and Limits) together with their actual levels as at year-end 2022 for the Group.

Prudential risk

This has been the first year for the new reporting regime under the Prudential sourcebook for investment firms ("IFPRU") and we have reported against the new internal capital adequacy and risk assessment ("ICARA") for the first time. Over the year, we reviewed the component parts of the own risk and solvency assessment ("ORSA") and ICARA, including the capital allocations and stress and scenario testing which have been debated and challenged. We have reviewed and considered the recovery and wind down plans and have discussed with management the enhancements that will be made in 2023 to further improve the plans.

Capital and liquidity

The Committee received routine quarterly updates from our Chief Financial Officer on the Group's capital, cash and liquidity positions against our risk appetite during the year. Despite the challenging macroeconomic environment, Quilter remains strongly capitalised and has operated within capital and liquidity risk appetites during the year. Given the changing external economic environment, we asked management to perform further stress testing on economic scenario analysis on inflation and interest rates and this was completed and reviewed during the year.

Operational risk

The Committee received a demonstration of a new internal risk assessment tool, Resolver, which was implemented in 2022. During the year, the Committee asked management to refresh the operational risk reporting that the Committee receives, and good progress is being made on the enhancements requested.

New and emerging risks

The biannual updates on emerging risks identify risks to Quilter as a business from the external environment including an assessment of likelihood and time scale. In Q1 2022 the Committee considered risk impacts for Quilter resulting from Russia's invasion of Ukraine with a view to identifying how to mitigate any risks to Quilter and our customers. As it became apparent the economic climate was worsening, the Committee received a risk assessment of the impacts of inflation on, amongst other things, flows, investment performance impacting our customers and the impact for colleagues of the rising cost of living.

Risk factors – Bond Prospectus

The Committee reviewed, considered and recommended to the Board risk factors contained within the Prospectus dated 16 January 2023. You can read more about the process we undertook and the factors considered on page 61.

Risk management and internal control systems

The Board Risk Committee, the Board Audit Committee and the Board Technology and Operations Committee regularly review internal controls on behalf of the Board and receive regular reports from management, Internal Audit and the Finance function. The Chairs of the Board Audit Committee, the Board Risk Committee and the Board Technology and Operations Committee regularly brief the Board on the key matters discussed by these Committees. Throughout the year ended 31 December 2022 and to date, the Group has operated a system of internal control that provides reasonable assurance of effective operations covering all controls, including financial and operational controls and compliance with laws and regulations. Processes are in place for identifying, evaluating and managing the principal risks facing the Group in accordance with the 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' published by the Financial Reporting Council. The Board Risk Committee received management's assessment of the effectiveness of internal controls over financial reporting as of 31 December 2022 and concluded that, based on their assessment, they were effective. The Board also considered and endorsed this assessment as well as the Board Audit Committee's review of the internal controls over financial reporting. The Chair of the Board Audit Committee reports on the review of controls over financial reporting and how the Board Audit Committee has monitored the independence and effectiveness of the internal and external auditors on pages 73 and 74.

Key areas of Committee focus

Top risks
You can read about the Group's assessment of our top risks and how these are identified, managed and mitigated on pages 44 to 49 in the Risk Review. The Committee routinely receives quarterly updates from the Chief Executive Officer and the Chief Risk Officer on their assessment of these risks.

Advice risk
The Committee has held in depth discussions on the controls to mitigate the risk associated with how Quilter and its advisers provide appropriate advice to customers. Along with the Board of Quilter Financial Planning, the Committee has overseen the improvements made to date in the control environment of that business and continues to monitor the steps being taken to automate control processes and fully embed a robust and effective control culture throughout the business. This will ensure that our customers are appropriately protected and Quilter can demonstrate that the advice provided is in their best interests and promotes good customer outcomes. The Committee has challenged management to consider and mitigate the business risks for customers given the external market conditions.

Conduct risk
The Committee has continued to monitor our ongoing management of conduct risk and receives regular updates on conduct risk matters including complaints, advice and suitability, and post advice arrangements and servicing.

People risk
The Committee has welcomed the improved employee engagement score during the year and has continued to monitor people risk carefully given the pressures of the economic environment and business change initiatives. As the working environment continues to evolve post the COVID-19 pandemic we have discussed an update from Human Resources on the mitigation of people risk though the implementation of a hybrid working model.

Third-party suppliers risk
During the year this Committee, along with the Board Technology and Operations Committee, has overseen the effectiveness of the processes in place to manage the services provided to the Group by third-parties ensuring robust oversight and engagement with our suppliers. The Committee has welcomed the ongoing focus in this area.

Strategic delivery risk
The Committee introduced biannual reviews of the strategic risk profile associated with delivery of the operating plan. The risk profile has heightened during the year largely reflecting the impacts from market conditions due to the current economic and geopolitical environment. The Committee asked management to re-assess activity in order to ensure that Quilter is focused on the most critical activities.

Regulatory risk
The Committee receives a quarterly report which provides analysis and commentary on the interactions with our regulators. The reporting covers regulatory change that impacts our business, clients and customers. It includes horizon scanning and an assessment of likely change and the impact for Quilter. The Committee spent appropriate time during the year reviewing and challenging the implementation plans for the new FCA Consumer Duty ensuring these plans are robust with appropriate governance and resources in place to ensure that the new Consumer Duty will be embedded in Quilter's day-to-day processes and be well understood by our advisers and employees. The Committee has also received an assessment on how the future changes in the Appointed Representatives Regime will be implemented in Quilter Financial Planning.

Conflicts of interest
The conflicts of interest inherent in our business model are closely monitored and an update is presented to the Committee twice a year by the Chief Executive Officer along with a second line assessment. Policies and processes are in place to ensure that there is appropriate scrutiny and consistency of how Quilter manages potential conflicts of interest across the Group.

Data privacy risk
Twice a year the Committee considers a report from the Group Data Protection Officer with his assessment of the data privacy risk. This assessment details the adequacy of data protection policies, procedures and governance arrangements to mitigate data protection risks and comply with data protection legislation, including the General Data Protection Regulation.

Money Laundering Officer's report
The Committee receives an annual update from the Group's Money Laundering Reporting Officer which gives a pan-Quilter view of the Anti-Money Laundering and Counter Terrorist Financing operating environment and associated risks. Following an increase of Financial Crime during the COVID-19 pandemic, levels have now stabilised and we are focused on managing high profile and emerging issues including sanctions risk.

Risk and Compliance function and plans
In July 2022, Matt Burton stepped down as Chief Risk Officer to focus on his health. The Committee is grateful to Matt for his outstanding contribution and has welcomed Nick Sacre-Hardy as Chief Risk Officer. A review of the Risk function led by Nick commenced in the final quarter of 2022 and the Committee reviewed the results and proposed changes to the risk function in Q1 2023.

The Committee monitors progress on the risk and compliance function and plans. This includes an assessment of the quality and appropriateness of resourcing and overall delivery of key activity. Adjustments to the plans are brought back to the Committee for approval if necessary.

Looking forward
As we look forward to 2023, the Committee will continue to pay close regard to the impacts of the external environment for our customers and advisers and ensure that Quilter is well placed to ensure customer outcomes are appropriate and we continue to exercise oversight to manage and mitigate risk.

Board Technology and Operations Committee Report

Moira Kilcoyne
Chair

Dear shareholder

I am pleased to present my report as Chair of the Board Technology and Operations Committee.

During 2022, the Committee focused on driving improvements to the digital experience for our customers and was pleased to see the successful launch of the new Customer App for customers of the investment platform.

The Committee has continued to oversee the development and delivery of the technology strategy. Good progress has been made in the rationalisation and modernisation of our infrastructure during the year, bringing this programme of work to a close.

As change activity continued apace, we ensured that lessons learned from the Platform Transformation Programme have been embedded within management's planning and risk decision making. The Committee has challenged and endorsed management's drive for prioritising quality over cost savings and speed of delivery.

Continuing the progress made in recent years, the Committee has overseen further enhancements to the resilience of the Group's operations and technology to ensure availability of our services for our customers and advisers. The completion of our self-assessment of operational resilience, a regulatory requirement, is an important landmark for the Group and has supported the creation of additional goals in this space for the next two years.

We received regular updates on Information Security deliverables that are designed to keep the organisation, colleague and customer data secure through design, the deployment of key security capabilities, and targeted training for staff and awareness campaigns for customers.

Following the departure of Rosie Harris at the end of April 2022, the membership of the Committee was bolstered when Neeta Atkar joined the Committee on her appointment to the Board in August 2022. Neeta's understanding of customers and risk within the financial services industry strongly supported our deliberations.

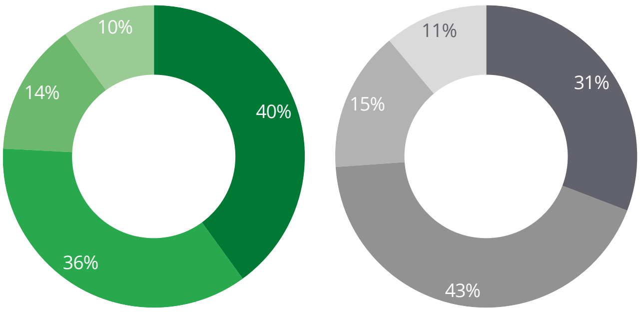
The Committee was set up to oversee management's delivery of significant strategic technology change, most notably the implementation of the new investment platform. Following the successful delivery of the investment platform in 2021 and the continued demonstration of technological and operational expertise across the Group during 2022, the Board agreed to formally close the Committee with effect from 31 December 2022.

Reflecting on the priorities agreed in 2018 following the separation from Old Mutual, the Committee can look back with satisfaction at the significant milestones achieved and improvements made across technology and operations. The challenge and scrutiny provided by the Committee over areas such as information security, operational resilience and change programmes has created a strong foundation for the prospects of the Group going forwards. I am looking forward to continuing to work closely with management in 2023 and fully participating in discussions at the Board and Board Risk Committee meetings on the important matter of strategic technology change and management of IT risks.

Moira Kilcoyne
Chair

At a glance

Committee activity



Committee activity	2022	2021
Change Programmes	●	●
Technology and Operations Strategy	●	●
IT Security	●	●
Operational Resilience	●	●

Committee membership and meetings attended/eligible to attend

	Scheduled meetings
Moira Kilcoyne (Chair)	**5**/5
Neeta Atkar[1]	**2**/2
George Reid	**4**/5
Chris Samuel	**5**/5
Former member	
Rosie Harris[2]	**0**/1

[1]Neeta Atkar joined the Committee on 11 August 2022.
[2]Rosie Harris resigned from the Board and stood down as Committee member on 30 April 2022.

Where a Director was unable to attend a meeting due to illness or a long-standing conflicting commitment, they reviewed the Committee papers and provided comments to the Committee Chair in advance of the meeting.

Committee responsibilities

- Oversees delivery of the Operations and Technology strategy.
- Provides oversight and challenge on Operations and Technology risk.
- Oversees Information Security, Information Management and Operational Resilience strategy, systems and controls.
- Oversees strategic operational and technology change programmes.

Committee governance

The Board Technology and Operations Committee comprised of four independent Non-executive Directors as at 31 December 2022.

Details of the skills and experience of the Committee members can be found in their biographies on pages 56 to 58.

Committee evaluation

As an output of the 2022 Board effectiveness review, and in line with the desire to simplify the Group Governance, the Board assessed that the Committee had successfully met its objectives and decided that it is the right time to close the Committee. You can read more about this decision and how the Committee's responsibilities have transitioned to the Board and Board Risk Committee on page 81.

Discharging our responsibilities

The Committee reviewed its activities over the previous 12 months against its Terms of Reference and confirmed that it had discharged its responsibilities in full.

Attendance

The Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Chief Risk Officer regularly attended Committee meetings. Other Non-executive Directors attended Committee meetings for matters of particular interest.

Collaboration

The Chair briefed the Board on key discussions and provided a written report to the Board, where feasible, after each meeting. The papers and reports presented to the Committee were made available to all Quilter Non-executive Directors.

Key areas of Committee focus

Digital and data strategies

A key area of focus for the Committee in 2022 has been to oversee and challenge the digital and data strategies, which have included several initiatives aimed at improving the digital experience for our customers and building foundational capabilities to support them.

One component of the digital strategy has been the Customer App that was successfully launched towards the end of 2022. It has initially been deployed for Quilter Investment Platform customers as part of the Affluent segment proposition, with the intention to extend the Customer App in future to the High Net Worth segment. The Customer App was developed to include a range of functionality, with customer feedback used to identify the features of most benefit for customers.

An area of focus for the Group's data strategy has been the Data Transformation Programme that has been laying the foundations for the future. The aim of the first stage of the programme has been to establish a new Group-wide data and reporting platform. This will reduce the number of technologies in the estate, but more importantly will enable customers to interact seamlessly across the entire Group. Improvement in data quality, whilst being critical for an effective operating environment, will also support management's work in readiness for the FCA Consumer Duty regulations that come into force during 2023.

With the history of managed separation and acquisitions over recent years, Quilter has consciously had a number of independent website domains. As the Group has continued its focus on simplification of our brand and optimising operational efficiency and technology solutions, a project was approved in 2021 to simplify the firm's websites. Work in this area has progressed during the year with a plan to migrate business websites to align with our Affluent and High Net Worth segments. The websites will support customers and advisers to access their products and services across the Group.

Operational resilience

The Committee has continued to oversee the work to ensure the Group's operational resilience continues to be in line with our and our regulators' expectations. During the year management completed a self-assessment of operational resilience that included the Group's resilience strategy, resilience journey and the steps taken to comply with new regulatory requirements. Where services are being provided or supported by third parties, a consistent and proportionate approach has been taken by management to ensure the resilience of services for our customers. The management of our external technology partners continues to be a key part of our resilience strategy.

The risk posed by external threats has continued to evolve and gain prevalence, with the risks elevated by Russia's invasion of Ukraine. Management have been focused in managing the risks posed by external threats with a culture and awareness programme. This approach has now evolved to promote awareness and behavioural change to develop a positive security culture. The protection of client data and our systems underpins our digital and data strategies and the Committee has received regular updates that provide assurance of management's vigilance and continued focus on protecting our customers.

Operations enhancements

The Committee has continued to strongly encourage management to modernise, simplify and automate operational areas as part of a move to a data-driven, risk-based, processing environment. Quilter Financial Planning has been the first business to commence scoping work, with a view to enhancing controls by reducing the volume of manual processes in place through an investment in technology and data. Whilst the project is at an early stage, significant progress is anticipated during 2023. Quilter Investment Platform will be implementing the same technology, a cross divisional initiative that aims to produce further consistency and efficiency across operations. Progress on this activity will enable Quilter to progress our digital strategy at pace.

Sale of Quilter International

As part of the sale of the Quilter International business to Utmost in 2021, a Transitional Services Agreement was put in place for Quilter to continue to provide certain core services to support the former Quilter International business. The Committee spent time during the year overseeing initial preparations for the migration of these customers from Quilter's systems to Utmost's to ensure that the process will run smoothly and customer impacts are minimised. The migration is due to be completed during 2023.

Segment technology and operations updates

During the course of the year the Committee continued its approach of receiving more granular updates on technology and operations in each business segment. The sessions enabled the Committee to be informed about the collaboration across the Quilter Group and ongoing efforts to simplify key processes where it has been beneficial for customers for us to do so.

Transition of Committee responsibilities

During 2022, the Board conducted an externally facilitated Board effectiveness review. Amongst other things, the review considered the role of the Board Committees.

The Board Technology and Operations Committee was created in 2017 to oversee the implementation of the new investment platform which was successfully delivered in 2021. The Committee further oversaw the work to develop a more mature operational and technological organisation as Quilter continued to deliver more customer-centric systems and operations. The findings of the Board effectiveness review were discussed with the Board and the Board concluded that the Committee had successfully delivered its original objective, and agreed that, with effect from 31 December 2022, the Committee be closed.

All the activity that the Committee conducted has been mapped to our Board Risk Committee or will be overseen directly by the Board.

Board Remuneration Committee Report

Tim Breedon
Chair

Dear shareholder

In my first year as Chair of the Board Remuneration Committee ("Committee"), on behalf of the Board, I am pleased to present the Remuneration Report ("Report") in respect of the year ended 31 December 2022. This statement and the accompanying Report aims to ensure high levels of disclosure regarding pay policy in accordance with the UK Corporate Governance Code and transparency in respect of remuneration and decision-making.

At the last AGM in May 2022, both our Report for 2021 and our new Directors' Remuneration Policy ("Policy") received 96% of votes in favour. Our Policy is intended to be in place for three years and the next binding shareholder vote will be no later than the 2025 AGM, with the Policy kept under continuous review by the Committee to ensure it remains appropriate. This Report will be subject to an advisory vote at the 2023 AGM in line with regulatory requirements.

2022 was a year of solid business performance considering the challenging market in which we are operating in, with the war in Ukraine, the cost-of-living crisis and economic uncertainty impacting investor confidence and significantly dampening the revenue environment across the wealth and asset management industry. Despite this, the Company delivered a resilient financial performance with net flows of £1.8 billion (down from £4.0 billion in 2021) and Adjusted Profit of £134 million (down from £138 million in 2021).

The Committee approved a 2022 short-term incentive ("STI") outcome of £89k (46% of maximum) for the new Chief Executive Officer, Steven Levin, for the two months of qualifying service, and £418k (46% of maximum) for the Chief Financial Officer, Mark Satchel. Paul Feeney, who served as Chief Executive Officer for 10 months of the year, received £466k (41% of maximum). In determining these outcomes, the Committee exercised discretion to adjust down the STI outcome profit, relative to the reported IFRS profit, for the impact of below-the-line items where appropriate. All Executive Directors received an outcome of 32% of maximum for the vesting of the 2020 LTIP award after exercising discretion to adjust for corporate activity. Full details of these outcomes are set out in the Report.

During the year, the Company acknowledged the effect of higher price inflation on employees and made a one-off cost-of-living payment of £1,200 in August 2022 to all employees with a full-time equivalent base salary of up to £50,000 per annum, and continues to monitor inflation data and market developments closely.

The 2019 three-year Save As You Earn ("SAYE") scheme matured on 1 July 2022 with an option price 125 pence. Savings were returned to participants at the end of the six-month exercise period following maturity due to the prevailing share price being lower than the option price. The 2022 scheme commenced on 1 July 2022 with an option price of 117 pence and was available to all eligible UK employees over a three or five-year term. Both Executive Directors joined the 2022 Scheme.

For 2022 we have reported a median gender pay gap of 31% and a median bonus gap of 44%. Whilst our pay gaps have reduced since Gender Pay Gap Reporting was introduced five years ago, we still have much further to go. To reinforce our commitment to diverse representation within our senior management roles and to driving an inclusive culture, the Committee incorporated gender and ethnic minority representation and workforce engagement targets into the Executive Directors' 2022 STI scorecards. These targets were partially met and are reflected in the Executive Directors' 2022 STI outcomes, as detailed on page 97, and will continue to form an important component of the STI scorecard in future years. Further details of our gender pay gap and diverse representation targets can be found on page 30 of the Responsible Business Report.

Looking ahead, we will continue to monitor market developments and the regulatory landscape to ensure that remuneration supports the alignment of executive and shareholder interests and is consistent with the prudent risk management of the business.

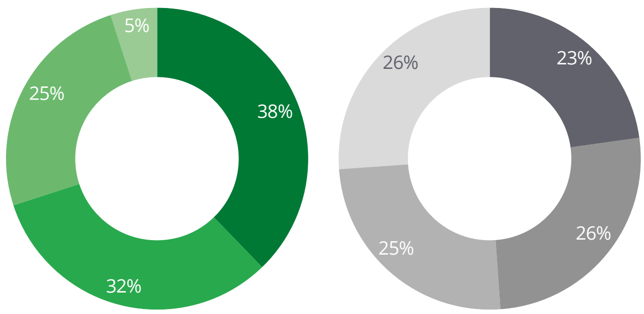
The Committee actively engages with shareholders and investor bodies and welcomes the opportunity for further engagement to discuss remuneration issues in advance of the 2023 AGM. I appreciate the continued support and feedback from our shareholders.

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

Tim Breedon
Chair of the Remuneration Committee

At a glance

Committee activity



Committee activity	2022	2021
Remuneration schemes, including all employee schemes	●	●
Risk and Governance	●	●
Specific remuneration arrangements	●	●
Group Remuneration Policy	●	●

Committee membership and meetings attended/eligible to attend

	Scheduled meetings	Ad hoc meetings
Tim Breedon (Chair)	**7**/8	**3**/3
Ruth Markland	**8**/8	**2**/2
Tazim Essani	**7**/8	**3**/3
Paul Matthews	**8**/8	**2**/3
Former members		
Glyn Barker[1]	**1**/1	**1**/1
Glyn Jones[2]	**5**/5	–

[1]Glyn Barker served as a member of the Committee during his time as a Director between June and November 2022.
[2]Glyn Jones resigned from the Board and stood down as a Committee member on 12 May 2022 at the conclusion of the AGM.

Where a Director was unable to attend a meeting due to illness or a long-standing conflicting commitment, they reviewed the Committee papers and provided comments to the Committee Chair in advance of the meeting.

Committee responsibilities

- Sets the overarching principles and parameters of remuneration policy across Quilter.
- Considers and approves remuneration arrangements for Executive Directors and senior executives.
- Approves individual remuneration awards.
- Agrees changes to senior executive incentive plans.

Committee governance

The Board Remuneration Committee ("Committee") currently comprises three independent Non-executive Directors and the Chair of the Board, who was independent on appointment. In accordance with the UK Corporate Governance Code, Ruth Markland ceased to chair the Committee meetings on appointment as Quilter Chair and Tim Breedon has chaired all Committee meetings since May 2022. Tim was confirmed as Board Remuneration Committee Chair in November 2022. Tim has served as a member of this Committee since appointment in June 2020 and has extensive remuneration experience and expertise.

Details of the skills and experience of the Committee members can be found in their biographies on pages 56 to 58.

Committee evaluation

As part of the 2022 Board Effectiveness Review, the Board has assessed that the Committee membership is appropriate in providing challenge and oversight and that the Committee is operating effectively.

Discharging our responsibilities

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

Attendance

The Chief Executive Officer, Chief Financial Officer, HR Director, Reward Director and the Committee's independent remuneration adviser regularly attend Committee meetings, except when it would not be appropriate for them to do so. Attendees do not take part in decisions relating to their own remuneration and potential conflicts are suitably mitigated.

Collaboration

The Chair briefs the Board on key discussions and provides a written report to the Board, where feasible, after each meeting. The papers and reports presented to the Committee are made available to all Quilter Non-executive Directors. The Committee has met jointly with the Board Risk Committee to discuss the impact of risk on remuneration matters.

Remuneration at a glance

2022 remuneration in numbers

STI metrics

£76m
IFRS profit before tax (STI Outcome)
2021: £60m

2%
Net flows as a percentage of opening AuMA
2021: 4%

LTI metrics (2020-2022)

9%
Earnings per share (EPS) CAGR performance achieved
2021: 12%

Below median
Total Shareholder Return (TSR)
2021: 55th percentile

Executive Directors' outcomes

Steven Levin	Mark Satchel	Paul Feeney	All Executive Directors
46% Short-term incentive (STI) as a % of max 2021: n/a	**46%** Short-term incentive (STI) as a % of max 2021: 69%	**41%** Short-term incentive (STI) as a % of max 2021: 66%	**32%** Long-term incentive (LTI) as a % of max 2021: 56%
64% Total compensation as a % of max 2021: n/a	**54%** Total compensation as a % of max 2021: 70%	**50%** Total compensation as a % of max 2021: 69%	

Components of Executive remuneration and outcomes for 2022

Components of remuneration

Fixed pay +

- Salary
- Benefits
- Pension
- Normally reviewed annually with effect from 1 April

Short-term incentive ("STI") +

- Award based on annual performance metrics that assess Company and individual performance
- 50% of the award is subject to a three-year deferral under the Quilter Share Reward Plan

Long-term incentive ("LTI")

- Awards subject to three-year performance period ending 31 December 2022
- Award vests in Q1 following end of the performance period and subject to a further two-year holding period

How much Executive Directors earned in 2022

The following charts set out the aggregate emoluments earned by the Executive Directors for qualifying services in the year ended 31 December 2022.

Steven Levin **£201k**

£107k | £89k | £5k

Fixed	
Salary	95.8
Benefits	1.5
Pension	9.6
Short-term incentive	
Total incentive award	89.0
Long-term incentive	
Award vests	5.5

Mark Satchel **£1,175k**

£502k | £418k | £255k

Fixed	
Salary	450.0
Benefits	7.1
Pension	45.0
Short-term incentive	
Total incentive award	417.5
Long-term incentive	
Award vests	254.8

Paul Feeney **£1,475k**

£627k | £466k | £382k

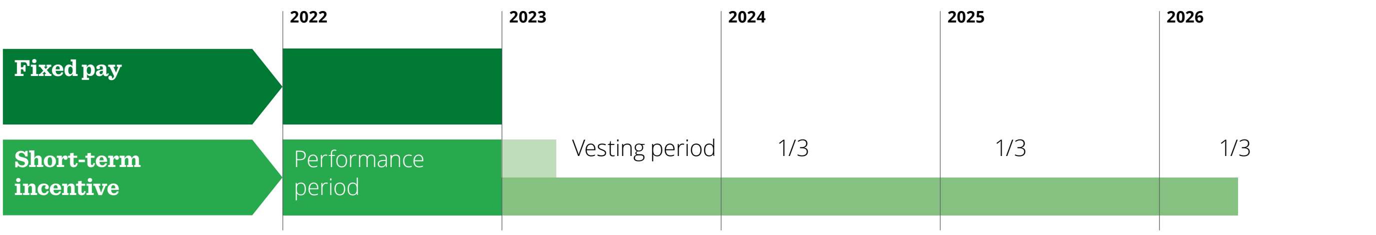
Fixed	
Salary	562.5
Benefits	8.1
Pension	56.3
Short-term incentive	
Total incentive award	466.0
Long-term incentive	
Award vests	382.2

Link between remuneration and business strategy

Performance indicators			STI scorecard weighting	2022 achievement (% of maximum)
Short-term incentive	**Financial**	IFRS profit before tax attributable to equity holders (excluding amortisation, policyholder tax adjustments and other one-off items)	35%	50%
		Net flows as a percentage of opening AuMA	25%	0%
	Non-financial	Risk management	10%	
		• Steven Levin (appointed 1 November 2022)		60%
		• Mark Satchel		60%
		• Paul Feeney (stood down 31 October 2022)		50%
		Customer outcomes	10%	79%
		Strategic personal performance:	20%	
		• Steven Levin (appointed 1 November 2022)		75%
		• Mark Satchel		75%
		• Paul Feeney (stood down 31 October 2022)		55%

			LTI scorecard weighting	2022 achievement (% of maximum)
Long-term incentive	**EPS growth**	EPS compound annual growth rate (2019-2022)	70%	46%
	TSR value	TSR relative to FTSE 250 (excluding investment trusts)	30%	0%

Summary of the key elements of our Policy

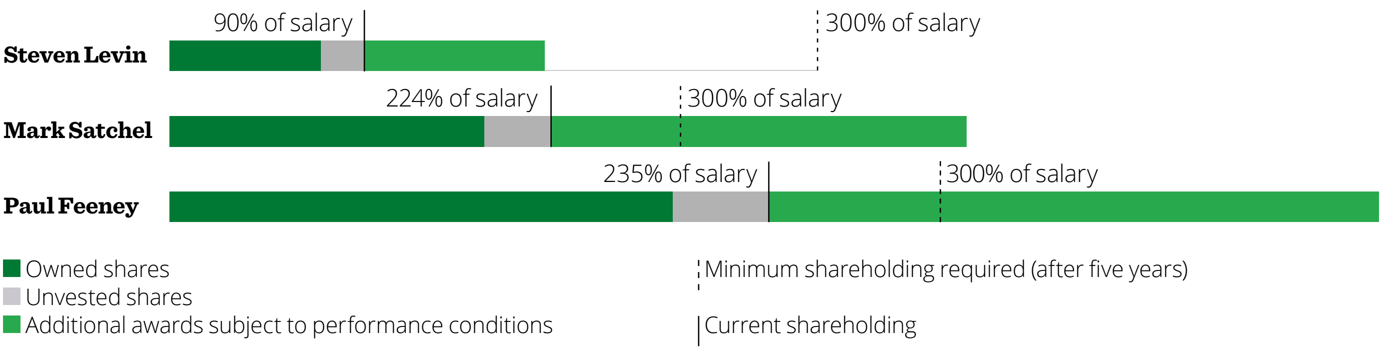


Cash element of incentive outcome (50% of the whole award) is paid in Q1 following the end of the performance year.
Deferred element of incentive outcome (50% of the whole award) is granted in shares and vests in three equal tranches in Q1 2024, Q1 2025 and Q1 2026 subject to the Deferred Share Bonus Plan rules.

Maximum short-term incentive opportunity is 200% of salary.

Maximum long-term incentive opportunity 200% of salary.

Shareholding



Key areas of Committee focus

Key performance highlights

- IFRS profit before tax attributable to equity holders (excluding amortisation, policyholder tax adjustments and other one-off items) for remuneration purposes was £76 million for 2022, compared with £60 million in 2021.
- The Company continued to drive net new flows in challenging market conditions as investor sentiment was weakened by inflationary shocks and the cost-of-living crisis, with Quilter achieving the largest share of gross flows across the retail advised industry to the end of the third quarter. Our full year net flows of £1.8 billion for 2022 was down on the £4.0 billion in the previous year, and was below the level to which we aspire. As a percentage of opening AuMA, net flows were 2% compared with 4% achieved in the prior year.
- AuMA decreased by 11% during the year to close at £99.6 billion, compared with £111.8 billion at the end of 2021. This was primarily the result of market headwinds, with lower equity markets and higher bond yields more than offsetting positive net flows.
- Management responded strongly to the declining revenue environment by instilling strong cost discipline, achieving full-year expenses of £472 million, £8 million below prior year despite the high inflationary environment, whilst also delivering higher savings through Business Simplification than originally targeted. This contributed to an operating margin of 22%, in line with the prior year.
- We significantly increased our focus on climate action in 2022, announcing a plan to reduce our Scope 1 and Scope 2 emissions by 80% by 2030 from a 2020 baseline, as well as strengthening the integration of ESG factors within our investment process; both of these measures have been incorporated into the LTI for the Executive Directors to underline our commitment to being a responsible wealth manager.
- We have continued to focus resolutely on our customers, with service a priority and the launch of some key propositional updates, whilst investment performance across our Wealth Select managed portfolios remained consistently strong, although our flagship Cirilium Active range lagged industry benchmarks over the period.

Short-term incentive outcome

- Business performance has been resilient in a challenging year for the entire wealth management industry but, nonetheless, our financial performance was below the targets we set ourselves at the start of the year. Our 2022 IFRS profit result for STI purposes of £76 million was in line with target, generating an outcome equal to 50% of maximum and accounted for 35% of the Executive Directors' scorecard.
- Net flows as a percentage of opening AuMA were 2% (£1.8 billion), which was below the threshold target of 4% and therefore contributed a zero outcome for this metric, which accounted for 25% of the Executive Directors' scorecard.
- The risk management of the business and overall progress against key customer outcome measures were positive, with Quilter achieving a Trust Pilot score of 4.2, with 78% of reviews at four or five stars and overall satisfaction at 82%. This is considerably better than many of our peers. Investment performance was generally strong with the exception of the Cirilium Active proposition, with steps taken to address this.
- Good progress was made on our Inclusion and Diversity agenda, and we published our first full Action Plan and our lowest Gender Pay Gap since reporting began. The Company also made good progress in driving an inclusive culture with an improved colleague engagement score. Further details on our inclusion, diversity and gender pay gap outcomes and targets can be found on page 87.
- Overall, this generated an STI award of 46% of maximum (£89k) for the Chief Executive Officer, Steven Levin, and 46% of maximum (£418k) for the Chief Financial Officer, Mark Satchel. Paul Feeney also received an award of 41% of maximum (£466k) for the period he served as Chief Executive Officer.
- In determining these outcomes, the Committee exercised discretion in the form of a downward adjustment to the STI outcome profit result, relative to the reported IFRS profit, for the impact of below-the-line items where appropriate. They compared actual costs to targets and trued up to target where costs are delayed but still expected to be incurred, to ensure management didn't benefit from any cost delays versus genuine savings.

Long-term incentive outcome

- The performance period for the 2020 LTI award ended on 31 December 2022 and the award is due to vest on 27 March 2023, subject to a further two-year holding period.
- The performance conditions were weighted 70% on adjusted EPS CAGR and 30% on TSR relative to the FTSE 250 excluding investment trusts.
- In line with the treatment of prior vested LTI awards, the Committee exercised discretion to adjust the EPS growth calculation for the impact of corporate activity during the vesting period to ensure the outcome appropriately reflected underlying performance. Specifically, the Committee decided to remove the earnings of divested businesses, net of stranded costs, and neutralise the impact of the Company's share buyback and Share Consolidation programmes to ensure there was a consistent measure of underlying growth, whilst also increasing the target CAGR range to reflect an expectation of higher growth within the core, continuing operations. This had the effect of reducing the outcome of the EPS CAGR condition from 55% of maximum to 46% of maximum. The full calculation is set out on pages 99 to 100 of the Report.
- The outcomes of both the earnings growth and TSR measures were negatively impacted by the challenging market conditions in 2022. Quilter's TSR – as well as other wealth and asset managers – underperformed relative to other industries within the FTSE 250 and was below the threshold target of median performance, contributing zero for that metric.
- Awards will vest on 27 March 2023 with an overall outcome of 32% of maximum for the Executive Directors, as detailed on pages 99 to 100 of the Report.

Wider workforce considerations

The Committee considered carefully the effect of macroeconomic conditions on the Company's broad employee base, including close monitoring of market data movements and targeted salary review budgets to ensure the Company could appropriately attract, develop and retain talent in a particularly tight labour market. During the year, the Company also acknowledged the effect of the higher price inflation on employees and made a one-off cost-of-living payment of £1,200 in August 2022 to all employees with a full-time equivalent base salary of up to £50,000 per annum. At the 1 April review date, base salaries for the wider workforce are set to increase by an average 5%, which is a higher rate than historically applied. The Company will continue to monitor inflation data and market developments closely.

Remuneration Policy

- The Policy was approved by shareholders at the AGM on 12 May 2022, with 96% votes in favour.
- The Policy itself had minor evolutionary updates to continue to align to market and corporate governance best practice. In applying the Policy the Committee amended the incentive metrics and weightings for 2022, increasing the weighting of net flows within the STI scorecard and expanding the LTI metrics to include strategic priorities covering operating margin and ESG measures. These updates will remain in place for 2023.
- The Policy is intended to be in place for three years and assuming no changes are required earlier, will next be put to a shareholder vote for formal approval at the 2025 AGM.

Alignment to strategic priorities

The application of the Policy continues to align management incentives to the four strategic priorities of the Company, as set out in the chart on page 89.

Inclusion, diversity and the gender pay gap

The Committee is focused on ensuring that pay arrangements across the Group reflect our diversity and inclusion agenda. Within the personal component of the 2022 STI scorecard for the Executive Directors, the Committee included specific targets to increase the proportion of female and ethnic minority colleagues within our senior management (defined as our Executive Committee and their direct reports (excluding Personal Assistants)). These targets were not met, with the proportion of females at the end of 2022 being 36% compared with a target of 38% and the proportion of ethnic minority individuals being 4% compared with a target of 5%, as the Company progresses toward its long-term target of 40% female by the end of 2025 and 5% ethnic minority representation in senior roles by the end of 2023, as published in the Company's Inclusion and Diversity Action Plan. Further details on scorecard targets and achievements can be found within the Executive Directors' personal objectives on page 97.

To support efforts on driving an inclusive and unified culture, the Committee also set a colleague engagement target of 7.4 (generated by an anonymous, weekly all-employee survey), representing a 6% increase on the starting position of 7.0. At the end of 2022, the score had improved to 7.4 in line with the target.

For 2022 we have reported a median gender pay gap of 31% and a median bonus gap of 44%. Whilst our pay gaps have reduced since Gender Pay Gap Reporting was introduced five years ago, we still have further to go in this area.

An inclusive culture and diverse workforce continues to be a key priority for the Company. Further details regarding our gender pay gap figures, our diverse representation targets and progress against our wider inclusion and diversity action plan can be found on pages 30 of the Responsible Business Report.

Key areas of Committee focus

Workforce engagement
Paul Matthews and Tazim Essani, Independent Non-executive Directors of Quilter and members of the Committee, are responsible for workforce engagement under the Corporate Governance Code. During 2022 they attended the Employee Forum and gained valuable insights on employee views, including the impact for colleagues of the rising cost of living, the appointment of Quilter's new Chief Executive Officer, and organisational culture. Further insights on their work is set out in the Governance in action report on pages 62 to 63.

Considerations for the year ahead
The economic outlook remains uncertain and we expect the challenging market conditions for wealth managers experienced in 2022 to persist in 2023. We have a clear long-term plan to transform the business and the Committee is focused on ensuring that the execution of that plan for the benefit of all stakeholders is appropriately reflected in the incentive arrangements and outcomes for the Executive Directors over the coming period.

The Committee has decided that instead of setting the Executive Directors' profit target by reference to IFRS profit before tax (excluding amortisation, policyholder tax adjustments and other one-off items), the Committee will set the profit target by reference to Adjusted Profit from the 2023 financial year onwards but will retain – and disclose full details in the relevant year's Remuneration Report regarding the application of – an override to adjust the Adjusted Profit outcome if any below-the-line costs for Adjusted Profit purposes exceed the Board-approved business plan or include any exceptional items that the Committee concludes should be reflected in remuneration outcomes to reinforce the continued alignment of Executive Director and shareholder interests.

The previous IFRS profit definition has been in place since the Company listed in 2018, at which point it was delivering the Platform Transformation Programme and reshaping the perimeter of the business, with material restructuring costs as a result, so was seen by the Committee as a way of reinforcing alignment with the interests of shareholders. Those programmes are now complete and the Committee, noting that the definition of IFRS profit for STI purposes is not a metric reported for any other aspect of business performance and is not commonly used in the market, has decided that it is now appropriate to adopt Adjusted Profit for STI purposes, which, in contrast, is a widely followed metric by market participants. Aligning profit for STI purposes to Adjusted Profit will support the Policy principles of Clarity, Simplicity and Predictability for all stakeholders. It will also align the profit basis used in both the Company's short and long-term incentive plans.

The targets for the 2023 LTI award are set out on page 101 and the targets for the 2023 STI award will be disclosed retrospectively in the 2023 Directors' Remuneration Report in line with normal practice, given commercial sensitivity.

The Committee will also continue to monitor market practice and regulatory developments.

The Committee considered the overall remuneration arrangements for the Executive Directors for 2023 in accordance with the Policy. Key points are as follows:
- the Committee approved a 5% increase to the Chief Financial Officer's base salary, which was in line with the average increase of the wider workforce, and will be implemented at the 1 April 2023 salary review date. This was the first increase awarded to the Chief Financial Officer since appointment in 2019;
- there will be no increase to the Chief Executive Officer's base salary at the 1 April 2023 review date; and
- there will be no increase in fee for the Board Chair and there are currently no planned fee increases for Non-executive Directors for 2023. As part of the change of Board Chair during 2022, the Committee approved a revised Board Chair Fee of £350k, a 7% reduction on the prior incumbent.

Directors' Remuneration Policy (summary)

The Policy is summarised below. The full details of the Policy are on pages 119 to 131 of the 2021 Annual Report and Accounts, which can be found in the investor relations section of the Quilter website. The Policy was approved by shareholders at the 2022 AGM and it is intended that the Policy will apply for three years from that date.

The Committee continues to assess the Policy against the principles of clarity, simplicity, risk management, predictability, proportionality and alignment to culture, as set out in the Corporate Governance Code 2018.

The key drivers of our Remuneration Policy:

Alignment to culture	• to align the interests of the Executive Directors, senior executives and employees with the long-term interests of shareholders and strategic objectives of the Company; • to incorporate incentives that are aligned with and support the Group's business strategy, align executives to the creation of long-term shareholder value, and promote the long-term sustainable success of the Company for the benefit of all stakeholders, within a framework that is sufficiently flexible to adapt as our strategy evolves; • to reinforce a strong performance culture, across a wide range of individual performance measures, including behaviours, risk management, customer outcomes and the development of the Company's culture in line with its values over the short and long term; • to ensure that remuneration practices are consistent with and encourage the principles of gender neutrality, equality, inclusion and diversity; and • to align management and shareholder interests through building material share ownership over time.
Clarity	• to clearly communicate our Remuneration Policy and reward outcomes to all stakeholders.
Simplicity	• to ensure that our Remuneration Policy is transparent and easily understood; and • to operate simple and clear remuneration structures across the Company.
Risk	• to provide a balanced package between fixed and variable pay, and long and short-term elements, to align with the Company's strategic goals and time horizons whilst encouraging prudent risk management; and • to ensure reward processes are compliant with applicable regulations, legislation and market practice, and are operated within the bounds of the Board's risk appetite.
Predictability	• to set robust and stretching performance targets which reward exceptional performance; and • to set remuneration within the limits established under the Remuneration Policy.
Proportionality	• to attract, retain and motivate the Executive Directors and senior employees by providing total reward opportunities which, subject to individual and Group performance, are competitive within our defined markets both in terms of quantum and structure for the responsibilities of the role; and • to consider wider employee pay when determining that of our Executive Directors.

How we create value for our stakeholders

Our strategic priorities	Grow with our clients and advisers	Enhance efficiency	Embed digital	Be the responsible wealth manager
How we align our incentive schemes				
Short-term incentive	Net flows as a % of opening AuMA Customer outcomes	Adjusted profit	Part of personal element of the scorecard, informed by relevant KPIs	Diverse representation Colleague engagement
Long-term incentive	EPS growth Relative TSR	Operating margin EPS growth Relative TSR	Operating margin	Responsible investing Carbon intensity of own operations

Remuneration Policy for Executive Directors

The tables on the following pages summarise the key components of Executive Director remuneration arrangements, which form part of the Policy.

Elements		Purpose and link to strategy	Operation	Maximum opportunity
Fixed elements of pay	Base Salary	Attract and retain talent with the calibre, personal skills and attributes to develop, lead and deliver the Group's strategy.	Base salaries are normally paid in equal monthly instalments during the year and reviewed annually with increases usually effective 1 April. In reviewing base salaries the Committee takes into account a number of factors, and considers the direct and indirect impacts of any base salary increases on total remuneration. Individual and Company performance will be taken into account in determining any salary increases.	There are no prescribed maximum salary levels, but any salary increases will normally be in line with percentage increases across the wider employee population.
	Benefits	To aid retention and attract the best talent for the business, whilst ensuring the total package is competitive in the market.	To provide Executive Directors with a market competitive level of benefits. Benefits currently provided to Executive Directors are in line with other Quilter employees and include private medical insurance, life assurance and income protection. Executive Directors are eligible to participate in the UK all-employee share plans on the same terms as other employees, including the Company's Share Incentive Plan and Sharesave Plan. Any reasonable business-related expenses (including tax thereon if determined to be a taxable benefit) can be reimbursed.	In line with other employees, there is no maximum monetary level for benefits as this is dependent on the individual's circumstances, market practice and the cost to the Company.
	Pension	To provide a market-competitive contribution that helps to attract and retain the best talent for the business.	Executive Directors are eligible to receive employer contributions to the Company's pension plan (which is a defined contribution plan) or a cash allowance in lieu of pension benefits, or a combination. Contributions and/or a cash alternative are paid monthly.	This is currently 10% of base salary.
Short-term incentive		To align remuneration with performance against financial and non-financial business plan targets and personal goals, within the Group's risk appetite and taking into consideration the Company's culture and values, on an annual basis.	Performance targets and weightings are normally reviewed and set annually by the Committee taking into account business plans and the Company's risk appetite. Pay-out levels are determined by the Committee following the year end, based on performance against objectives. Performance is usually measured based on a mix of financial, non-financial, strategic and personal targets. The splits between the performance measures and relative weighting of the targets are reviewed by the Committee at the start of each year and set out in the Annual Report on Remuneration. STI pay-out for threshold performance is set at 25% of maximum, on-target performance is set at 50% of maximum and maximum is set at 100%. At least 50% of any STI awarded to an Executive Director is normally deferred in the form of conditional awards under the Share Reward Plan, which vests annually in equal annual instalments over a three-year period subject to the rules of the Share Reward Plan. Malus and clawback provisions apply to both cash and deferred portions of the STI awards as described in further detail in 'Risk adjustments, malus and clawback' on page 126 of the 2021 Annual Report and Accounts.	The maximum STI opportunity is 200% of base salary.

Elements	Purpose and link to strategy	Operation	Maximum opportunity
Long-term incentive	To incentivise and reward Executive Directors for achieving superior long-term business performance that creates shareholder value and maximises sustainable shareholder returns.	LTI awards are made under the Quilter plc Performance Share Plan ("PSP"). Awards are normally granted annually as nil cost options, which are subject to performance conditions. Awards normally vest after three years, subject to the achievement of performance conditions and continued employment. Performance is measured based on a mix of financial and non-financial targets. The splits between the performance measures and relative weighting of the targets are reviewed by the Committee at the start of each performance period and set out in the Annual Report on Remuneration. The metrics and weighting are subject to periodic review and may be amended for future plan cycles. For each performance metric, a threshold and stretch level of performance is set. At threshold, 25% of maximum of the relevant element vests rising on a straight-line basis to 100% for attainment of levels of performance between threshold and maximum targets. LTI awards are subject to malus and clawback provisions as described in further detail in 'Risk adjustments, malus and clawback' on page 126 of the 2021 Annual Report and Accounts.	An award over Company shares with a face value of 200% of base salary at the date of grant.
Shareholding requirement	To align Executive Directors' interests with those of shareholders.	The Group operates a mandatory shareholding policy under which Executive Directors are required to build up and maintain a shareholding in the Company with a value at least equal to 300% of base salary. Executive Directors are expected to meet the requirement within five years of the Company's Listing date or, for newly-appointed Executive Directors, within five years of appointment if later. At least 50% of any shares vesting under Quilter's share plans (on a net-of-tax basis) are expected to be retained until the shareholding requirements are met. Vested and unvested (net of tax) awards under the Share Reward Plan are included in the calculation of a Director's shareholding for this purpose. Vested awards no longer subject to performance conditions (net of tax) under the PSP are also included. Executive Directors are normally required to hold shares for at least two years following cessation of their appointment at the lower of the minimum shareholding requirement of 300% of base salary or the value of shares held at the point of departure (if the Executive Director is still in the five-year accumulation period).	n/a

There are no changes to the composition of the STI scorecard in terms of metrics and weightings. However, the basis of the STI profit metric will change from IFRS profit before tax (excluding amortisation, policyholder tax adjustments and other one-off items) to Adjusted Profit from 2023 onwards. There are no other changes proposed to the application of any of the above elements of remuneration in 2023.

Termination of office policy

If the employment of an Executive Director is terminated, any compensation payable will be determined by reference to the terms of the service agreement in force at the time. As variable pay awards are not contractual, treatment of these awards is determined by the relevant plan rules. Bad leavers are not entitled to any payment. The Committee may structure any compensation payments beyond the contractual notice provisions in the contract in such a way as it deems appropriate as set out in the table below and taking into account the best interests of the Company.

Policy element	Details
Notice Normally six months' notice.	• In certain cases, Executive Directors will not be required to work their notice period and may be put on garden leave or granted pay in lieu of all or part of their notice period ("PILON"). PILON may be paid monthly or in a lump sum depending on circumstances. • Holiday does not accrue when PILON is paid. During a period of garden leave, holiday that has accrued is deemed to have been taken during the garden leave. • Executive Directors will be subject to annual re-election at the AGM.
Treatment of annual incentive awards Annual incentive awards will be made to good leavers (see below) based on an overall assessment of corporate and personal performance and (normally) pro-rated for the period worked in the performance year of termination.	• Delivered in line with normal Policy and timeline, including the application of deferral into shares.
Treatment of unvested legacy LTI and deferred annual incentive share awards All awards lapse except for good leavers.	• LTI awards continue to the normal vesting date for good leavers[1] unless (exceptionally) the Committee applies discretion to accelerate the vesting to the termination date. In each case, the number of shares released shall be based on the achievement of performance conditions over the performance period (or curtailed performance period, if applicable). The number of shares that vest would typically be calculated on a pro rata basis, based on time served during the vesting period. • Deferred annual incentive share awards for good leavers1 continue to the normal vesting date unless the Committee applies discretion to accelerate the vesting to the termination date. • Any post-vesting retention periods on share awards for good leavers continue to apply as normal.
Compensation for loss of office Settlement agreements may provide for, as appropriate: • Incidental costs related to the termination, such as legal fees for advice on the settlement agreement. • Provision of outplacement services. • Payment in lieu of accrued, but untaken, holiday entitlements. • Exit payments in relation to any legal obligation or damages arising from such obligation. • Settlement of any claim arising from the termination. • Continuation or payment in lieu of other incidental benefits. • In the case of redundancy, in line with the Company operated enhanced redundancy policy.	• Terms are subject to the signing of a settlement agreement.

[1]Subject to further adjustments which may be applied to discretionary good leavers. An executive will be treated as a good leaver under certain circumstances such as death, illness, injury, disability, redundancy, retirement, their employing company ceasing to be a Group Company or any other circumstances at the discretion of the Committee.

Illustration of the application of the Policy

Our aim is to ensure that superior rewards are only paid for exceptional performance, with a substantial proportion of Executive Directors' remuneration payable in the form of variable, performance-related pay. The graphics below illustrate the Executive Directors' fixed remuneration and how much they could earn for target and maximum performance for 2023.

In developing the scenarios, the following assumptions have been made:

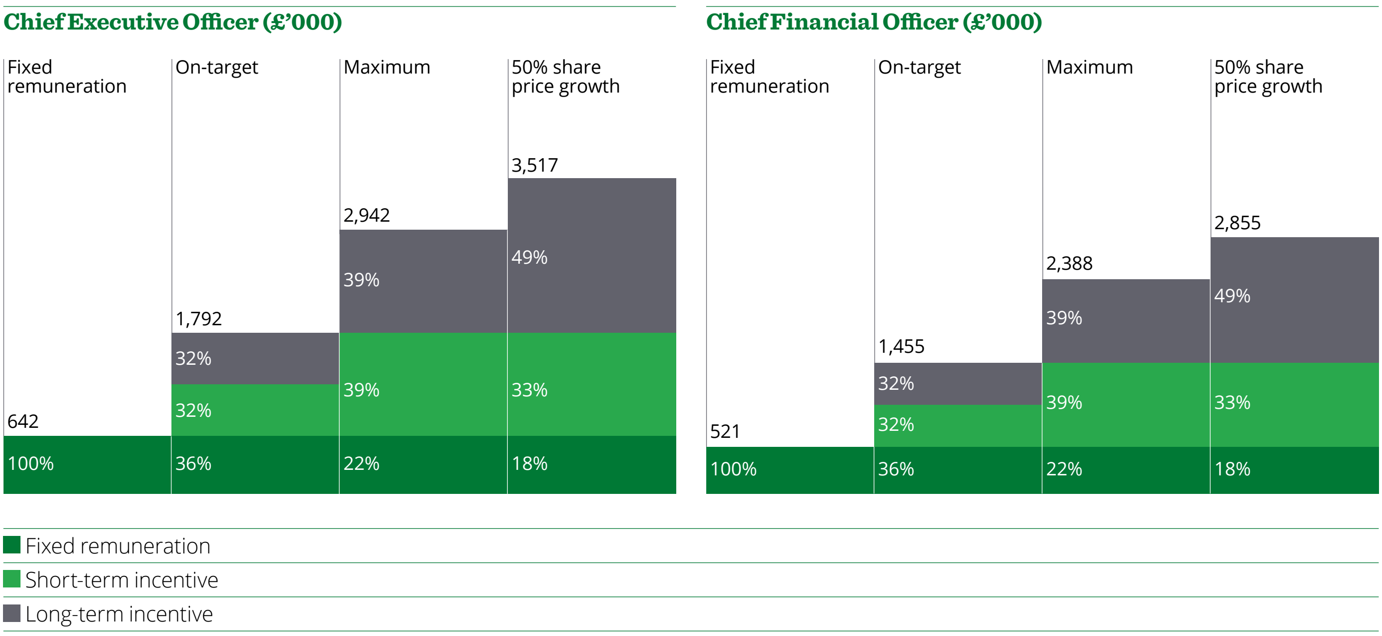
Fixed remuneration
Consists of expected 2023 base salary, which will include the 5% uplift for the Chief Financial Officer from 1 April 2023, plus the value of benefits in 2022 on a full-year basis (incorporating any pro-rated base salary uplift impacts) and a 10% pension contribution or allowance.

On-target
Based on the value of fixed remuneration plus the potential value that the Executive Director could earn for on-target performance:
- a short-term incentive element paying out at 50% of maximum; and
- long-term incentive element paying out at 50% of maximum.

The assumptions noted for 'on-target' performance are provided for illustration purposes only.

Maximum
In addition to fixed remuneration, includes the potential value under the STI and LTI plans that the Executive Directors could earn for maximum performance.

Share price growth
Assuming share price growth of 50% to the maximum long-term incentive outcome, total remuneration would be £3,516,500 for the Chief Executive Officer.



Annual Report on Remuneration

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

Application of the Policy in 2023
Content within a shaded box reflects the implementation approach for 2023.

The Report sets out how the Policy of the Company has been applied in 2022 and how the Committee intends to apply the Policy going forward. An advisory shareholder resolution to approve this Report will be proposed at the AGM.

The table below sets out the single figure of remuneration for the full financial year 2022 together with 2021 comparator figures.

Audited

Executive Director	Base salary £'000	Benefits £'000	Pension[1] £'000	STI £'000	LTI[2] £'000	Total £'000	Total Fixed £'000	Total Variable £'000
2022								
Steven Levin (appointed 1 November 2022)	95.8	1.5	9.6	89.0	5.5	201.4	106.9	94.5
Mark Satchel	450.0	7.1	45.0	417.5	254.8	1,174.4	502.1	672.3
Paul Feeney (stood down 31 October 2022)[3]	562.5	8.1	56.3	466.0	382.2	1,475.1	626.9	848.2
2021								
Paul Feeney	675.0	10.2	67.5	886.0	754.4	2,393.1	752.7	1,640.4
Mark Satchel	450.0	7.1	45.0	618.0	502.9	1,623.0	502.1	1,120.9

[1]Pension includes contributions made under the Group defined contribution pension scheme plus, where applicable, amounts received as a pension allowance.
[2]LTI is a vesting value determined as a result of the achievement of performance measures or targets relating to the performance period ending on 31 December of the relevant financial years. These relate to the PSP (see pages 99 to 101). The value of the 2020 LTI is calculated using the average share price over the final three-month period of the year ending 31 December 2022, which was £0.9625. The actual vesting date is 27 March 2023 and the actual value will be reflected in next year's Report. The amount of this figure, which includes share dividend equivalents, attributable to share price depreciation is valued at £1,591 for Steven Levin, £73,638 for Mark Satchel and £110,457 for Paul Feeney as at 31 December 2022. The 2021 LTI value has been updated to reflect the share price on the actual vesting date, 12 May 2022, which was £1.2291, and the dividend equivalents issued before vesting of 15,863 additional shares for Paul Feeney and 10,574 additional shares for Mark Satchel.
[3]Base salary, benefits, pension and STI amounts in the above table are for qualifying services during the year up until 31 October 2022 only. For the period between 1 November 2022 and 31 December 2022, Paul Feeney continued to support the Company through a period of handover and transition and, in line with the Policy, for this period he received fixed compensation of £125,357 as part of his contractual notice period, as well as an STI of £93,000 calculated in line with the 2022 bonus scorecard in operation for Executive Directors.

Components of the single figure

There were no increases to Executive Director base salaries at the 1 April 2022 review date. The Committee agreed for Mark Satchel to receive a 5% base salary increase, which is in line with the average increase for the wider workforce, at the 1 April 2023 review date.

Audited

Executive Director	Annual base salary as at 1 April 2022 £'000	Total base salary paid in 2022 for qualifying services £'000	Total base salary effective 1 April 2023 £'000
Steven Levin (appointed 1 November 2022)	–	95.8	575.0
Mark Satchel	450.0	450.0	472.5
Paul Feeney (stood down 31 October 2022)	675.0	562.5	–

Benefits

Benefits include life assurance, private medical cover and income protection.

Audited

Name	Life assurance £'000	Medical £'000	Income protection £'000
2022			
Steven Levin (appointed 1 November 2022)	0.5	0.2	0.8
Mark Satchel	2.2	1.3	3.6
Paul Feeney (stood down 31 October 2022)	2.8	0.8	4.5
2021			
Paul Feeney	3.5	1.1	5.6
Mark Satchel	2.3	1.1	3.7

Benefits for 2023
No changes to the approach.

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Pension

Pension includes contributions made under the Group defined contribution pension scheme and/or amounts received as cash in lieu of pension contributions due to the impact of HMRC limits, for qualifying services only. The pension provisions of Executive Director appointments are aligned to the pension arrangements of the wider workforce, which is currently set at 10% of base salary.

Audited

Name	Cash in lieu of pension contribution £'000	Contribution to pension scheme £'000	Total contribution £'000
2022			
Steven Levin (appointed 1 November 2022)	8.9	0.7	9.6
Mark Satchel	41.0	4.0	45.0
Paul Feeney (stood down 31 October 2022)	56.3	–	56.3
2021			
Paul Feeney	67.5	–	67.5
Mark Satchel	41.3	3.7	45.0

Pension for 2023

No changes to the approach.

2022 STI awards

For the purpose of determining the 2022 STI outcome, the Committee assessed the performance of the business and the individuals by reference to a balanced scorecard of IFRS Profit (35%), net flows as a percentage of opening AuMA (25%), Customer/Risk (20%) and Strategic Personal performance objectives (20%) in line with the Policy.

The summary below reflects the Committee's assessment of performance for the year ended 31 December 2022.

Group financial achievement

Audited

Group financial performance measures	Weighting as % of total STI opportunity	Threshold (25% of max)	Target (50% of max)	Maximum (100%)	Outcome	Outcome as % of max
IFRS profit before tax attributable to equity holders (excluding amortisation, policyholder tax adjustments and other one-off items)	35%	£61m	£76m	£91m	£76m	50%

IFRS profit reconciliation

In determining the outcome of the profit metric shown above, the Committee considered the impact of key business transformation costs on IFRS profit and approved a discretionary downward adjustment to the STI outcome profit, relative to the reported IFRS profit, to ensure it reflected a fair and reasonable outcome for the overall performance achieved. The adjustments are detailed in the schedule below, which provides a reconciliation between reported profit, the STI target and STI outcome.

Audited

2022 profit reconciliation	Reported profit	STI target	STI outcome
Adjusted profit before tax (before financing costs)	**£134m**	**£146m**	**£134m**
Debt financing costs	(£10m)	(£10m)	(£10m)
Adjusted profit before tax (after financing costs)	**£124m**	**£136m**	**£124m**
Business Transformation[1]	(£23m)	(£31m)	(£27m)
Contingency for further revenue and cost benefits[2]	(£5m)	(£24m)	(£24m)
Platform Transformation Programme costs ("PTP")	–	(£1m)	–
Quilter Life Assurance & Quilter International restructuring costs[3]	(£3m)	(£4m)	(£4m)
Customer remediation[4]	£6m	–	£6m
Foreign exchange movements[5]	£4m	–	–
IFRS profit before tax attributable to equity holders (excluding amortisation, policyholder tax adjustments and other one-off items)	**£103m**	**£76m**	**£76m**

[1]Final Optimisation costs were £4 million lower than plan. Business Simplification costs were lower than the plan expectation for the year due to the timing of delivery and costs are still expected to be incurred at a later date. As such, the Committee approved an adjustment to remove the benefit of below-target spend on Business Simplification.
[2]As actual spend was lower than the original contingency budget, the Committee approved an adjustment to true-up the STI outcome to the target level and remove the benefit of lower actual costs.
[3]The difference between actual and target spend is due to the timing of building exit costs; the Committee approved an adjustment to remove the benefit of lower actual spend during the period.
[4]The customer remediation net benefit arises from £12 million of insurance recoveries on past redress costs related to historic pre-acquisition DB to DC pension transfer advice, offset by costs of £6 million related to voluntary customer remediation payments arising from the Quilter Investment Platform Final Plan Closure matter.
[5]Relating to the South African Rand transactions to complete the B Share Scheme, with no benefit attributed to the performance scheme.

Net flows as a percentage of opening AuMA

Net flows as a percentage of opening AuMA represented an increased maximum of 25% of the total STI opportunity, up from 20% in 2021. This is aligned to the Group's KPIs and is calculated by assessing the full year's net flows, which is made up of gross inflows less gross outflows, divided by the opening AuMA as at 1 January 2022. The below table details the performance and outcome:

Audited

Performance condition	Weighting as % of total STI opportunity	Threshold (25% of max)	Target (50% of max)	Maximum (100% of max)	Outcome	Outcome as % of max
Net flows		£4.4bn	£6.2bn	£8.9bn	£1.8bn	
Opening AuMA		£111.8bn	£111.8bn	£111.8bn	£111.8bn	
Net flows as a percentage of opening AuMA	**25%**	**4%**	**6%**	**8%**	**2%**	**0%**

Group risk and customer performance achievement

Key Group non-financial objectives represented a maximum of 20% of the total STI opportunity. The risk measure assesses the effectiveness of risk management at an overall corporate level for each of the Executive Directors by considering quantitative and qualitative indicators of tone at the top and risk culture, management of risk profile with framework tools, management against risk appetite, the understanding of risk in strategic and tactical decision making and regulatory relationships. For the Customer element of the scorecard, performance was assessed against key risk and performance indicators covering governance, customer contact, complaints, satisfaction, service, advice suitability and oversight and an assessment of value, as measured by the Company's Customer Strategic Risk Appetite Principles ("SRAP"), as well as customer outcome and satisfaction indicators including net promoter and Trust Pilot scores, investment performance data and a qualitative assessment of evidence of broader customer focus.

Audited

Customer and Risk Performance measures	Executive Director	Weighting as % of total STI opportunity	Key achievements in the year	Outcome as % of max
Risk Management Framework Effectiveness	Steven Levin (appointed 1 November 2022)	10%	• Strong support of a risk aware culture, promoting speaking up and constructive engagement with second line. • Sound understanding of risk profile and top risks across the business clearly reflected in governance forum discussions, with constructive engagement and challenge.	60%
Risk Management Framework Effectiveness	Mark Satchel	10%	• Strong risk focus, including through Capital Management Forum and constructive engagement with second line. • Balanced focus on cost control with managing risks, ensuring risks fully identified and mitigating actions in place. • Capital and liquidity management strong and effective, ensuring Quilter's financial position remains resilient and within risk appetite. • Consideration of risk factors embedded in business planning process and provided clear view of risks associated with plan. • Proactive and open engagement with regulators, particularly in relation to the Tier 2 debt refinancing.	60%
Risk Management Framework Effectiveness	Paul Feeney (stood down 31 October 2022)	10%	• Strong tone at the top, ensured effective discussions and considerations on key risk issues. • Clear understanding of risk profile and challenged management team to ensure effectiveness of mitigating actions. • Balance between commercial drivers and broader associated risks could be strengthened in some decision making.	50%
Customer Outcomes	Steven Levin, Mark Satchel and Paul Feeney	10%	• The Committee considered performance against a 50:50 balance of customer SRAP measures and customer satisfaction and delight measures. • Quilter's Trustpilot score remained steady over 2022, ending the year at 4.2 with 78% of reviews being 4/5 stars and Quilter's overall satisfaction score was at 82%. This performance compared favourably to peers. • Strong investment performance across our WealthSelect MPS range (8 portfolios 1st or 2nd quartile over 1 and 3 years), though the Cirilium Active range lagged industry benchmarks (5 portfolios 3rd or 4th quartile over 1 and 3 years). • Key propositional launches including WealthSelect Plus and the Climate Assets Growth fund. • Launch of the Quilter Family Office campaign. • Launch of the Quilter Customer App for the Quilter Investment Platform. • Further ESG integration into the advice process to support customer preferences on responsible investing.	79%

Strategic personal performance – achievement

Personal objectives represented a maximum of 20% of total STI opportunity. A performance commentary is given in the table below.

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Executive Director	Weighting as % of total STI opportunity	Overview	Key achievements in the year	Outcome as % of max
Steven Levin (appointed 1 November 2022)	20%	Priorities following appointment were to become quickly established in the Group CEO role, build the right leadership capability at the executive table and start to drive forward the key strategic priorities facing the business.	• Timely reorganisation of the Quilter Executive Committee to provide strong leadership and delivery against the Company's strategic priorities and transformation plans. • Strong start to the Group Chief Executive Officer role, with early identification and grasp of pressing business issues, focused on execution. • Effective early engagement with key stakeholders as Group Chief Executive Officer, including customers, shareholders, employees and regulators to ensure the Company is focused on delivery for the benefit of all. • Diverse representation targets for females and ethnic minorities in senior leadership roles were underachieved, with 36% female representation against a target of 38% and 4% ethnic minority representation against a target of 5% at the end of 2022.	75%
Mark Satchel	20%	Objectives focused on delivery of financial KPIs with a particular focus on expenses, conclusion of the general ledger rationalisation programme, completion of return of capital and share buyback programmes, resolution of the Group Capital regime and preparation of a new or rolling bond instrument ahead of the first call redemption on the Company's existing Tier 2 bond in Q1 2023.	• In conjunction with the Chief Executive Officer, responded decisively to the rapidly changing macro-environment following Russia's invasion of Ukraine by implementing strong cost discipline for 2022, accelerating the delivery of planned cost reductions and delivering costs well below plan. • Business Simplification initiatives generated annual run-rate savings of £23 million, more than double the original target and ahead of plan. • Led successful execution of the capital return of £328 million in surplus proceeds from the sale of Quilter International to shareholders by way of a B Share Scheme followed by a Share Consolidation. • Led preparatory work for a new Tier 2 bond issue as part of the Company's debt refinancing plans. • Provided strong and stable leadership during a period of exceptional market conditions and played an integral role in supporting the transition of Group CEO and Group Chair. • Diverse representation targets for females and ethnic minorities in senior leadership roles were underachieved, with 36% female representation against a target of 38% and 4% ethnic minority representation against a target of 5% at the end of 2022.	75%
Paul Feeney (stood down 31 October 2022)	20%	Objectives focused on overall delivery of the Company's business and operating plans, strategic propositional developments, continuing to improve the control environment and developing the responsible wealth manager strategy, whilst achieving strong core business performance and creating value for shareholders.	• Overall business performance was solid in difficult market conditions and good progress was made against strategic priorities. • Important uplift to our investment proposition with the launch of Wealth Select Plus, including a full suite of responsible and sustainable portfolios, as well as an improved digital proposition with the launch of a Customer App for the Platform. • RFP numbers fell short of business plan targets, reflecting a difficult environment for adviser recruitment and retention amid consolidation in the industry, whilst Investment Manager numbers were in line with target. • Demonstrated visible and responsible leadership against a difficult backdrop in 2022, with particular focus on the wider workforce including a one-off cost-of-living payment and improving the Company's culture score to 7.4 out of 10 in line with the target set at the start of the year. • Diverse representation targets for females and ethnic minorities in senior leadership roles were underachieved, with 36% female representation against a target of 38% and 4% ethnic minority representation against a target of 5% at the end of 2022.	55%

As part of its performance assessment, the Committee considered whether the overall STI outcomes were appropriate in the context of overall business performance and individual strategic/personal objectives, and whether any exceptional risk events occurred which, in the Committee's opinion, may have materially affected the STI outcome. The Committee, jointly with the Board Risk Committee, also considered an annual risk report and the recommendations of the Chief Risk Officer in respect of the incidence and materiality of any risk issues arising during the year and an overall assessment of risk management relative to the Board's risk appetite and risk culture across the business.

Following the identification of an unintended consequence relating to the application of a particular contractual term following account closure within the pension and bond products on the UK Platform, the Company decided to make voluntary remediation payments to customers impacted over the last 10 years. This resulted in total costs of £6 million for the remediation payments, which had the effect of reducing the Chief Executive's STI outcome by £14k (a reduction of 14% of the outcome) and the Chief Financial Officer's STI outcome by £63k (a reduction of 13% of the outcome). The Committee concluded that the 2022 financial impact of the additional costs was already appropriately reflected in the 2022 STI outcomes and a further explicit risk adjustment was not required.

Deferral policy

In line with our Policy, 50% of the Executive Directors' 2022 STI awards will be deferred into a conditional award of ordinary shares under the Share Reward Plan and will vest in equal annual instalments over a three-year period, subject to continued employment and malus and clawback provisions in accordance with the rules of the Share Reward Plan.

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	Total		Deferred bonus		To be paid in cash	
Executive Director	**£'000**	**% of salary**	**£'000**	**% of salary**	**£'000**	**% of salary**
Steven Levin (appointed 1 November 2022)	89.0	93%	44.5	46%	44.5	46%
Mark Satchel	417.5	93%	208.8	46%	208.8	46%
Paul Feeney (stood down 31 October 2022)	466.0	83%	233.0	41%	233.0	41%

STI for 2023

In line with our Policy, both Executive Directors are eligible to receive STI awards up to 200% of base salary. Performance will be based on a combination of Group financial targets as well as customer, risk, strategic and personal measures (including inclusion and diversity measures). From 2023, the profit component of the STI scorecard will be based on Adjusted Profit instead of IFRS profit (excluding amortisation, policyholder tax adjustments and other one-off items).

Actual targets for 2023 have not been disclosed due to commercial sensitivity. These targets will be disclosed in the 2023 Report.

No other changes to the scorecard metrics or weightings are proposed.

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Vesting of 2020 LTI awards

On 31 December 2022, the 2020 LTI awards granted under the PSP reached the end of their performance period. These awards will vest on 27 March 2023, with the vested shares subject to a further two-year post-vesting holding period. The performance conditions which applied to the 2020 LTI award and the performance achieved are set out below.

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Performance condition	Weighting	Threshold[1] (25% vesting)	Maximum[1] (100% vesting)	Performance Achieved[2]	Weighted Percentage of Award Vesting
EPS CAGR (2019-22)[3]	70%	6%[4]	17%[4]	9.1%	46.2%
Relative TSR[5]	30%	Median	Upper quartile	102 out of 157 companies[6]	0.0%
			Award Outcome		**32.4%**

[1]Straight-line interpolation between points.
[2]The Committee adjusted the EPS CAGR performance condition to reflect the sales of Quilter Life Assurance and Quilter International.
[3]Adjusted EPS, pre-dividend excluding amortisation and goodwill.
[4]The Committee adjusted the EPS CAGR threshold and maximum targets from 5-15% to 6-17% to reflect an expectation of higher growth excluding discontinued operations. This had the effect of increasing the level of challenge in the targets, and reducing the outcome for the EPS metric for 2019-22 from 56% to 46%.
[5]Ranking relative to the constituents of the FTSE 250 excluding Investment Trusts.
[6]Quilter achieved TSR of -27% over the period compared to median TSR for the comparator group of -9% and upper quartile of 21%.

To ensure that earnings growth could be fairly and consistently assessed and the outcome appropriately reflective of the underlying performance achieved, the Committee, supported by independent expert advice, considered the impact of the sale of Quilter Life Assurance, which completed on 31 December 2019, and the sale of Quilter International, which completed on 30 November 2021. The Committee decided to exclude Quilter Life Assurance and Quilter International profits, adjusted for stranded costs, from the base year of the Adjusted EPS CAGR calculation to ensure the earnings growth was measured on a like-for-like basis between the end year and the base year, which was consistent with the treatment applied to the 2018 and 2019 LTI awards at vesting. The Committee also fixed the share count in both years to neutralise the benefit of a reduction in share count over the period resulting from the share buyback programme funded by the proceeds from the sale of Quilter Life Assurance and the Share Consolidation following the capital return of surplus proceeds from the sale of Quilter International. Finally, the Committee reassessed the target CAGR range to reflect an expectation of higher growth excluding discontinued operations and concluded on increasing the EPS CAGR threshold and maximum targets from 5-15% to 6-17%. This had the effect of increasing the level of challenge in the targets and reducing the outcome for the EPS metric for 2019-22 from 56% to 46% of maximum.

Audited

Performance condition	2019 £m	2022 £m	Outcome
Adjusted Profit (before tax)[1]	**235**	**134**	
less Quilter Life Assurance profit	(53)	–	
plus Quilter Life Assurance stranded costs	(12)	–	
less Quilter International profit	(55)	–	
plus Quilter International stranded costs	(10)	–	
Revised Adjusted Profit (before tax)	**105**	**134**	
Revised Adjusted Profit (after tax)	**89**	**115**	
Weighted average number of shares (million)[2]	1,835	1,835	
Adjusted EPS (pence)	4.8	6.3	
Adjusted EPS CAGR (2019-22)			**9.1%**

[1]Pre-dividend excluding amortisation and goodwill.
[2]Share count in the measurement year has been adjusted to match the share count in the base year (1,835 million) to neutralise any benefit arising from a reduction in share count on the basis that the earnings of Quilter Life Assurance (the proceeds of which funded the share buyback programme) and the earnings of Quilter International (following which a Share Consolidation took place) have been excluded from the calculation.

The Committee considered whether the performance had been achieved within the Company's agreed risk appetite and the impact of any risk events during the performance period and concluded that no further discretionary adjustment to the outcome was required. The Committee also considered whether the vesting of awards may give rise to any windfall gains for the Executive Directors and noted that the awards were granted at a share price of 123p, considerably higher than the likely vesting price, with the three-month average share price for the period to the end of 2022 being 96p.

As a result of the 2020 LTI awards vesting at 32.4%, the Executive Director outcomes are as follows:

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Executive Director	Number of shares granted	Share-settled dividend equivalents	% of Awards vesting	Number of shares vesting	Value of shares vesting (£000)[1]
Steven Levin (appointed 1 November 2022)[2]	15,776	1,877	32.4%	5,720	5.5
Mark Satchel	730,223	86,870	32.4%	264,738	254.8
Paul Feeney (stood down 31 October 2022)	1,095,335	130,306	32.4%	397,108	382.2

[1]Deemed value based on the average share price of the final three-month period ended 31 December 2022 of £0.9625, the actual value will be based on the share price when the awards vest on 27 March 2023. The amount of this figure, which includes share dividend equivalents, attributable to share price depreciation is valued at £1,591 for Steven Levin, £73,638 for Mark Satchel and £110,457 for Paul Feeney as at 31 December 2022.
[2]Steven Levin's awards are pro-rated for his qualifying services only, which are two months of the thirty-six month performance period.

LTI awards granted in 2022

Executive Directors are eligible to participate in the PSP, which is an LTI plan. The awards granted in 2022 are subject to the following performance conditions:

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2022 LTIP Performance Metrics		Weighting %	Threshold[1] (25% vesting)	Maximum[1] (100% vesting)
Earnings per share	• Cumulative Adjusted EPS 2022-24 (pre-dividend excluding amortisation and goodwill)	40%	24.6p	37.0p
Operating margin	• 2024 pre-tax Adjusted Profit divided by total net fee revenue	25%	27.5%	32.5%
Total shareholder return	• Ranking relative to the constituents of the FTSE 250 excluding investment trusts	25%	Median of index	Upper quartile of index
ESG[2]	• Carbon intensity of Quilter's operations (tonnes of carbon dioxide (tCO_2e) per full-time employee/contractor)	2.5%	2,050	1,650
	• Responsible investing (Principles for Responsible Investment ("PRI") aggregate modules rating)[3]	7.5%	12 stars	20 stars

[1]Straight-line interpolation between threshold and maximum.
[2]Given ESG is an emerging area of focus for the Committee, we will keep the approach to measuring ESG progress under review and may make adjustments to the metrics or weightings for future awards.
[3]If the score for any module is less than 3 stars, it will not count towards the total.

At the end of the three-year performance period, the Committee will critically assess whether the formulaic vesting outcome produced by the criteria is justified. To do this, the Committee will look at several factors, including whether the result is reflective of underlying performance and has been achieved within the Company's agreed risk appetite. If such considerations mean that the formulaic outcome of the vesting schedule is not felt to be justified, then the Committee can exercise downward discretion.

The following LTI awards were granted in respect of the 2022 performance year:

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Executive Director	Form of award	Date of award	Basis of award (% of salary)	Share price at the date of grant	Nil cost options awarded	Face value of award[1]	% vesting at threshold	Performance period
Steven Levin[2]	Nil cost options	27 March 2022	200%	£1.3765	209,872	£288,889	25%	2022–2024
Mark Satchel	Nil cost options	27 March 2022	200%	£1.3765	653,832	£900,000	25%	2022–2024
Paul Feeney[3]	Nil cost options	27 March 2022	200%	£1.3765	980,748	£1,350,000	25%	2022–2024

[1]The face value of the award figure is calculated by multiplying the number of shares awarded by the closing share price on the working day before the award was granted, of £1.3765.
[2]Steven Levin's awards were granted prior to being appointed Chief Executive Officer, his awards are pro-rated for his qualifying services only, which are twenty-six months of the thirty-six month performance period.
[3]Upon vesting, Paul Feeney's award will be pro-rated for the proportion of the vesting period served.

LTI awards to be granted in 2023

The Committee intends to grant awards to the Executive Directors in March 2023 over nil cost options under the PSP with a face value at grant of 200% of base salary.

2022 LTIP Performance Metrics		Weighting %	Threshold[1] (25% vesting)	Maximum[1] (100% vesting)
Earnings per share	• Cumulative Adjusted EPS 2023-25 (pre-dividend excluding amortisation and goodwill)	40%	19p	28p
Operating margin	• 2025 pre-tax Adjusted Profit divided by total net fee revenue	25%	23%	27%
Total shareholder return	• Ranking relative to the constituents of the FTSE 250 excluding investment trusts	25%	Median of index	Upper quartile of index
ESG[2]	• Carbon intensity of Quilter's operations (tonnes of carbon dioxide (tCO2e) per full-time employee/contractor)	2.5%	1,800	1,450
	• Responsible investing (Principles for Responsible Investment ("PRI") aggregate modules rating)[3]	7.5%	12 stars	20 stars

[1]Straight-line interpolation between threshold and maximum.
[2]Given ESG is an emerging area of focus for the Committee, we will keep the approach to measuring ESG progress under review and may make adjustments to the metrics or weightings for future awards.
[3]If the score for any module is less than 3 stars, it will not count towards the total.

The Committee may apply discretion to adjust the formulaic outcome upon vesting based on a review of the extent to which windfall gain considerations apply.

No further changes are proposed for the approach.

All-employee share plans

In 2022, the Company invited all eligible UK employees, including Executive Directors, to enter the Save As You Earn ("SAYE") scheme. The scheme allows participants to save up to a maximum of £500 across all savings contracts on a monthly basis for either a three or five-year term. At the end of the savings period, participants have the option to purchase Company shares at a discounted option price, which was set at the beginning of the scheme. This year's scheme commenced on 1 July 2022 with an option price of 117 pence.

In 2022, Steven Levin entered into a three-year savings contract, providing an option at maturity over 15,384 Quilter shares and Mark Satchel entered into a five-year savings contract, providing an option at maturity over 25,641 shares.

Steven Levin and Mark Satchel also participated in the three-year 2019 SAYE scheme with an option price of 125 pence, which matured on 1 July 2022. The options under this scheme lapsed at the end of the six-month exercise period following maturity due to the prevailing share price being lower than the option price, and savings were returned to participants.

Non-executive Director total remuneration

The total remuneration for the services to Quilter Non-executive Directors is set out in the table below. Non-executive Directors are not entitled to any benefits, pension or pension equivalents, or awards under any of the equity plans. All Non-executive Directors have a service contract with a three-months' notice period and an initial three-year term from appointment, subject to annual re-election at the AGM, as detailed in the Policy. As at 31 December 2022, the regular Non-executive Director fees were paid at the following rate:

Annual fees (Quilter Board)	Fee as at 31 December 2022
Chair	£350,000
Basic annual fee	£65,000
Additional fees:	
Senior Independent Director	£20,000
Chairs of Board Audit, Board Risk, Board Remuneration and Board Technology and Operations Committee	£25,000
Members of the above Board Committees	£10,500
Members of the Board Corporate Governance and Nominations Committee	£5,500

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Non-executive Director	Fees for 2022 £'000	Taxable benefits[1] 2022 £'000	Fees for 2021 £'000	Taxable benefits[1] 2021 £'000
Ruth Markland	182.0	2.6	126.0	–
Neeta Atkar	41.2	0.3	–	–
Tim Breedon[2]	96.3	–	91.5	0.2
Tazim Essani	86.0	0.1	64.8	0.1
Moira Kilcoyne	100.5	20.7	100.5	–
Paul Matthews[3]	86.0	7.1	86.0	3.2
George Reid[4]	119.4	29.6	111.0	12.5
Chris Samuel[5]	86.0	1.5	43.0	0.9
Former Non-executive Directors				
Glyn Barker[6]	36.2	1.4	–	–
Rosie Harris	37.0	7.8	111.0	7.6
Glyn Jones	137.1	–	375.0	–

[1]Taxable benefits relate to travel and subsistence expenses, and tax thereon, which were required to carry out duties as a Non-executive Director. Taxable benefits were not disclosed in the prior year. Such expenses were significantly lower in the prior year due to the global pandemic restricting travel. They have been included in the table above in order to ensure comparability.
[6]Glyn Barker attended Board Audit Committee meetings and he did not receive a fee.

Where applicable, additional fees are paid for a Non-executive Director who also serves on a subsidiary company within the Group. The current subsidiary Board and Committee fees are listed below, and details of fees paid are disclosed in the financial statements of the relevant legal entity.

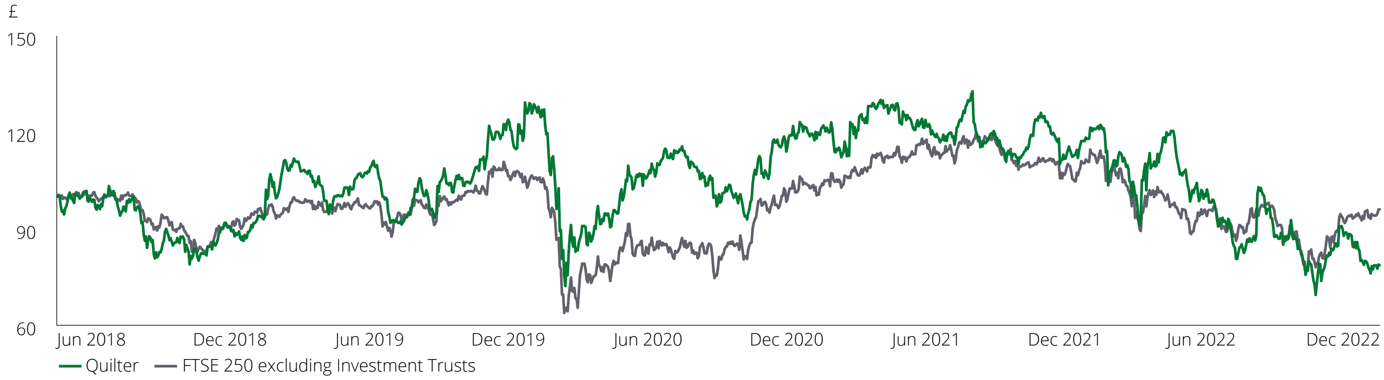
Subsidiary Board fees:	Fee as at 31 December 2022
Chair of Subsidiary Boards	£80,000
Board Member of Quilter Financial Planning ("QFP"), Quilter Investors ("QI"), Quilter Cheviot ("QC")	£45,000
Members of the Subsidiary Board Committees	£5,000

The following Non-executive Directors received additional fees for subsidiary appointments during 2022:

[2]Tim Breedon is the Chair of Quilter Investors Limited.
[3]Paul Matthews is a Director of Quilter Financial Planning Limited and is a member of its Audit Committee and Risk & Governance Committee. He was in receipt of a temporary uplift in his Quilter Financial Planning Limited fees from 1 January 2021 until 30 June 2022, which reflects the additional time commitment required in the business area.
[4]George Reid is the Chair of the UK Platform business, which comprises Quilter Life and Pensions Limited and Quilter Investment Platform Limited.
[5]Chris Samuel is the Chair of Quilter Financial Planning Limited. He was in receipt of a temporary uplift in his Quilter Financial Planning Limited fees from 1 January 2021 until 30 June 2022, which reflects the additional time commitment required in the business area.

Further details on Non-executive Directors' Board and Committee responsibilities and dates of appointment can be found on pages 52 to 58 of the Chair's Introduction to Corporate Governance.

TSR performance graphic over the period since Admission



The graph above shows the Company's TSR performance versus the FTSE 250 excluding Investment Trusts over the period ended 31 December 2022. The FTSE 250 has been chosen as the Company is a member of that index.

Group Chief Executive Officer pay

The table below contains the Chief Executive Officer's annual remuneration since the Company listed in 2018:

Financial year	Name	Total remuneration £'000	Annual bonus as % of maximum	LTIP vesting as % of maximum
2022	Steven Levin (appointed 1 November 2022)	201.4	46%	32.4%
2022	Paul Feeney (stood down 31 October 2022)	1,475.1	41%	32.4%
2021	Paul Feeney	2,393.1	66%	56.5%
2020	Paul Feeney	1,487.3	0%	48.7%
2019	Paul Feeney	1,896.3	79%	n/a
2018	Paul Feeney	2,778.9	93%	n/a

Percentage change in Directors' remuneration compared to the average employee

The table below sets out the annual percentage change in salary or fee and STI between the Directors and average employee from 2019 to 2022. The annual change in salary is based on the salary of permanent UK employees as at 31 December, and the annual change in STI excludes employees that are not eligible for bonus.

The annual increase in salary for the average employee reflects the inflationary environment and the strategic initiatives which have targeted efficiencies in workforce. The annual decrease of the average employee and Executive Directors' STI in 2022 reflects the challenging market conditions we have been operating in, the negative market movements and lower revenues have impacted the financial metrics driving the STI outcomes for all employees, and resulted in the weighted outcome of the financial aspect of the Executive Directors' scorecard being 50% lower than prior year. The annual changes in Non-executive Directors' fees are driven by changes in commitments, the Chair of the Board fee change in 2022 is the only Board or Committee fee change since Listing.

As Executive Directors' benefits are aligned to other UK employees, the analysis of movement in average benefits was not considered practical or meaningful and therefore not included in the below comparison. Further detail of Executive Directors' benefits can be found on page 94 of this Report.

		Executive Directors			Independent Non-executive Directors[1]							
Remuneration outcome	Average employee	Steven Levin[2]	Mark Satchel	Paul Feeney[2]	Ruth Markland	Tim Breedon	George Reid	Moira Kilcoyne	Paul Matthews	Tazim Essani	Chris Samuel	Neeta Atkar
2021-2022												
Salary/fees	4%	n/a	0%	0%	15%	3%	5%	0%	(7%)	33%	15%	n/a
STI	(12%)	n/a	(32%)	(37%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2020-2021												
Salary/fees	5%	n/a	0%	0%	2%	122%	(1%)	0%	24%	n/a	n/a	n/a
STI[3]	78%	n/a	100%	100%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2019-2020												
Salary/fees	5%	n/a	0%	0%	6%	n/a	(2%)	0%	10%	n/a	n/a	n/a
STI[3]	(49%)	n/a	(100%)	(100%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

[1]Non-executive Directors' annual fee percentage changes have been updated to reflect the total actual fees received during the year for all plc and subsidiary commitments, previously the fees used to calculate the percentage change were based on plc Committee and Board appointments as at 31 December. Details of each Non-executive Directors' Board and Committee appointments can be found on page 102 of this Report.
[2]Steven Levin was appointed Chief Executive Officer on 1 November 2022, Paul Feeney stood down as Chief Executive Officer on 31 October 2022. The outcomes in the above table are calculated using the remuneration from the time served as an Executive Director only.
[3]During 2020, on the recommendation of the Executive Directors, the Committee exercised its discretion to reduce the Executive Directors' STI outcome to zero, which impacts the year-on-year percentage change in 2020 and 2021.

Chief Executive Officer pay ratio

The table below sets out the ratio between the Chief Executive Officer's total remuneration and the median, 25th and 75th percentile of the total remuneration of full-time equivalent UK employees paid during the year.

Total remuneration

		Pay ratio			All employees £		
Year	Method	25th percentile	Median	75th percentile	25th percentile	Median	75th percentile
2022	Option A	46:1	30:1	17:1	36,196	56,092	96,835
2021	Option A	70:1	47:1	26:1	33,963	51,399	93,358
2020	Option A	55:1	36:1	21:1	29,663	45,349	78,368
2019	Option B	62:1	39:1	27:1	30,478	48,486	69,114

Salary

		Pay ratio			All employees £		
Year	Method	25th percentile	Median	75th percentile	25th percentile	Median	75th percentile
2022	Option A	23:1	16:1	9:1	28,359	42,456	70,000
2021	Option A	27:1	18:1	11:1	25,000	37,600	63,325
2020	Option A	28:1	19:1	11:1	24,000	36,350	61,000
2019	Option B	28:1	18:1	14:1	24,333	37,001	48,667

Total remuneration includes salary, benefits, pension, short-term incentives and any value vested from long-term incentives during the year. As some 2022 STI amounts across the wider workforce are subject to change until after the publication of this Report, the total remuneration may not be exact. However, any STI changes are expected to be minimal and it is unlikely the pay ratios will change significantly once the STI amounts are determined. The 2021 total remuneration ratios above have been updated to reflect the actual STI and LTI amounts paid. The Chief Executive Officer remuneration is based on the combined salary and total single figure for Paul Feeney and Steven Levin for their qualifying services during the year. Our Chief Executive Officers have a higher proportion of variable pay in total remuneration, which is the main factor driving the difference in the ratios between salary and total remuneration.

From the three options disclosed in the regulations regarding the methodology to identify the employees at median, 25th and 75th percentiles for comparison between those and the Chief Executive Officer, we recognise that the most precise method, and therefore often referred to as the preferred method, is Option A, which calculates the single figure for each UK employee. We have adopted Option A from 2020 and intend to continue reporting under this method in future years.

The year-on-year salary variances at each quartile reflect the lower Chief Executive Officer salary and strategic initiatives which have targeted efficiencies in our workforce in 2022, reduction and change in profile of our workforce following the launch of our new platform in early 2021 and the sale of Quilter Life Assurance at the end of 2019, in addition to the adoption of Option A methodology from 2020. The year-on-year total remuneration variances reflect the lower Chief Executive Officer variable compensation in 2022, which is largely due to the decreased 2022 share price of the LTI, in addition to the targeted efficiencies in our workforce, and the outer years are largely due to the recommendation of the Chief Executive Officer to receive zero STI for 2020 due to the impact of the COVID-19 pandemic on the business and its employees in 2020.

The Committee continues to carefully consider the macroeconomic conditions on the Company's employees, in addition to application of the Policy, and apply discretion where necessary, to ensure all aspects of Executive Directors remuneration remain aligned to the wider workforce. The Committee therefore believes the median pay ratio is consistent with pay, reward and progression policies for the Company's UK employees taken as a whole.

Gender pay gap

The Company reported a median gender pay gap of 30% and a median bonus gap of 44% for 2022. The results reflect the under-representation of women in senior roles, which we recognise is a systemic issue facing the wealth management industry and will require ongoing, multi-year efforts to resolve. Further details regarding our gender pay gap figures can be found on page 30 of the Responsible Business Report.

Relative importance of spend on pay

The following table sets out the profit, dividends and overall spend on pay in the years ended 31 December 2022 and 31 December 2021:

	2022	2021	% Change
Adjusted profit before tax[1] (£m)	134	138	(3%)
Dividends[2] (£m)	61	64	(5%)
Employee remuneration costs[1,3] (£m)	292	290	1%

[1]On a continuing business basis and therefore excludes Quilter International in 2021 for the period before the sale completed on 30 November 2021, including Quilter International, adjusted profit before tax is £188 million and employee remuneration costs are £329 million in 2021. Adjusted profit before tax is included in the above table as the Company considers it an important Key Performance Indicator.
[2]In 2021, the Company paid an Interim Dividend of 1.2 pence and a Final Dividend of 2.8 pence on a continuing basis. Including Quilter International, the Company paid an Interim Dividend of 1.7 pence and a Final Dividend of 3.9 pence and a total dividend payment of £90 million. For the 2022 financial year, the Company paid an Interim Dividend of 1.2 pence, a capital distribution equal to the 20 pence in the form of a B Share Scheme and Share Consolidation, and recommend a Final Dividend of 3.3 pence.
[3]Employee remuneration costs represent the underlying employee costs within the adjusted profit view for Quilter, excluding the impact of one-off items.

Executive Directors' shareholding and interests in Quilter share plans

The table below shows the Executive Directors' interests, which include shares held by connected persons, in Company share plans which will vest in future years subject to performance and/or continued service at 31 December 2022 together with any additional interests in shares held beneficially by the Executive Directors outside of Group share schemes. The share price at 31 December 2022 was £0.9292.

During the period 31 December 2022 to 8 March 2023, there were no exercises or dealings in the Company's share awards by the Directors.

Audited

		Scheme interests at 31 December 2022			
Performance condition	Legally owned (shares)	Subject to SIP (shares)	Subject to SAYE (options)	Deferred STI and other awards not subject to performance conditions (shares)	Subject to performance conditions under the LTIP (shares)
Steven Levin (appointed 1 November 2022)[1]	414,555	1,418	29,784	224,494	878,130
Mark Satchel	863,459	1,418	40,041	347,633	2,077,935
Paul Feeney (stood down 31 October 2022)[2]	1,382,336	709	24,000	496,835	3,116,905

[1]Steven Levin's scheme interests are unadjusted for qualifying services.
[2]The share interests for Paul Feeney are as at the day he stood down from the Board, 31 October 2022.

Executive Directors' shareholding requirements

In line with the Policy, each Executive Director is required to acquire and maintain a shareholding equivalent to 300% of base salary (including shares beneficially held by the individual or his/her spouse), the net of tax value of unvested share interests within Company share plans which are not subject to performance conditions and 25% of the value of beneficially held shares purchased by the individual or his/her spouse since the post-cessation shareholding policy came into effect.

As at 31 December 2022, neither Steven Levin or Mark Satchel satisfy the minimum shareholding requirement due, in part, to the material reduction in Quilter's share price over the past year compared to historic averages. Each Executive Director has up to five years from the date of their appointment to achieve the minimum, which is 1 November 2027 for Steven Levin and 13 March 2024 for Mark Satchel.

As per our Policy, Paul Feeney will be subject to the post-cessation shareholding requirement to hold the value of his shares detailed below – less any shares he is obliged to sell or transfer when they vest as part of a Court Order relating to his divorce settlement – until 31 October 2024, which is two years following cessation of his directorship. The shares are held in a corporate sponsored nominee account and permission to deal will need to be granted by the Company Secretary.

Audited

Name	Value[1] £'000	Multiple of base salary
Steven Levin (appointed 1 November 2022)	514.5	90%
Mark Satchel	1,009.8	224%
Paul Feeney (stood down 31 October 2022)[2]	1,584.6	235%

[1]Includes the estimated net value of unvested share awards which are not subject to performance conditions. For the purposes of the minimum shareholding requirement, the calculation is based on the average share price of the final three-month period ended 31 December 2022 of £0.9625. The actual value will be based on the share price when the awards vest.
[2]The shareholding for Paul Feeney is calculated as at the day he stood down from the Board on 31 October 2022.

Directors' personal holding and beneficial share interests

As at 31 December 2022 and 31 December 2021, the Executive and Non-executive Directors held the following legal and beneficial interests in ordinary shares:

Audited

Name	31 December 2022[1]	31 December 2021[1]
Steven Levin[2]	415,973	n/a
Mark Satchel	864,877	696,304
Moira Kilcoyne	29,556	34,482
George Reid	17,733	20,689
Ruth Markland	100,000	20,689
Paul Matthews	25,714	30,000
Tazim Essani	12,428	–
Tim Breedon	10,000	–
Chris Samuel	18,028	20,000
Neeta Atkar	–	–
Former Directors		
Glyn Jones[3]	685,714	800,000
Rosie Harris[3]	14,778	17,241
Paul Feeney[3]	1,383,045	1,171,207
Glyn Barker[3]	88,858	–

[1]2021 shareholdings are in 7 pence ordinary shares, 2022 shareholdings are in 8 1/6 pence ordinary shares following Share Consolidation on 23 May 2022.
[2]Steven Levin was appointed to the Board on 1 November 2022.
[3]The shareholdings for Glyn Jones and Rosie Harris who stood down from the Board on 12 May 2022 and 30 April 2022, respectively, are as at 23 May 2022 following the Share Consolidation. The 2022 shareholding for Paul Feeney is as at the day he stood down from the Board, 31 October 2022. The shareholding for Glyn Barker is as at the day he stood down from the Board, 11 November 2022.

During the period 31 December 2022 to 8 March 2023, there were no other changes to the interests in shares held by the Directors as set out in the table above.

Audited

Payments within the year to past Directors

During 2022, there were no payments made to any past Directors.

Departure arrangements for Paul Feeney

As detailed in the Company's market announcement on 10 October 2022, Paul Feeney will be treated as a Good Leaver under the Policy after stepping down as Chief Executive Officer on 31 October 2022. He will continue to receive his salary and benefits until the end of his six-month notice period and remained eligible for a 2022 STI award. He will remain eligible for the vesting of outstanding deferred share awards on the normal vesting dates, subject to the satisfaction of performance conditions and pro-rating for the proportion of the vesting periods served where applicable, the rules of the relevant share plans and additional post-termination conditions. He was entitled to a capped contribution of £60,000 + VAT toward legal fees and other related support.

External directorships

The table below sets out external directorships held by the Executive Directors.

Executive Directors	External directorships held	Fees received and retained
Steven Levin	None	–
Mark Satchel	None	–

External advisers

During 2022, Deloitte provided advice covering application of the newly approved Policy, annual remuneration report and policy disclosures, market practice and incentive design. Deloitte also support the Group with risk advisory, tax compliance and consulting services. As part of the procurement and contracting process, appropriate safeguards were put in place to ensure no conflict of interest arises.

The Committee appointed Deloitte in April 2021, and remain satisfied that the advice received is objective and independent, and the firm is a member of the Remuneration Consultants Group, whose voluntary Code of Conduct is designed to ensure objective and independent advice is given to Committees. The total fees paid in respect of remuneration advice during 2022 are as follows:

Name	Key areas of advice received	Total fees 2022
Deloitte	Policy review, application, disclosures, governance and market practice	£71,880

Statement of shareholder voting

During the Company's AGM in May 2022, a resolution to approve the Report was proposed, and the proportion of votes from shareholders cast For was 96% and cast Against was 4%. Total votes Withheld were 122,580, which is 0.01% of issued share capital.

A resolution to approve the new Policy was also proposed, and the proportion of votes from shareholders cast For was 96% and cast Against was 4%. Total votes Withheld were 127,420, which is 0.01% of issued share capital. The next resolution to approve the Policy will be in 2025 as the current Policy is intended to be in place for three years.

The Company did not receive a significant percentage of votes Against the resolutions at the 2022 AGM or prior years.

Directors' Report

The Directors present their Report for the financial year ended 31 December 2022

Cautionary statement
This Annual Report has been prepared for, and only for, the members of the Company, as a body, and no other persons. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. By their nature, the statements concerning the risks and uncertainties facing the Group in this Annual Report involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report should be construed as a profit forecast.

Corporate governance statement
The information that fulfils the requirements of the corporate governance statement for the purposes of the FCA's DTRs can be found in the governance section of the Annual Report on pages 52 to 107 (all of which forms part of this Directors' Report) and in this Directors' Report.

Information included in the Strategic Report
The Company's Strategic Report is on pages 2 to 51 and includes the following information that would otherwise be required to be disclosed in this Directors' Report:

Subject matter	Page reference
Likely future developments in the business	5-7
Events since the end of the financial year	193
Engagement with employees	33
Engagement with suppliers, customers and others	22-35
Employment of disabled persons	33
Greenhouse gas emissions, energy consumption and energy efficiency action	31
Financial risks	47

Information to be disclosed under Listing Rule 9.8.4R

Subject matter	Page reference
Details of long-term incentive schemes	99-101
Shareholder waivers of dividends	108
Shareholder waivers of future dividends	108

Financial instruments and risk management
The information relating to financial instruments and financial risk management objectives and policies can be found on pages 131 to 134, 161 to 162, and 186 to 193.

Branches
During 2022, in addition to its offices in the UK, the Group has operated branches in Jersey and the United Arab Emirates.

Profit and dividends
Statutory profit after tax from continuing operations for 2022 was £175 million (2021: £23 million).

The Directors have recommended a Final Dividend for the financial year ended 31 December 2022 of 3.3 pence per Ordinary Share which will be paid out of distributable reserves, subject to approval by shareholders at the 2023 Annual General Meeting ("AGM"). Further information regarding the dividend, including key dates, can be found at plc.quilter.com/dividends. On 10 August 2022, the Board declared an Interim Dividend of 1.2 pence per Ordinary Share. The Interim Dividend was paid on 20 September 2022 to shareholders on the UK and South African share registers.

Shares are held in the Quilter Employee Benefit Trust ("EBT") and the Equiniti Share Plans Trust ("ESPT") in connection with the operation of the Company's share plans. Dividend waivers are in place for those shares that have not been allocated to employees.

Directors
The names of the current Directors of the Company, along with their biographical details, are set out on pages 56 to 58 and are incorporated into this Report by reference. Changes to Directors during the year are set out below:

Name	Role	Effective date of appointment/resignation
Rosie Harris	Non-executive Director	Resigned 30 April 2022
Glyn Jones	Non-executive Director	Resigned 12 May 2022
Glyn Barker	Non-executive Director	Appointed 1 June 2022 Resigned 11 November 2022
Neeta Atkar	Non-executive Director	Appointed 11 August 2022
Paul Feeney	Executive Director	Resigned 31 October 2022
Steven Levin	Executive Director	Appointed 1 November 2022

Details of the Directors' interests in the share capital of the Company are set out in the Annual Report on Remuneration on pages 94 to 107.

The powers given to the Directors are contained in the Company's Articles of Association and are subject to relevant legislation and, in certain circumstances, including in relation to the issuing or buying back by the Company of its shares, subject to authority being given to the Directors by shareholders in general meeting. The Articles of Association also govern the appointment and replacement of Directors. The Board has the power to appoint additional Directors or to fill a casual vacancy amongst Directors. Any such Director only holds office until the next AGM and may offer themselves for election.

Articles of Association
The Articles of Association may be amended in accordance with the provisions of the Companies Act 2006 by way of a special resolution of the Company's shareholders. The following information summarises certain provisions in the Articles of Association in force as at the date of this Report.

Share capital and control

The Company has Ordinary Shares in issue with a nominal value of 8 1/6 pence each, representing 100% of the total issued share capital as at 31 December 2022 and as at 3 March 2023 (the latest practicable date for inclusion in this report). Details regarding changes in the Company's share capital, including information on the B Share Scheme and Share Consolidation implemented on 23 and 24 May 2022, can be found in note 25 of the financial statements on page 172. The rights attaching to the Ordinary Shares are set out in the Articles of Association and are summarised below.

Voting rights of members

On a show of hands, every member or authorised corporate representative present has one vote and every proxy present has one vote except if the proxy has been duly appointed by more than one member and has been instructed by (or exercises his discretion given by) one or more of those members to vote for the resolution and has been instructed by (or exercises his discretion given by) one or more other of those members to vote against it, in which case a proxy has one vote for and one vote against the resolution. On a poll, every member present in person or by proxy has one vote for every share of which he is a holder. In the case of joint holders, the vote of the person whose name stands first in the register of members and who tenders a vote is accepted to the exclusion of any votes tendered by any other joint holders.

Unless the Board decides otherwise, a member shall not be entitled to vote, either in person or by proxy, at any general meeting of the Company in respect of any share held by him unless all calls and other sums presently payable by him in respect of that share have been paid.

Transfers

Save as described below, the Ordinary Shares are freely transferable.

A member may transfer all or any of his shares in any manner which is permitted by any applicable statutory provision and is from time to time approved by the Board. The Company shall maintain a record of uncertificated shares in accordance with the relevant statutory provisions.

A member may transfer all or any of his certificated shares by an instrument of transfer in any usual form, or in such other form as the Board may approve. The instrument of transfer shall be signed by or on behalf of the transferor and, except in the case of a fully paid share, by or on behalf of the transferee. The Board may, in its absolute discretion, refuse to register any instrument of transfer of any certificated share which is not fully paid up (but not so as to prevent dealings in listed shares from taking place on an open and proper basis) or on which the Company has a lien. The Board may also refuse to register any instrument of transfer of a certificated share unless it is left at the registered office, or such other place as the Board may decide, for registration, accompanied by the certificate for the shares to be transferred and such other evidence (if any) as the Board may reasonably require to prove title of the intending transferor or his right to transfer shares; and it is in respect of only one class of shares. If the Board refuses to register a transfer of a certificated share it shall, as soon as practicable and in any event within two months after the date on which the instrument was lodged, give to the transferee notice of the refusal together with its reasons for refusal. The Board must provide the transferee with such further information about the reasons for the refusal as the transferee may reasonably request. Unless otherwise agreed by the Board in any particular case, the maximum number of persons who may be entered on the register as joint holders of a share is four.

Variation of rights

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution of the holders of the shares of that class.

Exercisability of rights under an employee share scheme

An EBT operates in connection with certain of the Group's employee share plans ("Plans"). The Trustee of the EBT may exercise all rights attaching to the shares in accordance with their fiduciary duties other than as specifically restricted in the relevant Plan governing documents. The Trustee of the EBT has informed the Company that their normal policy is to abstain from voting in respect of the Quilter shares held in trust. The Trustee of the Quilter Share Incentive Plan ("SIP") will vote as directed by SIP participants in respect of the allocated shares but the Trustee will not otherwise vote in respect of the unallocated shares held in the SIP Trust.

Purchase of own shares

On 27 January 2022, Quilter completed the £375 million share buyback programme (the "Programme"), first announced on 11 March 2020 to distribute to shareholders the net surplus proceeds arising from the sale of Quilter Life Assurance.

In 2019 when the Board approved the sale of Quilter Life Assurance, the Board engaged with its major shareholders to obtain their views on the use of the sale proceeds. Having also discussed the matter with the Group's brokers, the Board agreed to return the sale proceeds to shareholders by way of the Programme. In February 2020, we reconfirmed with our major shareholders that they remained supportive of the launch of the Programme.

The Programme was executed using the authorities granted by shareholders at the AGMs held on 14 May 2020 and 13 May 2021, to purchase up to 10% of the Company's issued Ordinary Share capital in the period beginning on the date of each AGM and up to the date of the following year's AGM. A breakdown of the Programme is noted in the following table.

Year	Number of Ordinary Shares purchased[1]	Total consideration paid	Average price paid per share	Percentage of the issued share capital[2]
2020	118,282,047	£152,963,992	£1.2932	6.22%
2021	128,141,834	£195,593,129	£1.5264	7.18%
2022[3]	17,704,132	£26,437,862	£1.4933	1.07%

[1]Nominal value 7 pence each.
[2]Calculated based on the total number of shares in issue at the beginning of each financial year.
[3]In addition to the Programme, the Company purchased four additional shares on 12 May 2022 as part of the Share Consolidation, as explained overleaf.

Strategic Report
Governance Report
Financial statements
Other information

Shares bought back on the Johannesburg Stock Exchange ("JSE") were purchased pursuant to contingent purchase contracts with each of (a) J.P. Morgan Equities South Africa Proprietary Limited and (b) Goldman Sachs International, which were approved by shareholders at the 2020 and 2021 AGMs. The contracts enabled the Company to buy back its shares on the JSE in similar fashion and subject to the same overall limits as on-market purchases on the London Stock Exchange. The shares acquired under the Programme were cancelled upon acquisition.

Details of the impact on earnings per share and total shareholder return can be found on pages 37 and 15 respectively, and how these metrics are factored into remuneration decisions on pages 99 to 100.

At the AGM held on 12 May 2022, shareholders passed resolutions to authorise the Company to purchase a maximum of 163,812,308 Ordinary Shares of 7 pence each, representing 10% of the Company's issued Ordinary Share capital as at 21 March 2022, which was the latest practicable date prior to publication of the Notice of AGM. Four Ordinary Shares with a nominal value of 7 pence each were purchased under these authorities for an average price of £1.2485 per share. The four shares were purchased prior to the Share Consolidation in order to ensure that the number of the Company's Ordinary Shares of 7 pence each was exactly divisible by the denominator in the Share Consolidation ratio (which was seven).

The authorities granted at the AGM held on 12 May 2022 were updated at the General Meeting held later that day to approve a B Share Scheme and six for seven Share Consolidation, with the Company authorised to purchase up to 140,410,550 new Ordinary Shares of 8 1⁄6 pence nominal value each. The authorities granted at the General Meeting in respect of the new Ordinary Shares have not been used and will expire at the 2023 AGM. In accordance with institutional guidelines and the Company's established practices, the Directors are seeking renewal of the authorities for the purchase of shares at the 2023 AGM. Further information on the shares purchased during the year under review is in note 25 on page 172.

Return of Capital relating to the sale of Quilter International

At the General Meeting on 12 May 2022, shareholders passed resolutions to approve the return of £328m of the net proceeds of the sale of Quilter International as a return of capital through a B Share Scheme accompanied by a six for seven Share Consolidation, whilst retaining around £90m to fund planned business initiatives. The Company allotted and issued 1,638,123,081 B Shares and the Company's new Ordinary Shares of 8 1⁄6 pence each were admitted to trading on 23 May 2022. The B Shares were redeemed on 24 May 2022. Payments in respect of the proceeds of the B Share Scheme were dispatched to shareholders on or around 6 June 2022. For more information on the return of capital, please refer to the circular to shareholders that accompanied the Notice of the General Meeting held on 12 May 2022 available at plc.quilter.com/gm.

Odd-lot Offer

The Directors are seeking shareholder approval at the 2023 AGM together with requisite regulatory approvals to implement an Odd-lot Offer at any time within the next 18 months. This will enable the Company to purchase, at a 5% premium, the Ordinary Shares held by those shareholders who hold less than 200 Ordinary Shares in the Company and who do not choose to retain their shareholding. No Odd-lot Offer will be implemented unless and until such approvals have been obtained on terms satisfactory to the Directors.

For more information on the Odd-lot Offer, please refer to the 2023 Notice of AGM available at plc.quilter.com/gm.

Significant agreements (change of control)

All the Company's share plans contain provisions relating to a change of control. In the event of a change of control, outstanding awards and options may be lapsed and replaced with equivalent awards over shares in the new company, subject to the Board Remuneration Committee's discretion. Alternatively, outstanding awards and options may vest and become exercisable on a change of control subject, where appropriate, to the assessment of performance at that time and pro-rating of awards. Exceptionally, the Board Remuneration Committee may exercise its discretion to waive pro-rating.

Short-term incentive ("STI") awards may continue to be paid in respect of the full financial year pre and post change of control, or a pro-rated STI award may be paid in respect of the portion of the year that has elapsed at the point of change of control.

On a change of control, including following a takeover bid, the Company is required to enter into negotiations in good faith with the lenders under the Group's Revolving Credit Facility in respect of any changes to its terms. If after such negotiations no agreement has been reached, the Revolving Credit Facility would be cancelled and existing drawdowns would become repayable.

The Group is also party to a number of supplier agreements that may be terminated upon a change of control of the Company, including following a takeover bid. In many cases, whether this may apply depends on the identity or characteristics of the new controller. This may result in the provision of certain services and software licences being terminated early.

Directors' indemnities

Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the course of the financial year ended 31 December 2022 for the benefit of the then Directors and, at the date of this Report, are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers and office. In addition, the Company maintains Directors' and Officers' Liability Insurance which gives appropriate cover for legal action brought against its Directors.

Donations

Quilter does not make monetary donations or gifts in kind to political parties, elected officials or election candidates. Accordingly, no such donations were made in 2022. However, the Directors are seeking to renew the Company's and its subsidiaries' authority to make political donations not exceeding £50,000 in aggregate at the 2023 AGM. This is for the purposes of ensuring that neither the Company nor its subsidiaries inadvertently breach Part 14 of the Companies Act 2006 by virtue of the relevant definitions being widely drafted. Further information is available in the 2023 Notice of AGM. For information on our engagement with shareholders following the 2022 AGM, please refer to the Chair's statement on pages 3 to 4.

Major shareholders

As at 31 December 2022, the Company had been notified, in accordance with Rule 5 of the FCA's DTRs, of the following holdings of voting rights in its Ordinary Share capital:

Name of shareholder	Number of voting rights attached to Quilter shares	% interest in voting rights attached to Quilter shares[1]	Nature of holding notified
BlackRock Inc.[2]	111,805,973	6.81%	Direct
Coronation Asset Management (Pty) Ltd	195,332,204	13.91%	Direct
Equiniti Trust (Jersey) Limited[3]	42,996,532	3.06%	Direct
Ninety One UK Ltd[2]	82,416,634	5.01%	Indirect
Norges Bank	44,285,747	3.15%	Direct
Old Mutual Limited	68,070,687	4.84%	Indirect
Public Investment Corporation of the Republic of South Africa	210,834,490	15.01%	Direct

[1]The percentage of voting rights detailed above was calculated at the time of the relevant disclosures made in accordance with Rule 5 of the FCA's DTRs.
[2]The number of voting rights reflects the position at the time of notification, prior to the May 2022 Share Consolidation.
[3]These shares are held by Equiniti Trust (Jersey) Limited in its capacity as Trustee of the Quilter EBT.

As at 3 March 2023, the latest practicable date for inclusion in this Report, the following voting rights had been notified, in accordance with Rule 5 of the FCA's DTRs:

Name of shareholder	Number of voting rights attached to Quilter shares	% interest in voting rights attached to Quilter shares[1]	Nature of holding notified
BlackRock Inc.[2]	111,805,973	6.81%	Direct
Coronation Asset Management (Pty) Limited	181,651,900	12.93%	Direct
Equiniti Trust (Jersey) Limited[3]	42,996,532	3.06%	Direct
Ninety One UK Ltd [2]	82,416,634	5.01%	Indirect
Norges Bank	44,285,747	3.15%	Direct
Old Mutual Limited	68,070,687	4.84%	Indirect
Public Investment Corporation of the Republic of South Africa	210,834,490	15.01%	Direct

[1]The percentage of voting rights detailed above was calculated at the time of the relevant disclosures made in accordance with Rule 5 of the FCA's DTRs.
[2]The number of voting rights reflects the position at the time of notification, prior to the May 2022 Share Consolidation.
[3]These shares are held by Equiniti Trust (Jersey) Limited in its capacity as Trustee of the Quilter EBT.

Information provided to the Company by major shareholders pursuant to the FCA's DTRs is published via a Regulatory Information Service and is available at plc.quilter.com/investor-relations.

Directors' responsibility statements

The Directors are responsible for preparing the Annual Report of the Parent Company and consolidated financial statements in accordance with applicable law and regulations.

The Directors consider that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's position and performance, business model and strategy.

Each of the Directors in office as at the date of this report, whose names are listed on pages 56 to 58, confirms that, to the best of his or her knowledge:

- the consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards as endorsed by the UK, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that they face.

For further information on the comprehensive process followed by the Board in order to reach these conclusions please refer to the Board Audit Committee Report on pages 69 to 74.

Disclosure of information to external auditors

Each person who is a Director of the Company as at the date of approval of this Report confirms that:
a) so far as the Director is aware, there is no relevant audit information of which the Company's external auditors are unaware; and
b) the Director has taken all the steps that he or she ought to have taken as a Director in order to make him/herself aware of any relevant audit information and to establish that the Company's external auditors are aware of that information.

Independent auditors

The Directors are recommending the reappointment of PricewaterhouseCoopers LLP as the Company's statutory auditor at the 2023 AGM.

AGM

The Quilter plc 2023 AGM will be held at Senator House, 85 Queen Victoria Street, London EC4V 4AB on Thursday 18 May 2023 at 11:00am (UK time). Details of the business to be transacted at the 2023 AGM, along with details of how you can ask questions and join the meeting, are included in the Quilter plc 2023 Notice of AGM which can be found on our GM Hub at plc.quilter.com/gm.

By order of the Board

Clare Barrett
Company Secretary
8 March 2023

Index to the consolidated financial statements

For the year ended 31 December 2022

Contents

Statement of Directors' responsibilities

in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law, the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Parent Company financial statements in accordance with UK Accounting Standards. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the Directors to prepare the Group financial statements in accordance with international financial reporting standards as adopted by the United Kingdom.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether, for the Group, applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- state whether, for the Parent Company, applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the Annual Report and financial statements

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable sets of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Parent Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Parent Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Signed on behalf of the Board

Steven Levin
Chief Executive Officer
8 March 2023

Mark Satchel
Chief Financial Officer

Independent auditors' report to the members of Quilter plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Quilter plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2022 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated statement of financial position and Company statement of financial position as at 31 December 2022; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of changes in equity, the Consolidated statement of cash flows and the Company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Board Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 10 to the Group's financial statements, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Context

We were appointed as auditors by the Directors on 19 May 2020, therefore this is our third year of involvement. In planning for our audit of the Quilter plc Group ("the Group") for the current year, we met with the Board Audit Committee and members of management across the business, to discuss and understand significant changes during the year, and to understand their perspectives on associated business risks. We used this insight, in addition to our experience from the previous year's audit approach, when forming our views regarding the business updates, as part of developing our audit plan and when scoping and performing our audit procedures.

Overview

Audit scope

- At 31 December 2022, the Group comprised two operating segments together with head office activities, each of which contain several reporting components. We conducted audit testing over twelve components in total, which we selected based on their financial significance to the consolidated results.
- Five components were subject to an audit of their complete financial information.
- Specific audit procedures were also performed on certain balances and transactions in respect of a further seven components.
- Taken together, the procedures we performed over the five significant components provided us with coverage of over 78% of total revenue and 63% of adjusted profit.
- We have also considered the potential impact of climate change related factors in our audit, including challenging management on its assessment of how climate change related risks and opportunities impact the financial statements.

Key audit matters

- Compensation provisions (Group)
- Goodwill impairment assessment (Group)
- Impairment assessment of investments in subsidiaries (parent)

Materiality

- Overall Group materiality: £6,092,352 (2021: £6,769,500) based on 1% of total revenue excluding investment return.
- Overall Company materiality: £27,595,520 (2021: £32,490,000) based on 1% of total assets.
- Performance materiality: £4,569,264 (2021: £5,077,000) (Group) and £20,698,140 (2021: £24,367,500) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Sale of Quilter International (Group), which was a key audit matter last year, is no longer included because of the sale occurring in 2021 having no direct bearing on the 2022 audit. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Compensation provisions (Group) Refer to page 71 of the Board Audit Committee Report and note 28 to the Group's financial statements. The Group holds a number of provisions, including relating to customer redress. These relate to a number of cases across different parts of the Group. The positions are evolving and there is judgement and complexity in calculating a redress estimate, in particular for those related to unsuitable defined benefit to defined contribution pension transfer advice.	We assessed the Group's accounting policy for the recognition of redress provisions to ensure it was in line with the requirements of IAS 37. We tested the key assumptions and data used in the Group's calculations that included initial transfer values, unsuitability assessments and redress percentages to underlying supporting evidence from pension schemes and recent settlement experience. Where suitability assessments and redress calculations had been completed for specific cases, we agreed the data in the Group's calculations with that provided by management's expert, whose competency and objectivity we also reviewed. No material differences were identified from our testing.
Goodwill impairment assessment (Group) Refer to page 71 of the Board Audit Committee Report and note 14 to the Group's financial statements. The goodwill balance of £306 million (2021: £306 million) is subject to an annual impairment review. No impairment charge has been recorded by management against the goodwill balance in the current year. Judgement is used to determine the appropriate level at which to perform the impairment assessment. Management analyses discounted cash flows at the operating segment level to calculate the value-in-use for each operating segment as opposed to an individual cash generating unit ("CGU"). This has not been determined to be a significant audit risk due to the large amount of headroom available in the model. However, this has been an area of audit focus due to the inherent subjectivity in the assumptions used within the model.	We checked that the cash flow forecasts used by management in the assessment of goodwill impairment were consistent with the approved three-year Business Plan. We evaluated the historical accuracy of the cash flow forecasts, including a comparison of the current year actual results with the 2022 figures included in the prior year forecast. For certain key assumptions which underpinned the forecast performance, such as growth of assets under management in the Business Plan period, we corroborated these against external market data where available. We challenged management on the inclusion of certain cash flows where these looked to include future enhancements (such as revenues from new products) or future restructuring activity. We found that the forecasts have been completed on a basis consistent with prior years and were an appropriate basis upon which management could base their conclusions. We considered the appropriateness of performing the impairment assessment at the operating segment level. This included consideration of how the financial information of the business is presented to the Chief Operating Decision Maker. We determined that the performance of the impairment review on an operating segment level remains appropriate. We engaged our internal valuation experts to independently calculate a reasonable range for both the discount rate and long-term growth rate assumptions used within the value-in-use calculations. We found the discount rate assumption to be more conservative than our expected range, while the long-term growth rate was slightly above our expected amount. However, sensitivity analyses and reperformance of the calculation using our independent assumptions confirms that no impairment would be required. We obtained and understood management's sensitivity calculations over the impairment assessment, as well as performing further sensitivity scenarios ourselves. We determined that the impairment assessment was not highly sensitive to any of the key assumptions, being the discount rate and the forecast growth (including the long-term growth rate) of cash flows. For each operating segment we calculated the degree to which these assumptions would need to move before an impairment was triggered. We considered the likelihood of such a movement and concurred with management's conclusion that an impairment was not required.

Independent auditors' report to the members of Quilter plc

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of investments in subsidiaries (parent) Refer to note 4 to the Parent Company financial statements. The Company holds investments in subsidiaries of £2,150 million (2021: £2,130 million). Whilst these eliminate on consolidation in the Group financial statements, they are recorded in the Company financial statements. Management have performed an impairment assessment, utilising consistent methodology to that described in the impairment of goodwill key audit matter above, and have concluded that an impairment reversal of £20m was required. We have determined the impairment assessment over the investments in subsidiaries to be a significant risk in light of the identified impairment as well as the Group market capitalisation being lower than the Company equity value at the balance sheet date.	The impairment assessment leveraged management's calculations for the Group goodwill impairment assessment referred to above. The key judgement used by management in their impairment assessment is the underlying assumption that the Company's investments in Quilter Holdings Limited and Quilter Investors represents the lowest level at which largely independent cash inflows are generated. This assumption allows headroom to be transferred between subsidiary entities. We challenged management over this assumption on the basis that the Business Plan is prepared at a more disaggregated level and requested management to provide us with further analyses to demonstrate the significant degree of integration between the businesses included in their defined cash generating unit. We have corroborated the explanations we received through discussion with the relevant component audit teams and review of historical relevant correspondence with the regulator identifying some of the interdependencies. For non-trading subsidiaries the fair value less costs to sell is deemed by management to be represented by their net asset position. Due to the net asset position of one such component increasing within the year an impairment reversal has been recognised accordingly. We have agreed the accuracy of this calculation and corroborated the net asset position to the unaudited year-end trial balance. Overall we are satisfied that there is sufficient evidence to support the basis of management's impairment assessment and therefore concur with the reversal of impairment that has been recognised.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

Quilter plc has two operating segments – High Net Worth and Affluent. Within these segments there are several reporting units, of which five are considered financially significant due to their contribution to Group revenues, and were subject to an audit of their complete financial information. In addition, a further seven reporting entities were in scope for specific audit procedures, as these components contributed either towards a significant risk area, or a significant proportion of certain financial statement line items. Together with the procedures performed at the Group level, including auditing the consolidation and financial statement disclosures, taxation, and goodwill impairment assessment, this gave us the evidence we needed for our opinion on the financial statements as a whole. Almost all of the Group's trading is based in the UK resulting in all of the audit procedures being performed locally by the UK audit team. Of the twelve components we have performed audit procedures over, none of these components was based outside the UK. We applied materiality of £380,830,443 to the classification of unit-linked assets and liabilities in the consolidated statement of financial position, the related line items in the consolidated income statement and related notes, determined with reference to a benchmark of total unit linked assets, of which it represents 1%. This materiality was applied solely for our work on matters for which a misstatement is likely only to lead to a reclassification between line items, in accordance with FRC Practice Note 20 The audit of Insurers in the United Kingdom. The Group contains several regulated trading entities and is a regulated insurance group itself. Some activities are outsourced to third party providers across the Group, such as investment and platform administration. In respect of the outsourced service providers we were able to gain appropriate audit evidence through a combination of evaluating the providers' published assurance reports on internal control and performing substantive procedures.

The impact of climate risk on our audit

As part of our audit, we made enquiries of management to understand the process management adopted to assess the extent of the potential impact of climate risk on the Group's financial statements and support the disclosures made within the Annual Report. In addition to enquiries with management, we also challenged the completeness of management's climate risk assessment by comparing the consistency of management's climate impact assessment with internal climate plans and board minutes, including whether the time horizons management have used take account of all relevant aspects of climate change such as transition risks.

Strategic Report
Governance Report
Financial statements
Other information

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Company
Overall materiality	£6,092,352 (2021: £6,769,500).	£27,595,520 (2021: £32,490,000).
How we determined it	1% of total revenue excluding investment return	1% of total assets
Rationale for benchmark applied	Based on the performance metrics used in the Annual Report, total revenue is considered to be one of the primary measures used by shareholders in assessing performance of the Group and is a generally accepted auditing benchmark.	A benchmark of total assets has been used as the Company's primary purpose is to act as a holding company with investments in the Group's subsidiaries, not to generate operating profits and therefore a profit-based measure was not considered appropriate.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £1,381,382 to £5,540,596. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £4,569,264 (2021: £5,077,000) for the Group financial statements and £20,698,140 (2021: £24,367,500) for the Company's financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Board Audit Committee that we would report to them misstatements identified during our audit above £500,000 (Group audit) (2021: £500,000) and £1,379,876 (Company audit) (2021: £1,624,500) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtained the Directors' updated going concern assessment and challenged the rationale for assumptions on growth of assets under management/administration and asset returns using our knowledge of Quilter's business performance, and corroborating to external market evidence where available. Our assessment included reviewing management's stress testing and scenario analyses.
- Obtained management's estimated Solvency capital position and evaluated this for consistency of available information and against management's own target capital ratios. We found that the Group maintained internal targets for its Group Solvency Capital Requirement (SCR) ratio, and is forecast to remain compliant with all external regulatory capital requirements for the period covered by the going concern assessment; and
- Confirmed compliance with the debt covenants of the Group's borrowings, and the forecast continued compliance for the duration of the period covered by the going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the Directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Directors' remuneration

In our opinion, the part of the Annual Report on Remuneration to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Group and Company was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Board Audit Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), and unsuitable or prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and listing rules. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to either inflate revenue or reduce expenditure of the Group and the Company, and management bias in accounting estimates and judgemental areas of the financial statements, such as provisions. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with the Board, management, internal audit, management involved in the risk and compliance functions and the Group and Company's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- Reviewing correspondence between the Group, the PRA, the FCA and HMRC in relation to compliance with laws and regulations.
- Assessment of matters reported on the Group's whistleblowing register including the quality and results of management's investigation of such matters.
- Reviewing Board minutes as well as relevant meeting minutes, including those of the Board Audit Committee, Board Remuneration Committee, the Board Technology and Operations Committee and the Board Risk Committee.
- Reviewing data regarding policyholder complaints, the Group's and Company's register of litigation and claims, internal audit reports, compliance reports in so far as they related to non-compliance with laws and regulations and fraud.
- Challenging assumptions made by management in accounting estimates and judgements, in particular in relation to the impairment assessments of goodwill and investments in subsidiaries, and the valuation of the DB to DC conduct provisions described in the related key audit matters.
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, such as a credit to revenue and a debit to the statement of financial position (other than to expected accounts), which may be indicative of the overstatement or manipulation of revenue.
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.
- Detailed testing over the classification of costs allocated to business transformation costs, which are considered as one-off and added back to calculate the adjusted profit measure, in order to identify any inappropriate classification which could be indicative of a material manipulation of the adjusted profit measure.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of Quilter plc

Other required reporting

Companies Act 2006 exception reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Annual Report on Remuneration to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment
Following the recommendation of the Board Audit Committee, we were appointed by the Directors on 19 May 2020 to audit the financial statements for the year ended 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement is three years, covering the years ended 31 December 2020 to 31 December 2022.

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Mark Pugh
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
8 March 2023

Consolidated income statement

For the year ended 31 December 2022

	Notes	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Income			
Fee income and other income from service activities	9(a)	581	666
Investment return	9(b)	(4,649)	4,002
Other income		28	18
Total income		**(4,040)**	**4,686**
Expenses			
Change in investment contract liabilities	27	4,318	(3,293)
Fee and commission expenses, and other acquisition costs	10(a)	(54)	(61)
Change in third-party interests in consolidated funds		438	(599)
Other operating and administrative expenses	10(b)	(584)	(636)
Finance costs	10(e)	(13)	(14)
Total expenses		**4,105**	**(4,603)**
Profit on sale of subsidiary	6(a)	–	2
Profit before tax from continuing operations		**65**	**85**
Tax credit/(expense) attributable to policyholder returns	11(a)	134	(73)
Profit before tax attributable to equity holders from continuing operations		**199**	**12**
Income tax credit/(expense)	11(a)	110	(62)
Less: tax (credit)/expense attributable to policyholder returns		(134)	73
Tax (expense)/credit attributable to equity holders		(24)	11
Profit after tax from continuing operations		**175**	**23**
Profit after tax from discontinued operations	6(b)	–	131
Profit after tax		**175**	**154**
Attributable to:			
Equity holders of Quilter plc		**175**	**154**
Earnings per Ordinary Share on profit attributable to Ordinary Shareholders of Quilter plc			
Basic			
From continuing operations (pence)	12(b)	12.2	1.4
From discontinued operations (pence)	6(b)	–	8.0
Basic earnings per Ordinary Share (pence)	12(b)	**12.2**	**9.4**
Diluted			
From continuing operations (pence)	12(b)	12.0	1.4
From discontinued operations (pence)	6(b)	–	7.8
Diluted earnings per Ordinary Share (pence)	12(b)	**12.0**	**9.2**

The notes on pages 126 to 195 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2022

	Note	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Profit after tax		175	154
Exchange losses on translation of foreign operations		–	(1)
Items that may be reclassified subsequently to income statement		–	(1)
Total other comprehensive income, net of tax		–	(1)
Total comprehensive income		**175**	**153**
Attributable to:			
Continuing operations		175	22
Discontinued operations	6(b)	–	131
Equity holders of Quilter plc		**175**	**153**

The notes on pages 126 to 195 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2022

31 December 2022	Notes	Ordinary Share capital £m	Ordinary Share premium reserve £m	B shares £m	Capital redemption reserve £m	Merger reserve £m	Share-based payments reserve £m	Other reserves £m	Retained earnings £m	Total share-holders' equity £m
Balance at 1 January 2022		**116**	**58**	**–**	**17**	**25**	**42**	**(1)**	**1,482**	**1,739**
Profit after tax		–	–	–	–	–	–	–	175	175
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**175**	**175**
Dividends	13	–	–	–	–	–	–	–	(78)	(78)
Ordinary Shares repurchased in the buyback programme[1]	25	(1)	–	–	1	–	–	–	–	–
Issue of B shares[2]	25(a,c)	–	–	328	–	(25)	–	–	(303)	–
Redemption of B shares[2]	25(a)	–	–	(328)	328	–	–	–	(328)	(328)
Exchange rate movement (ZAR/GBP)[3]		–	–	–	–	–	–	–	(4)	(4)
Movement in own shares		–	–	–	–	–	–	–	22	22
Equity share-based payment transactions	26(e)	–	–	–	–	–	1	–	23	24
Aggregate tax effects of items recognised directly in equity		–	–	–	–	–	(2)	–	–	(2)
Total transactions with the owners of the Company		**(1)**	**–**	**–**	**329**	**(25)**	**(1)**	**–**	**(668)**	**(366)**
Balance at 31 December 2022		**115**	**58**	**–**	**346**	**–**	**41**	**(1)**	**989**	**1,548**

31 December 2021	Notes	Ordinary Share capital £m	Ordinary Share premium reserve £m	B shares £m	Capital redemption reserve £m	Merger reserve £m	Share-based payments reserve £m	Other reserves £m	Retained earnings £m	Total share-holders' equity £m
Balance at 1 January 2021		**125**	**58**	**–**	**8**	**149**	**42**	**1**	**1,495**	**1,878**
Profit after tax		–	–	–	–	–	–	–	154	154
Other comprehensive income		–	–	–	–	–	–	(1)	–	(1)
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**(1)**	**154**	**153**
Dividends	13	–	–	–	–	–	–	–	(89)	(89)
Ordinary Shares repurchased in the buyback programme[1]	25	(9)	–	–	9	–	–	–	(204)	(204)
Release of merger reserve	25(c)	–	–	–	–	(124)	–	–	124	–
Movement in own shares		–	–	–	–	–	–	–	(20)	(20)
Equity share-based payment transactions	26(e)	–	–	–	–	–	(1)	–	21	20
Aggregate tax effects of items recognised directly in equity		–	–	–	–	–	1	–	–	1
Total transactions with the owners of the Company		**(9)**	**–**	**–**	**9**	**(124)**	**–**	**–**	**(168)**	**(292)**
Transfer to retained earnings		–	–	–	–	–	–	(1)	1	–
Balance at 31 December 2021		**116**	**58**	**–**	**17**	**25**	**42**	**(1)**	**1,482**	**1,739**

[1] On 11 March 2020, the Company announced a share buyback programme to purchase Ordinary Shares up to a maximum value of £375 million, in order to return the net surplus proceeds to shareholders arising from the sale of Quilter Life Assurance which had the impact of reducing the share capital of the Company. During the year ending 31 December 2022, the Company acquired 17.7 million shares (31 December 2021: 128.1 million) for a total consideration of £26 million (31 December 2021: £197 million) and incurred additional costs of £1 million (31 December 2021: £3 million). The shares, which have a nominal value of £1 million (31 December 2021: £9 million), were subsequently cancelled, giving rise to a capital redemption reserve of the same value as required by the Companies Act 2006. The share buyback was completed in January 2022.

[2] On 9 March 2022, the Company announced a capital return of £328 million from the net surplus proceeds arising from the sale of Quilter International by way of a B Share Scheme accompanied by a Share Consolidation. Refer to note 4 for further details of the capital return and Share Consolidation. Following the issue and redemption of the B preference shares as part of the B Share Scheme, the Company transferred £328 million from retained earnings to the capital redemption reserve, as required under the provisions of sections 688 and 733 of the Companies Act 2006, being an amount equal to the nominal value of the B shares redeemed in the year. The increase in the capital redemption reserve results from the UK company law requirement to maintain the company's capital when shares are redeemed out of the company's distributable profits.

[3] The South African Rand value of the proposed capital return for shares registered on the Johannesburg Stock Exchange was set on 9 March 2022. The impact of exchange rate movements between the year-end Market Announcement on 9 March 2022 and the redemption of the B shares on 24 May 2022 on the pound sterling equivalent of payments to JSE shareholders in South African Rand is recognised directly in equity. Additionally, the impact of exchange rate movements between the announcement date of dividends payable and the payment date on the pound sterling equivalent of payments to JSE shareholders in South African Rand is recognised directly in equity. The Group held cash in South African Rand equal to the expected cash outflows and therefore was economically hedged for the outflows.

The notes on pages 126 to 195 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

At 31 December 2022

	Notes	31 December 2022 £m	31 December 2021 £m
Assets			
Goodwill and intangible assets	14	413	457
Property, plant and equipment	15	112	131
Investments in associated undertakings		1	2
Contract costs	23	10	9
Loans and advances	16	34	29
Financial investments	17	43,617	47,565
Deferred tax assets	29(a)	94	88
Current tax receivable	29(c)	10	–
Trade, other receivables and other assets	22	303	381
Derivative assets	18	40	14
Cash and cash equivalents	24	1,782	2,064
Assets held for sale	6(e)	1	–
Total assets		**46,417**	**50,740**
Equity and liabilities			
Equity			
Ordinary Share capital	25(a)	115	116
Ordinary Share premium reserve	25	58	58
Capital redemption reserve	25(b)	346	17
Merger reserve	25(c)	–	25
Share-based payments reserve	26	41	42
Other reserves		(1)	(1)
Retained earnings		989	1,482
Total equity		**1,548**	**1,739**
Liabilities			
Investment contract liabilities	27	38,186	41,071
Third-party interests in consolidated funds		5,843	6,898
Provisions	28	69	93
Deferred tax liabilities	29(b)	24	139
Current tax payable	29(c)	1	2
Borrowings and lease liabilities	30	290	299
Trade, other payables and other liabilities	31	436	484
Derivative liabilities	18	20	15
Total liabilities		**44,869**	**49,001**
Total equity and liabilities		**46,417**	**50,740**

The financial statements on pages 121 to 195 were approved by the Board of Directors on 8 March 2023 and signed on its behalf by

Steven Levin
Chief Executive Officer

Mark Satchel
Chief Financial Officer

The attached notes on pages 126 to 195 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2022

The cash flows presented in this statement cover all the Group's activities (continuing and discontinued operations) and include flows from both policyholder and shareholder activities. All cash and cash equivalents are available for general use by the Group for the purposes of the disclosures required under IAS 7 Statement of Cash Flows except for cash and cash equivalents in consolidated funds (as shown in note 24). Cash flows for discontinued operations are shown separately in note 6(d).

	Notes	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Cash flows from operating activities			
Cash flows from operating activities		1,698	3,103
Taxation paid		(22)	(10)
Total net cash flows from operating activities	24(b)	**1,676**	**3,093**
Cash flows from investing activities			
Net acquisitions of financial investments		(1,494)	(2,839)
Acquisition of property, plant and equipment	15	(3)	(13)
Acquisition of interests in subsidiaries[1]	6(f)	(5)	(7)
Net proceeds from the disposal of interests in subsidiaries		–	218
Total net cash flows from investing activities		**(1,502)**	**(2,641)**
Cash flows from financing activities			
Dividends paid to equity holders of the Company	13	(78)	(89)
Finance costs on external borrowings	10(e)	(9)	(9)
Payment of interest on lease liabilities	30(b)	(3)	(2)
Payment of principal of lease liabilities	30(b)	(11)	(10)
Redemption of B shares[2]		(328)	–
Repurchase and cancellation of Ordinary Shares[3]		(28)	(197)
Exchange rate movements paid to shareholders[4]		(4)	–
Total net cash flows from financing activities		**(461)**	**(307)**
Net (decrease)/increase in cash and cash equivalents		(287)	145
Cash and cash equivalents at the beginning of the year		2,064	1,921
Effect of exchange rate changes on cash and cash equivalents		5	(2)
Cash and cash equivalents at end of the year	24(a)	**1,782**	**2,064**

[1]The acquisition of interests in subsidiaries outflow of £5 million results from contingent consideration payments relating to historical acquisitions (31 December 2021: £7 million).
[2]On 9 March 2022, the Company announced a capital return of £328 million from the net surplus proceeds arising from the sale of Quilter International by way of a B Share Scheme accompanied by a Share Consolidation. Please refer to note 4 for further details of the capital return and Share Consolidation.
[3]The repurchase and cancellation of Ordinary Shares outflow relates to the cash movements associated with the share buyback programme. Further details are included within the consolidated statement of changes in equity.
[4]The exchange rate movements paid to shareholders relate to foreign exchange gains that have arisen on the capital return and dividend payments to JSE shareholders. Further details are included within the consolidated statement of changes in equity.

The notes on pages 126 to 195 form an integral part of these consolidated financial statements.

Basis of preparation and significant accounting policies

For the year ended 31 December 2022

General information

Quilter plc (the "Parent Company"), a public limited company incorporated in England and Wales and domiciled in the United Kingdom ("UK"), together with its subsidiaries (collectively, the "Group") offers investment and wealth management services, long-term savings and financial advice through its subsidiaries and associates primarily in the UK. Quilter plc is listed on the London and Johannesburg Stock Exchanges.

The address of the registered office is Senator House, 85 Queen Victoria Street, London, EC4V 4AB.

1: Basis of preparation

The consolidated financial statements of Quilter plc for the year ended 31 December 2022 have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

These consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments, and are presented in pounds sterling, which is the currency of the primary economic environment in which the Group operates.

The separate financial statements of the Company are on pages 196 to 203. The Company financial statements are prepared in accordance with the Group's accounting policies, other than for investments in subsidiaries, which are stated at cost less impairments in accordance with IAS 27 Separate Financial Statements.

Going concern

The Directors have considered the resilience of the Group, its current financial position, the principal risks facing the business and the effectiveness of any mitigating strategies which are or could be applied. This included an assessment of capital and liquidity over a three-year planning period. As part of the going concern assessment, the Group took into consideration the current position of the UK economy including the impact of inflation and increases in the cost of living. The Group also took into consideration risks related to climate change. Based on the assessment, the Directors believe that both the Group and Quilter plc as the Parent Company, have sufficient financial resources to continue in business for a period of at least 12 months from the date of approval of these financial statements and continue to adopt the going concern basis in preparing the Group and Parent Company financial statements. Further information is contained in the viability statement and going concern section of the Annual Report.

Basis of consolidation

The Group's consolidated financial statements incorporate the assets, liabilities and the results of the Company and its subsidiaries. Subsidiaries are those entities, including investment funds, controlled by the Group. More information on how the Group assesses whether it has control over an entity is provided in accounting policy 5(a). Subsidiaries are consolidated from the date the Group obtains control and are excluded from consolidation from the date the Group loses control.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with Group policies. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between Group companies are eliminated on consolidation.

Liquidity analysis of the statement of financial position

The Group's statement of financial position is in order of liquidity as is permitted by IAS 1 Presentation of Financial Statements. For each asset and liability line item, those amounts expected to be recovered or settled more than 12 months after the reporting date are disclosed separately in the notes to the consolidated financial statements.

Critical accounting estimates and judgements

The preparation of financial statements requires management to exercise judgement in applying the Group's significant accounting policies and make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. The Board Audit Committee reviews these areas of judgement and estimates and the appropriateness of significant accounting policies adopted in the preparation of these financial statements.

Critical accounting judgements

The Group's critical accounting judgements are detailed below and are those that management makes when applying the significant accounting policies and that have the most effect on the net profit and net assets recognised in the Group's financial statements.

Recognition of provisions following the sale of Quilter International

Management exercised significant judgement in determining the accounting treatment for a number of provisions related to business activities to separate the business from the Group in respect of the sale of Quilter International. Significant judgement was required to assess whether the costs were directly attributable and incremental to the sale and whether a legal or constructive obligation existed in order to recognise the provisions. See note 28 for further details.

1: Basis of preparation continued

Critical accounting judgements continued

Recognition of insurance recovery asset in respect of Lighthouse defined benefit pension advice

For Lighthouse defined benefit ("DB") to defined contribution ("DC") pension transfer advice provided, management has previously applied judgement in order to determine whether an asset can be reasonably estimated, and in respect of the measurement of such an asset, in relation to an insurance recovery under Lighthouse's professional indemnity policies ("PI Policies"). During 2022, the insurers confirmed coverage up to the PI Policies' limit of indemnity of £15 million for these legal liabilities. These obligations to the Group were settled in full during 2022. As a result the recognition and measurement of an insurance asset is no longer considered a critical accounting judgement.

Critical accounting estimates

The Group's critical accounting estimates involve the most complex or subjective assessments and assumptions, which have a significant risk of resulting in material adjustment to the net carrying amounts of assets and liabilities within the next financial year. Management uses its knowledge of current facts and circumstances and applies estimation and assumption setting techniques that are aligned with relevant actuarial and accounting standards and guidance to make predictions about future actions and events. Actual results may differ from those estimates.

Provision for the cost of defined benefit pension advice

An estimate was determined for unsuitable pension advice related to schemes other than those concluded as part of the skilled person review, using a methodology which takes account of recent experience of redress payments calculated by an independent expert and applying a proportion of transfer value to determine redress payable as an indicative provision. The calculations are based upon FCA guidelines and modelling performed, and factors including pension transfer value, date of retirement, discount rate and inflation rate assumptions.

Measurement of deferred tax

The estimation of future taxable profits is performed as part of the annual business planning process, and is based on estimated levels of AuMA, which are subject to a large number of factors including global stock market movements, related movements in foreign exchange rates and net client cash flows, together with estimates of expenses and other charges. The Business Plan, adjusted for known and estimated tax sensitivities, is used to determine the extent to which deferred tax assets are recognised. In general, the Group assesses the recoverability of shareholder assets based on estimated taxable profits over a three-year planning horizon and assesses policyholder assets based on estimated investment growth over the medium term. Management has reassessed the sensitivity of the recoverability of deferred tax assets based on the latest forecast cash flows. See note 29 for further details.

Other principal estimates

The Group's assessment of goodwill and intangible assets for impairment uses the latest cash flow forecasts from the Group's three-year Business Plan. These forecasts include estimates relating to equity market levels and growth in AuMA in future periods, together with levels of new business growth, net client cash flow, revenue margins, and future expenses and discount rates (see note 14). These forecasts take account of the climate-related risks and other responsible business considerations. Management does not consider that the use of these estimates has a significant risk of causing a material adjustment to the carrying amount of the assets within the next financial year.

2: New standards, amendments to standards, and interpretations adopted by the Group

There were no new standards or interpretations which became effective from 1 January 2022.

The following amendments to accounting standards became applicable for the current reporting year, with no material impact on the Group's consolidated results, financial position or disclosures:

Adopted by the Group from	Amendments to standards
1 January 2022	Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use
1 January 2022	Annual Improvements 2018-2020 Cycle
1 January 2022	Amendments to IFRS 3 References to the Conceptual Framework
1 January 2022	Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract

3: Future standards, amendments to standards, and interpretations not early-adopted in these financial statements

Certain new standards, interpretations and amendments to existing standards have been published by the International Accounting Standards Board ("IASB") that are mandatory for the Group's annual accounting periods beginning on or after 1 January 2022. The Group has not early adopted these standards, interpretations and amendments, nor does the Group expect these to have a material impact on the Group's consolidated financial statements.

- **IFRS 17 Insurance contracts**

  The IASB issued IFRS 17 Insurance Contracts in May 2017 and Amendments to IFRS 17 in June 2020. IFRS 17 will replace its interim predecessor, IFRS 4 Insurance Contracts. IFRS 17 is a comprehensive standard which provides a single accounting model for all insurance contracts. IFRS 17 will replace a wide range of different accounting practices previously permitted, improving transparency and enabling investors and regulators to understand and compare the financial position and performance of an insurer, irrespective of where they are based geographically. The standard, including the June 2020 amendments, was endorsed by the UK Endorsement Board in May 2022. The effective date of IFRS 17 is 1 January 2023.

  Following disposals of Quilter Life Assurance ("QLA") and Quilter International in 2019 and 2021, the Group has assessed its remaining contracts with policyholders. On the basis of this assessment, it was determined that there are no contracts that will be accounted for under IFRS 17.

4: Significant changes in the year

Capital return, Share Consolidation and changes to comparative amounts

On 12 May 2022, shareholder approval was received at the General Meeting, for a capital return of £328 million (20 pence per share) to shareholders of Quilter plc by way of a B Share Scheme. The capital return represented the net surplus proceeds from the sale of Quilter International after retaining funds for planned Business Simplification and selected revenue enhancing investments. The B shares were created out of the Company's merger reserve, which had a balance of £1,687 million prior to the share creation.

To maintain comparability of shareholder metrics before and after the capital return, the scheme was accompanied by a Share Consolidation (see note 25(a)). The weighted average number of shares used to calculate the comparative EPS metrics has not been adjusted for the impact of the Share Consolidation due to the associated reduction in resources as a result of the return of capital.

The capital return reduced the Group's IFRS net assets and Solvency II own funds by £328 million, comprised of £331 million cash paid upon redemption of the B shares, offset by a foreign exchange gain of £3 million on South African Rand held between the date the capital return was announced and the redemption of the B shares for the JSE portion of the capital return.

5: Significant accounting policies

The Group's significant accounting policies are described below. There have been no changes to the Group's significant accounting policies as a result of changes in accounting standards during the year. The accounting policies disclosed in these notes have been consistently applied throughout the current and prior financial year.

5(a): Group accounting

Subsidiaries

Subsidiary undertakings are those entities (investees) controlled by the Group. The Group controls an investee if, and only if, the Group has all of the following three elements of control:
- power over the investee;
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to affect those returns through its power over the investee.

For operating entities, this usually arises with a shareholding in the entity of 50% or more. The Group also consolidates certain of its interests in open-ended investment companies ("OEICs"), unit trusts, mutual funds and similar investment vehicles (collectively "investment funds"). Where, as is often the case with investment funds, voting or similar rights are not the dominant factor in deciding who controls the investee, other factors are considered in the control assessment. These are described in more detail below.

The Group continually assesses any changes to facts and circumstances to determine, in the context of the three elements of control listed above, whether it still controls the investee and is therefore required to consolidate it.

Associates

Associates are entities over which the Group has significant influence, but not control or joint control, through its participation in the entity's financial and operating policy decisions. Significant influence is generally demonstrated by the Group holding between 20% and 50% of the voting rights. Voting rights are not the only consideration, all other relevant factors, contractual or otherwise, are assessed in determining whether the Group has the ability to exercise significant influence.

The results, assets and liabilities of associates, other than those that are measured at FVTPL (see below) are incorporated into these consolidated financial statements using the equity method of accounting from the date that significant influence commences until the date it ends. Under this method, the cost of the investment in an associate together with the Group's share of that entity's post-acquisition changes to shareholders' funds is included as an asset in the consolidated statement of financial position. The cost includes goodwill recognised on acquisition. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associate until the date on which significant influence ceases. Where a Group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Unrealised losses are eliminated in the same way but only to the extent that there is no evidence of impairment. Investments in associates that are held with a view to subsequent resale are accounted for as non-current assets held for sale.

Where the Group has an investment in an associate, a portion of which is held by, or is held indirectly through a unit trust or similar entity, including through unit-linked funds, that portion of the investment is measured at FVTPL.

The Group has classified one entity, 360 Dot Net Limited, as an associate in the current and prior year.

5: Significant accounting policies continued
5(a): Group accounting continued

Investment funds

The Group invests in a wide range of investment funds such as OEICs and unit trusts generally in respect of its unit-linked investment contracts where investments are made to match the investment choices of its clients. For some of these funds, it also acts as fund manager. These funds invest predominantly in equities, bonds, cash and cash equivalents. The Group holds interests in these investment funds mainly through the receipt of fund management fees, in the case where the Group acts as fund manager, which provide a variable return based on the value of the funds under management and other criteria, and in the case of third-party funds where fund performance has an impact on fund-based fees within unit-linked investment contracts and other similar client investment products. Where the Group acts as fund manager, it may also hold investments in the underlying funds, through acquiring units or shares. Where these investments are held in unit-linked funds, the Group has a secondary exposure to variable returns through the management fees that it deducts from unit-linked policyholders' account balances. The Group's percentage ownership can fluctuate from day-to-day according to the Group's participation in them as clients' underlying investment choices change.

When assessing the control of investment funds, the Group considers the purpose and design of the fund, the scope of its decision-making authority, including its ability to direct relevant activities and to govern the operations of a fund so as to obtain variable returns from that fund and its ability to use its power to affect these returns, both from the perspective of an investor and an asset manager. In addition, the Group assesses rights held by other parties including substantive removal ("kick-out") rights that may affect the Group's ability to direct relevant activities.

On consolidation, the interests of parties other than the Group are classified as a liability in the Group's statement of financial position and are described as "third-party interests in consolidated funds". Such interests are not recorded as non-controlling interests ("NCIs") as they meet the liability classification requirement set out in IAS 32 Financial Instruments: Presentation. These liabilities are regarded as current, as they are repayable on demand, although it is not expected that they will be settled in a short time period.

Business combinations

The Group is required to use the acquisition method of accounting for business combinations. Business combinations are accounted for at the date that control is achieved (the acquisition date). The cost of a business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Deferred and contingent consideration relating to acquisitions is recognised as a liability on the date of acquisition.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair value at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts. Where provisional amounts are reported, these are adjusted during the measurement period which extends up to a maximum of 12 months from the acquisition date. Additional assets or liabilities may also be recognised during this period, to reflect any new information obtained about the facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired entity at the date of acquisition. Other acquisition-related costs, not forming part of the cost of acquisition, are expensed as incurred.

Upon disposal, the Group derecognises a subsidiary or disposal group on the date on which control passes. The consolidated income statement includes the results of a subsidiary or disposal group up to the date of disposal. The difference between the proceeds from the disposal of a subsidiary undertaking and its carrying amount as at the date of disposal, including the cumulative amount of any related exchange differences that are recognised in the foreign currency translation reserve, is recognised in the consolidated income statement as the gain or loss on disposal of the subsidiary undertaking.

Common control combinations

Merger accounting is used by the Group for common control combinations, which are transactions between entities that are ultimately controlled by the same party or parties. This method treats the merged entities as if they had been combined throughout the current and comparative accounting periods. Merger accounting principles for these combinations result in the recognition of a merger reserve in the consolidated statement of financial position, being the difference between the nominal value of any new shares issued by the Parent Company for the acquisition of the shares of the subsidiary and the subsidiary's Net Asset Value. Such transactions attract merger relief under section 612 of the Companies Act 2006.

5(b): Fair value measurement

The Group uses fair value to measure the majority of its assets and liabilities. Fair value is a market-based measure and is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For a financial instrument, the best evidence of fair value at initial recognition is normally the transaction price, which represents the fair value of the consideration given or received.

Where observable market prices in an active market, such as bid or offer (ask) prices are unavailable, fair value is measured using valuation techniques based on the assumptions that market participants would use when pricing the asset or liability. If an asset or a liability measured at fair value has a bid or an offer price, the price within the bid-offer spread that is most representative of fair value is used as the basis of the fair value measurement.

5: Significant accounting policies continued

5(b): Fair value measurement continued

The quality of the fair value measurement for financial instruments is disclosed by way of the fair value hierarchy, whereby Level 1 represents a quoted market price for identical financial assets and liabilities, Level 2 financial assets and liabilities are valued using inputs other than quoted prices in active markets included in Level 1, either directly or indirectly and Level 3 whereby financial assets and liabilities are valued using valuation techniques where one or more significant inputs are unobservable.

Classifying financial instruments into the three levels outlined above provides an indication about the reliability of inputs used in determining fair value. More information is provided in note 20.

5(c): Product classification

The Group's life assurance contracts included in the Affluent segment are categorised as investment contracts, in accordance with the classification criteria set out in the paragraph below.

Investment contracts

Investment contracts do not meet the IFRS definition of an insurance contract as they do not transfer significant insurance risk from the policyholder to the insurer. Unit-linked investment contracts are separated into two components, being an investment management services component and a financial liability. The financial liability component is designated at fair value through profit or loss ("FVTPL") as it is managed on a fair value basis, and its value is directly linked to the market value of the underlying portfolio of assets. The Group does not directly benefit economically from returns from the assets held to match policyholder liabilities, apart from secondary exposure to future annual management fees that the Group expects to receive over the life of the policy.

5(d): Fee income and other income from service activities

Fee income and other income from service activities represent the fair value of services provided, net of value added tax. Revenue is only recognised to the extent that management is satisfied that it is highly probable that no significant reversal of the revenue recognised will be required when uncertainties are resolved. In circumstances where refunds are expected on a portion of the income, including indemnity commission on policies sold, an estimate of the reduction of revenue is made and charged to the income statement at the point of sale, based upon assumptions determined from historical experience.

Premium-based fees

This relates to non-refundable fees taken on receipt of clients' investments and recognised on receipt over the life of the contract, in line with the performance obligation associated with the contract in respect of the administration of the underlying client records and client benefits. Where fees are received, either at inception or over an initial period for services not yet provided, the income is deferred and recognised as contract liabilities on the statement of financial position and released to the income statement as services are provided over the lifetime of the contract (see note 32 for further information).

In addition, this also includes fees in respect of advice provided to clients when the advice has been provided to the client and the financial adviser's performance obligation has been fully delivered. Accordingly, fee income is recognised at the inception of the financial product sold.

Fund-based fees

This is periodic fee income based on the market valuation of the Group's investment contracts. It is calculated and recognised on a daily basis in line with the provision of investment management services.

This also includes fee income within consolidated funds' income statements.

Fixed fees

This is periodic fee income which is fixed in value according to underlying contract terms and relates to the provision of services and transactional dealing fees. It is recognised on provision of the transaction or service.

Surrender fees

Surrender fee income relates to client charges received on the surrender of a contract, which is based on the value of the policy and recognised on surrender of the policy.

Other fee and commission income

This includes charges taken from unit-linked funds to meet future policyholder tax liabilities. Depending on the nature of the tax liability, the charges are either recognised at the point a transaction occurs on the unit-linked fund, or annually.

5: Significant accounting policies continued

5(e): Investment return

Investment return comprises two elements (a) investment income and (b) realised and unrealised gains and losses on investments held at FVTPL.

Investment income

Investment income includes dividends on equity securities which are recorded as revenue on the ex-dividend date and interest income which is recognised using the effective interest rate method which allocates interest and other finance costs at a constant rate over the expected life of the financial instrument.

Realised and unrealised gains and losses

A gain or loss on a financial investment is only realised on disposal or transfer and represents the difference between the proceeds received, net of transaction costs, and its original cost (or amortised cost). Unrealised gains or losses, arising on investments which have not been disposed or transferred, represent the difference between carrying value at the year end and the carrying value at the previous year end or purchase value (if this occurs during the year), less the reversal of previously recognised unrealised gains or losses in respect of disposals made during the year.

Gains and losses resulting from changes in both market value and foreign exchange rates on investments classified at FVTPL are recognised in the income statement in the period in which they occur.

5(f): Deferred acquisition costs and contract costs

Investment contracts

Incremental costs, including fee and commission expenses, that are directly attributable to securing either unit-linked investment contracts or other asset management services are deferred and recognised as contract costs. Contract costs are linked to the contractual right to benefit from providing investment management services. These are therefore amortised through the income statement consistent with the transfer to the customer of the services to which the contract relates.

5(g): Investment contract liabilities

The Group's investment contracts are unit-linked contracts. At inception, investment contract liabilities for unit-linked business are classified as financial liabilities and measured at FVTPL. For these contracts, the fair value liability is equal to the total value of units allocated to the policyholders, based on the bid price of the underlying assets in the fund. The FVTPL classification reflects the fact that the matching investment portfolio that backs the unit-linked liabilities, is managed, and its performance evaluated, on a fair value basis.

Contributions received on investment contracts are treated as policyholder deposits and credited directly to investment contract liabilities on the statement of financial position, as opposed to being reported as revenue in the income statement. Withdrawals paid out to policyholders on investment contracts are treated as a reduction to policyholder deposits, reducing the investment contract liabilities on the statement of financial position, as opposed to being recognised as expenses in the income statement. This practice is known as deposit accounting.

5(h): Financial instruments (other than derivatives)

Financial instruments cover a wide range of financial assets, including financial investments, trade receivables and cash and cash equivalents and certain financial liabilities, including investment contract liabilities, trade payables, and borrowings. Derivatives, which are also financial instruments, are covered by accounting policy 5(j). Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes party to the contractual provisions of the instrument. The Group derecognises a financial asset when the contractual rights to receive cash flows have expired or been forfeited by the Group. A financial liability is derecognised when the liability is extinguished.

The Group assesses the objective of a business model in which an asset is held at a portfolio level because this best represents the way the business is managed and information is reported to management. The assessment considers the stated portfolio policies and objectives. The Group determines its strategy in holding the financial asset, particularly considering whether the Group earns contractual interest revenue, for example to match the duration of financial assets to the duration of liabilities that are funding those assets or to realise cash flows through the sale of the assets. The frequency, volume and timing of sales in prior periods may be reviewed, along with the reasons for such sales and expectations about future sales activity. These factors enable management to determine which financial assets should be measured at FVTPL.

Initial measurement

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

5: Significant accounting policies continued

5(h): Financial instruments (other than derivatives) continued

Subsequent measurement

The classification of financial assets depends on (i) the purpose for which they were acquired, (ii) the business model in which the financial asset is managed, and (iii) its contractual cash flow characteristics. Two categories are applicable to the Group's financial assets: FVTPL and amortised cost. This classification determines the subsequent measurement basis. The following accounting policies apply to the subsequent measurement of financial assets.

Measurement basis	Accounting policies
FVTPL	These financial assets are subsequently measured at fair value. Net gains and losses, including interest and dividend income, are recognised in profit or loss.
Amortised cost	These financial assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairments are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and unless recognised as FVTPL on initial recognition applying the Fair Value Option (see below):

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

All other financial assets that are not measured at amortised cost are classified and measured at FVTPL.

Financial investments

Derivative financial assets (which arise as a result of the consolidation of funds, as described in note 5(a)) are classified and measured at FVTPL. In addition, on initial recognition, the Group may irrevocably designate a financial asset at FVTPL that otherwise meets the requirements to be measured at amortised cost, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise (the Fair Value Option).

The Group's interests in pooled investment funds, equity securities and debt securities are mandatorily at FVTPL, as they are part of groups of financial assets which are managed and whose performance is evaluated on a fair value basis. These investments are recognised at fair value initially and subsequently, with changes in fair value recognised in investment return in the income statement.

Fixed-term deposits with a maturity profile exceeding three months are categorised as financial investments and are measured at amortised cost.

The Group recognises purchases and sales of financial investments on trade date, which is the date that the Group commits to purchase or sell the assets. The costs associated with investment transactions are included within expenses in the income statement.

Loans and advances

Loans are recognised when cash is advanced to borrowers. Loans to brokers are stated at amortised cost using the effective interest rate method, except for loans at below-market interest rates which are measured at fair value. Loans stated at amortised cost are subject to the impairment requirements outlined below.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits, money market collective investment funds and other short-term deposits with an original maturity of three months or less.

Cash and cash equivalents held within money market collective investment funds are classified as FVTPL. All other cash and cash equivalents are classified as amortised cost which means they are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method and are subject to the impairment requirements outlined below. The carrying amount of cash and cash equivalents, other than money market collective investment funds which are measured at fair value, approximates to their fair value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. At inception, investment contract liabilities for unit-linked business are recognised as financial liabilities and measured at FVTPL. Other financial liabilities, including the Group's borrowings and trade payables, are measured at amortised cost using the effective interest method.

Trade payables and receivables

Trade payables and receivables are classified at amortised cost. Due to their short-term nature, their carrying amount is considered to be the same as their fair value.

5: Significant accounting policies continued

5(h): Financial instruments (other than derivatives) continued

Investments in subsidiaries

Parent Company investments in subsidiary undertakings are initially stated at cost. Subsequently, investments in subsidiary undertakings are stated at cost less any provision for impairment. An investment in a subsidiary is deemed to be impaired when its carrying amount is greater than its estimated recoverable amount, and there is evidence to suggest that the impairment occurred subsequent to the initial recognition of the asset in the financial statements. All impairments are recognised in the Parent Company income statement as they occur.

Impairment of financial assets

The expected loss accounting model for credit losses applies to financial assets measured at amortised cost, but not to financial assets at FVTPL. Financial assets at amortised cost include trade receivables, cash and cash equivalents (excluding money market collective investment funds which are measured at fair value), fixed-term deposits and certain loans and advances.

Credit loss allowances are measured on each reporting date according to a three-stage expected credit loss ("ECL") impairment model:

Performing financial assets:

Stage 1

From initial recognition of a financial asset to the date on which an asset has experienced a significant increase in credit risk relative to its initial recognition, a stage 1 loss allowance is recognised equal to the credit losses expected to result from its default occurring over the earlier of the next 12 months or its maturity date ("12-month ECL").

Stage 2

Following a significant increase in credit risk relative to the initial recognition of the financial asset, a stage 2 loss allowance is recognised equal to the credit losses expected from all possible default events over the remaining lifetime of the asset ("Lifetime ECL").

The assessment of whether there has been a significant increase in credit risk requires considerable judgement, based on the lifetime probability of default ("PD"). Stage 1 and 2 allowances are held against performing loans. The main difference between stage 1 and stage 2 allowances is the time horizon. Stage 1 allowances are estimated using the PD with a maximum period of 12 months, while stage 2 allowances are estimated using the PD over the remaining lifetime of the asset.

Impaired financial assets:

Stage 3

When a financial asset is considered to be credit-impaired, the allowance for credit losses ("ACL") continues to represent lifetime expected credit losses. However, interest income is calculated based on the amortised cost of the asset, net of the loss allowance, rather than its gross carrying amount.

Application of the impairment model

The Group applies the ECL model to all financial assets that are measured at amortised cost:

- Trade receivables, to which the simplified approach prescribed by IFRS 9 is applied. This approach requires the recognition of a Lifetime ECL allowance on day one and thereafter.
- Loans, cash and cash equivalents, and fixed-term deposits at amortised cost, to which the general three-stage model (described above) is applied, whereby a 12-month ECL is recognised initially and the balance is monitored for significant increases in credit risk which would trigger the recognition of a Lifetime ECL allowance.

ECLs are a probability-weighted estimate of credit losses. ECLs for financial assets that are not credit-impaired at the reporting date are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due in accordance with the contract and the cash flows that the Group expects to receive). ECLs for financial assets that are credit-impaired at the reporting date are measured as the difference between the gross carrying amount and the present value of estimated future cash flows. ECLs are discounted at the effective interest rate of the financial asset. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

The measurement of ECLs considers information about past events and current conditions, as well as supportable information about future events and economic conditions. The Group has implemented its impairment methodology for estimating the ACL, taking into account forward-looking information in determining the appropriate level of allowance. In addition, it has identified indicators and set up procedures for monitoring for significant increases in credit risk.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes events such as significant financial difficulty of the borrower or issuer, a breach of contract such as a default or past due event or the restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider. The assumption that the credit risk for balances over 30 days significantly increases has been rebutted on the basis that some balances will exceed 30 days in the normal course of the settlement cycle, and therefore, there is no increase in the credit risk.

5: Significant accounting policies continued
5(h): Financial instruments (other than derivatives) continued

Presentation of impairment
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-offs
Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of the amount being recovered. This is generally the case when the Group concludes that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

5(i): Contract assets
Contract assets are not classified as financial assets. Due to their short-term nature, their carrying amount is considered to be the same as their fair value.

The expected loss accounting model for credit losses applies to contract assets. The Group applies the ECL model to contract assets, which are measured at amortised cost. The simplified approach prescribed by IFRS 9 is applied to contract assets. This approach requires the recognition of a Lifetime ECL allowance on day one and thereafter.

5(j): Derivatives
The only derivatives recognised in the Group's statement of financial position arise as a result of the consolidation of funds (described in note 5(a)). Management determines the classification of derivatives at initial recognition and classifies derivatives as mandatorily at FVTPL. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

5(k): Employee benefits
Pension obligations
The Group operates two types of pension plans which have been established for eligible employees of the Group:
- Defined contribution schemes where the Group makes contributions to members' pension plans but has no further payment obligations once the contributions have been paid.
- Defined benefit plans which provide pension payments upon retirement to members as defined by the plan rules. The Group has funded these liabilities by ring-fencing assets in trustee-administered funds.

Defined contribution pension obligations
Under a defined contribution plan, the Group's legal or constructive obligation is limited to the amount it agrees to contribute to a pension fund and there is no obligation to pay further contributions if the fund does not hold sufficient assets to pay benefits. Contributions in respect of defined contribution schemes for current service are expensed in the income statement as staff costs and other employee-related costs when incurred.

Defined benefit pension obligations
A defined benefit pension plan typically defines the amount of pension benefit that an employee will receive on retirement. For these plans, the Group's defined benefit obligation is calculated by independent actuaries using the projected unit credit method, which measures the pension obligation as the present value of estimated future cash outflows. The discount rate used is determined based on the yields for investment grade corporate bonds that have maturity dates approximating to the terms of the Group's obligations. Plan assets are measured at their fair value at the reporting date. The net surplus or deficit of the defined benefit plan is recognised as an asset or liability in the statement of financial position and represents the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets.

An asset is recognised only where there is an unconditional right to future benefits. The current and past service cost curtailments and settlements are charged to other expenses in the income statement.

Remeasurements which comprise gains and losses as a result of experience adjustments and changes in actuarial assumptions, the actual return on plan assets (excluding interest) and the effect of the asset ceiling are recognised immediately in other comprehensive income in the period in which they occur. Remeasurements are not reclassified to the income statement in subsequent periods. Administration costs (other than the costs of managing plan assets) are recognised in the income statement when the service is provided.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in the income statement when the plan amendment or curtailment occurs.

5: Significant accounting policies continued
5(k): Employee benefits continued

Employee share-based payments
The Group operates a number of share incentive plans for its employees. These involve an award of shares or options in the Group (equity-settled share-based payments). The Group has not granted awards under cash-settled plans in the current or prior year.

The Group's incentive plans have conditions attached before the employee becomes entitled to the award. These can be performance and/or service conditions (vesting conditions) or conditions that are often wholly within the control of the employee, for example where the employee has to provide funding during the vesting period, which is then used to exercise share options (non-vesting condition).

Performance conditions may be market-based or non-market-based. Market-based performance conditions are those related to an entity's equity, such as achieving a specified share price or target based on a comparison of the entity's share price with an index of share prices. Non-market performance conditions are those related to an entity's profit or revenue targets, an example of which would be Earnings per Share ("EPS"). Market-based performance conditions and non-vesting conditions are taken into account when estimating the fair value of the share or option awards at the measurement date. The fair value of the share awards or options is not adjusted to take into account non-market performance features. These are taken into consideration by adjusting the number of equity instruments in the share-based payment measurement and this adjustment is made each period until the equity instruments vest.

The fair value of share-based payment awards granted is recognised as an expense in the income statement over the vesting period which accords with the period for which related services are provided by the employee. A corresponding increase in equity is recognised for equity-settled plans.

For equity-settled plans, the fair value is determined at grant date and not subsequently remeasured.

At each period end, the Group reassesses the number of equity instruments expected to vest and recognises any difference between the revised and original estimate in the income statement with a corresponding adjustment to the share-based payments reserve in equity.

At the time the equity instruments vest, the amount recognised in the share-based payments reserve in respect of those equity instruments is transferred to retained earnings.

5(l): Tax
Current tax
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to income tax payable in respect of previous years. In the UK, a change in tax law is substantively enacted when it has been accepted by the House of Commons. Current tax is charged or credited to the income statement, except when it relates to items recognised directly in equity or in other comprehensive income.

Deferred tax
Deferred tax represents the tax on profits or losses which are required by law to be taxed in a different year to the year in which they impact the Group's financial statements.

Deferred tax is calculated according to the statement of financial position method, based on temporary differences between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax is charged or credited to the income statement, except when it relates to items recognised directly in equity or in other comprehensive income. In certain circumstances, as permitted by accounting standards, deferred tax balances are not recognised. In particular, where the liability relates to the initial recognition of goodwill, or transactions that are not a business combination and at the time of their occurrence affect neither accounting nor taxable profit. Note 29 includes further detail of circumstances in which the Group does not recognise temporary differences.

Policyholder tax
Certain products are subject to tax on the policyholder investment returns. This 'policyholder tax' is an element of the Group's total tax expense. To make the tax expense more meaningful, tax attributable to policyholder returns and tax attributable to equity holders' profits is shown separately.

The tax attributable to policyholder returns is the amount payable in the year plus the movement of amounts expected to be payable in future years. The remainder of the tax expense is attributed to shareholders as tax attributable to equity holders' profits.

5: Significant accounting policies continued

5(m): Goodwill and intangible assets

The recognition of goodwill arises on the acquisition of a business and represents the premium paid over the fair value of the Group's share of the identifiable assets and liabilities acquired at the date of acquisition. Intangible assets include intangible assets initially recognised as part of a business combination, purchased assets and internally generated assets, such as software development costs related to amounts recognised for in-house systems development.

Goodwill and goodwill impairment

Goodwill arising on the Group's investments in subsidiaries is shown as a separate asset, while that on associates, where it arises, is included within the carrying value of those investments. Goodwill is recognised as an asset at cost at the date when control is achieved (the acquisition date) and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to annual impairment reviews.

Goodwill is allocated to one or more groups of cash-generating units ("CGUs") expected to benefit from the synergies of the combination, where the CGU represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is reviewed for impairment at least annually as a matter of course even if there is no indication of impairment, and whenever an event or change in circumstances occurs which indicates a potential impairment. For impairment testing, the carrying value of goodwill is compared to the recoverable amount. The recoverable amount is the higher of value-in-use and the fair value less costs of disposal. Any impairment loss is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of an operation within a group of CGUs to which goodwill has been allocated, the goodwill associated with that operation is included in the carrying amount of the operation when determining the gain or loss on disposal. It is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Intangible assets acquired as part of a business combination

Intangible assets acquired as part of a business combination are recognised where they are separately identifiable and can be measured reliably. Acquired intangible assets consist primarily of contractual relationships such as customer relationships and distribution channels. Such items are capitalised at their fair value, represented by the estimated net present value of the future cash flows from the relevant relationships acquired at the date of acquisition. Brands and similar items acquired as part of a business combination are capitalised at their fair value based on a 'relief from royalty' valuation methodology.

Subsequent to initial recognition, acquired intangible assets are measured at cost less amortisation and any recognised impairment losses. Amortisation is recognised at rates calculated to write off the cost or valuation less estimated residual value, using a straight-line method over their estimated useful lives as set out below:

- Distribution channels 8 years
- Customer relationships 7-10 years
- Brands 5 years

The economic lives are determined by considering relevant factors such as usage of the asset, product life cycles, potential obsolescence, competitive position and stability of the industry. The amortisation period is re-evaluated at the end of each financial year.

Internally developed software

There are a number of factors taken into account when considering whether internally developed software meets the recognition criteria in IAS 38 Intangible Assets. Where, for example, a third-party provider retains ownership of the software, this will not meet the control criterion in the standard (i.e. the power to obtain benefits from the asset) and the costs will be expensed as incurred.

Where it is capitalised, internally developed software is held at cost less accumulated amortisation and impairment losses. Such software is recognised in the statement of financial position if, and only if, it is probable that the relevant future economic benefits attributable to the software will flow to the Group and its cost can be measured reliably.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of the relevant software, which range between three and five years, depending on the nature and use of the software.

Research and development

Costs incurred in the research phase are expensed, whereas costs incurred in the development phase are capitalised, subject to meeting specific criteria, as set out in the relevant accounting standards and guidance. In particular, for the costs to be capitalised, it is a requirement that future economic benefits can be identified as resulting from the development expenditure. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the relevant software, which range from three to five years, depending on the nature and use of the software.

Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

5: Significant accounting policies continued
5(m): Goodwill and intangible assets continued

Impairment testing for intangible assets
For intangible assets with finite lives, impairment charges are recognised where evidence of impairment is observed. Indicators of impairment can be based on external factors, such as significant adverse changes to the asset as part of the overall business environment and internal factors, such as worse than expected performance reflected in the Group's three-year Business Plan. If an indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is calculated as the higher of fair value less costs to sell and value-in-use. If the recoverable amount of an intangible asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense in the income statement immediately. Where an intangible asset is not yet available for use, it is subject to an annual impairment test by comparing the carrying value with the recoverable amount. The recoverable amount is estimated by considering the ability of the asset to generate sufficient future economic benefits to recover the carrying value.

5(n): Property, plant and equipment
Aside from right-of-use assets, property, plant and equipment consist principally of computer equipment and fixtures and fittings and are stated at cost less accumulated depreciation and any recognised impairment losses. Cost includes the original purchase price of the asset and the costs of bringing the asset to its working condition for its intended use. Depreciation is charged to profit or loss on a straight-line basis to write down the cost of the asset to its residual value over its estimated useful life. The following maximum useful lives are applied:
- Property leased by the Group – length of the lease
- Plant and equipment – 5 to 10 years

Leased plant and equipment is never depreciated over a period longer than the term of the lease.

Management determines useful lives and residual values for assets when they are acquired, based on experience of similar assets and taking into account other relevant factors such as any expected changes in technology. The Group assesses and, where appropriate, adjusts the useful life, residual value and depreciation method for property plant and equipment on an annual basis.

Items of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Where the carrying amount of an asset is greater than its estimated recoverable amount, which represents the higher of the asset's fair value less costs of disposal and value-in-use, it is written down immediately to its recoverable amount and an impairment loss is recognised in the income statement. Impaired non-financial assets, except goodwill, are reviewed for possible reversal of the impairment at each reporting date. On derecognition of an item of equipment, any gain or loss on disposal, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is included in profit or loss at the date of the disposal. Items of property and equipment that are not owned by the Group but are held under lease arrangements are accounted for in accordance with the accounting policy on leases.

5(o): Leases
Under IFRS 16, the Group assesses whether a contract is or contains a lease at inception of the contract. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess where a contract conveys the right to control the use of an identified asset, the Group assesses whether:
- the contract involves the use of an identified asset which may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

For lessee contracts, the right-of-use asset is initially measured at cost, which comprises the initial amount of lease liability, adjusted for any lease payments made at or before the commencement date, and any initial direct costs incurred. Adjustments are also made, where appropriate, to recognise provisions for property restoration costs and lease incentives received such as rent-free periods. The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the asset-specific incremental borrowing rates.

Subsequent to lease commencement, the Group measures the right-of-use asset using a cost model, whereby the asset is held at cost less accumulated depreciation and any accumulated impairment. Depreciation is charged to the income statement on a straight-line basis to write down the cost of the right-of-use asset to its residual value over its estimated useful life which is dependent on the length of the lease. In addition, the carrying amount of the right-of-use asset may be adjusted for certain remeasurements of the lease liability. The lease liability is subsequently measured at amortised cost using the effective interest method and also reflects any lease modifications or reassessments.

The Group presents its right-of-use assets within "Property, plant and equipment" and lease liabilities within "Borrowings and lease liabilities" in the statement of financial position.

The Group currently has material lease commitments of varying durations for the rental of a number of office buildings. The Group's future lease cash outflows are not materially exposed to variable lease payments, low value or short-term leases, residual value guarantees or restrictions imposed by a lease contract or sale and leaseback transactions.

5: Significant accounting policies continued
5(o): Leases continued

Subleases

Where the Group sublets a leased asset to a third party, it accounts for its interest in the sublease separately from the head lease. In determining whether a sublease is a finance or operating lease, the Group assesses whether the sublease has transferred substantially all the risk and rewards of the right-of-use asset arising from the head lease to the sublessee.

Where the sublease does transfer substantially all the risk and rewards of the right-of-use asset to the sublessee, the Group derecognises the right-of-use asset and a net investment in finance leases is recognised. The net investment in finance lease is calculated as the present value of the future lease payments receivable under the sublease. Any difference between the initial value of the net investment in finance leases and the right-of-use asset derecognised is recognised immediately in the income statement. Interest is calculated on the net investment in finance lease using the discount rate and is recognised in the income statement as finance income.

Where the sublease does not transfer substantially all the risk and rewards of the right-of-use asset to the sublessee, the Group continues to recognise the right-of-use asset. The sublease is accounted for as an operating lease with the lease payments received recognised as other income in the income statement. Lease incentives granted are recognised as part of the rental income and are spread over the lease term.

The Group had no material subleases at 31 December 2022 (2021: none).

5(p): Assets and liabilities held for sale and discontinued operations

Assets (and disposal groups) are classified as held for sale if their carrying amount is expected to be recovered by means of a sale rather than through continuing use. This condition is regarded as having been met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year of the date of classification. Assets and liabilities held for sale are presented separately in the consolidated statement of financial position.

Assets and liabilities (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and their fair value less costs to sell. No depreciation or amortisation is charged on a non-current asset while classified as held for sale or while part of a disposal group classified as held for sale.

The Group classifies areas of the business as discontinued operations where they have been disposed of or are classified as held for sale at the year end, which either represent a separate major line of business or geographical area or are part of a plan to dispose of one or are subsidiaries acquired exclusively with a view to resale.

When an asset (or disposal group) ceases to be classified as held for sale, the individual assets and liabilities cease to be shown separately in the statement of financial position at the end of the year in which the classification changes. Comparatives are not restated. If the line of business was previously presented as a discontinued operation and subsequently ceases to be classified as held for sale, profit and loss and cash flows of the comparative period are restated to show that line of business as a continuing operation.

5(q): Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more probable than not that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date. Where the effect of the time value of money is material, provisions are discounted and represent the present value of the expected expenditure. Provisions are not recognised for future operating costs or losses.

The Group recognises specific provisions where they arise for the situations outlined below:

- Client compensation and related costs, when the Group compensates clients in the context of providing fair customer outcomes.
- Onerous contracts, when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting the obligations under the contract.
- Corporate restructuring, only if the Group has approved a detailed formal plan and raised a valid expectation among those parties directly affected, that the plan will be carried out either by having commenced implementation or by publicly announcing the plan's main features. Such provisions include the direct expenditure arising from the restructuring, such as employee termination payments but not those costs associated with the ongoing activities of the Group.
- Legal uncertainties and the settlement of other claims.
- Property provisions, where the Group has an obligation to restore a property to its original condition at the end of the lease.

Contingent liabilities are possible obligations of the Group of which the timing and amount are subject to significant uncertainty. Contingent liabilities are not recognised in the consolidated statement of financial position, unless they are assumed by the Group as part of a business combination. They are, however, disclosed, unless they are considered to be remote. If a contingent liability becomes probable and the amount can be reliably measured it is no longer treated as contingent and it is recognised as a liability.

Contingent assets, which are possible benefits to the Group, are only disclosed if it is probable that the Group will receive the benefit. If such a benefit becomes virtually certain, it is no longer considered contingent and is recognised on the consolidated statement of financial position as an asset.

5: Significant accounting policies continued

5(r): Foreign currency translation

The Group's presentation currency is pounds sterling. The functional currency of the Group's foreign operations is the currency of the primary economic environment in which these entities operate. The Parent Company functional currency is pounds sterling. Income statements and cash flows of foreign entities are translated into the Group's presentation currency at average exchange rates for the year and their statements of financial position are translated at the year-end exchange rates. Exchange rate differences arising from the translation of the net investment in foreign subsidiaries are recognised in other comprehensive income and taken to the currency translation reserve which forms part of other reserves within equity. To the extent that these gains and losses are effectively hedged, the cumulative effect of such gains and losses arising on the hedging instruments are also included in that component of shareholders' equity. On disposal of a foreign entity, exchange differences are transferred out of this reserve to the income statement as part of the gain or loss on sale.

Foreign currency transactions are converted into the relevant functional currency at the exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the relevant functional currency at exchange rates prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the functional currency at the exchange rates prevailing at the dates the fair values were determined. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are converted into the functional currency at the rate of exchange at the time of the initial recognition of the asset and liability and are not subsequently retranslated.

Exchange gains and losses on the translation and settlement during the year of foreign currency assets and liabilities are recognised in profit or loss. Exchange differences for non-monetary items are recognised in the statement of other comprehensive income when the changes in the fair value of the non-monetary item are recognised in the statement of other comprehensive income, and in profit or loss if the changes in fair value of the non-monetary item are recognised in profit or loss.

5(s): Share capital

Equity instruments

Shares are classified as equity instruments when there is no contractual obligation to deliver cash or other assets to another entity on terms that may be unfavourable. The value of the Company's share capital consists of the number of Ordinary Shares in issue multiplied by their nominal value. The difference between the proceeds received on the issue of the shares and the nominal value of the shares issued is recorded in share premium.

Share issue costs

Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of the issue and disclosed where material.

Dividends

Dividends are distributions of profit to holders of the Group's share capital and as a result are recognised as a deduction in equity. Dividends payable to holders of equity instruments are recognised in the period in which they are authorised or approved. Interim dividends payable to holders of the Group's Ordinary Share capital are announced with the half-year results and authorised by the Directors of the Parent Company. The final dividend is announced with the Annual Report and typically requires shareholder approval at the Annual General Meeting. For this reason, it is not included as a liability in the annual financial statements for the year to which the final dividend relates.

Shares held by trusts

Shares in the Parent Company that are held by the Employee Benefit Trust ("EBT") are treated as "Own shares". The EBT purchases shares in the Parent Company for delivery to employees under employee incentive plans. Purchased shares are recognised as a deduction from equity at the price paid for them.

5(t): Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the Ordinary Shareholders of the Parent Company by the weighted average number of Ordinary Shares in issue during the year, excluding Ordinary Shares held within employee benefit trusts ("EBTs") and shares held in consolidated funds ("Own shares"). Own shares are deducted for the purpose of calculating both basic and diluted EPS.

Diluted earnings per share recognises the dilutive impact of shares awarded and options granted to employees under share-based payment arrangements, to the extent they have value, in the calculation of the weighted average number of shares, as if the relevant shares were in issue for the full year, and are calculated by increasing the weighted average number of Ordinary Shares outstanding to assume conversion of all dilutive potential Ordinary Shares, notably those related to employee share schemes.

The Group is also required to calculate HEPS in accordance with the Johannesburg Stock Exchange ("JSE") Listing Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 1/2021 Headline Earnings. Disclosure of HEPS is not a requirement of IFRS, but it is a commonly used measure of earnings in South Africa.

6: Business combinations

6(a): Business disposals

Year ended 31 December 2022

There have been no material disposals of businesses during the year ended 31 December 2022.

Year ended 31 December 2021

On 30 November 2021, the Group completed the sale of Quilter International to Utmost Group for consideration of £481 million. The Group recognised a profit on disposal of £89 million. Provisions established in respect of this disposal are shown in note 28. Separation, migration and decommissioning expenses of £19 million incurred as a result of the disposal were included within Other operating and administrative expenses in the discontinued operations income statement for 2021.

Profit on sale of operations

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
	Quilter International and Single Strategy business	Quilter International and Single Strategy business[1]
Quilter International		
Consideration received	–	481
Less: transaction costs	–	(17)
Net proceeds from sale	–	464
Carrying value of net assets disposed of	–	(324)
Goodwill allocated and disposed of	–	(50)
Recycling of foreign currency translation reserve	–	(1)
Profit on sale of Quilter International	–	89
Change in accrued expenses in relation to the Single Strategy business (sold in 2018)	–	1
Profit on sale of operations before tax	**–**	**90**
Separation, migration and decommissioning costs	–	(19)
Profit on disposal after separation, migration and decommissioning costs	**–**	**71**

[1]In 2021, the Group also sold LighthouseCarrwood Limited generating a profit of £2 million which is not reflected in the table above as the former subsidiary's activities did not represent a major line of business and therefore is regarded as being part of the Group's continuing operations.

6: Business combinations continued

6(b): Discontinued operations – income statement

In the prior year, the Group's discontinued operations principally related to Quilter International, the sale of which completed on 30 November 2021.

	Notes	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Income			
Gross earned premiums		–	1
Premiums ceded to reinsurers		–	(1)
Fee income and other income from service activities	9(a)	–	169
Investment return	9(b)	–	1,816
Other income		–	1
Total income		**–**	**1,986**
Expenses			
Change in investment contract liabilities	27	–	(1,818)
Fee and commission expenses, and other acquisition costs		–	(72)
Other operating and administrative expenses		–	(55)
Total expenses		**–**	**(1,945)**
Profit on sale of operations before tax	6(a)	–	90
Profit before tax attributable to equity holders from discontinued operations		**–**	**131**
Profit after tax from discontinued operations		**–**	**131**
Attributable to:			
Equity holders of Quilter plc		**–**	**131**
Earnings per Ordinary Share on profit attributable to Ordinary Shareholders of Quilter plc			
Basic – from discontinued operations (pence)	12(b)	**–**	**8.0**
Diluted – from discontinued operations (pence)	12(b)	**–**	**7.8**

6(c): Discontinued operations – statement of comprehensive income

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Profit after tax	–	131
Total comprehensive income from discontinued operations	**–**	**131**

6(d): Discontinued operations – net cash flows

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Total net cash flows from operating activities	–	276
Total net cash flows from investing activities	–	(411)
Total net cash flows from financing activities	–	(2)
Net decrease in cash and cash equivalents	**–**	**(137)**

6(e): Assets and liabilities held for sale

Assets classified as held for sale at 31 December 2022 relate to a leasehold interest in an office property which is vacant for which the Group is actively seeking a buyer. There were no assets or liabilities classified as held for sale at 31 December 2021.

6: Business combinations continued

6(f): Business acquisitions

There have been no material acquisitions of businesses during the year ended 31 December 2022 or the year ended 31 December 2021.

Contingent consideration arising from historical business acquisitions:

The table below details the movements in the contingent consideration balance during the current and prior year arising from the business acquisitions in previous years.

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Opening balance	5	16
Payments	(5)	(7)
Financing interest charge	–	1
Unused amounts reversed and other movements	–	(5)
Closing balance	**–**	**5**

Contingent consideration represents the Group's best estimate of the amount payable in relation to each acquisition discounted to net present value. The basis used for each acquisition varies but includes payments based on a percentage of the level of assets under administration, funds under management and levels of ongoing fee income at future dates.

7: Alternative performance measures ("APMs")

7(a): Adjusted profit before tax and reconciliation to profit after tax

Basis of preparation of adjusted profit before tax

Adjusted profit before tax is one of the Group's alternative performance measures and represents the Group's IFRS profit, adjusted for specific items that management considers to be outside of the Group's normal operations or one-off in nature, as detailed in note 7(b). Adjusted profit before tax does not provide a complete picture of the Group's financial performance, which is disclosed in the IFRS income statement, but is instead intended to provide additional comparability and understanding of the financial results.

	Notes	Year ended 31 December 2022 £m	Year ended 31 December 2021 Continuing operations £m	Year ended 31 December 2021 Discontinued operations[1] £m	Year ended 31 December 2021 Total £m
Affluent		105	111	50	161
High Net Worth		45	56	–	56
Head Office		(16)	(29)	–	(29)
Adjusted profit before tax		**134**	**138**	**50**	**188**
Reallocation of Quilter International costs		–	(10)	10	–
Adjusted profit before tax after reallocation	8(b)	**134**	**128**	**60**	**188**
Adjusting items:					
Impact of acquisition and disposal-related accounting	7(b)(i)	(42)	(41)	–	(41)
Profit on business disposals[2]	6(a)	–	2	90	92
Business transformation costs	7(b)(ii)	(30)	(51)	(19)	(70)
Managed separation costs	7(b)(iii)	–	(2)	–	(2)
Finance costs	7(b)(iv)	(10)	(10)	–	(10)
Policyholder tax adjustments	7(b)(v)	138	(7)	–	(7)
Voluntary customer repayments	7(b)(vi)	(6)	–	–	–
Other adjusting items	7(b)(vii)	(1)	–	–	–
Exchange rate gain (ZAR/GBP)	7(b)(viii)	4	–	–	–
Customer remediation	7(b)(ix)	12	(7)	–	(7)
Total adjusting items before tax		**65**	**(116)**	**71**	**(45)**
Profit before tax attributable to equity holders		**199**	**12**	**131**	**143**
Tax attributable to policyholder returns	11(a)	(134)	73	–	73
Income tax credit/(expense)	11(a,b)	110	(62)	–	(62)
Profit after tax[3]		**175**	**23**	**131**	**154**

[1]2021 discontinued operations include the results of Quilter International.
[2]In 2021, the discontinued operations profit on business disposals of £90 million resulted from the disposal of Quilter International. The £2 million continuing operations profit on business disposals resulted from the disposal of LighthouseCarrwood Limited. See note 6(a) for details.
[3]IFRS profit after tax.

7: Alternative performance measures ("APMs") continued

7(b): Adjusting items

In determining adjusted profit before tax, the Group's IFRS profit before tax is adjusted for specific items that management considers to be outside of the Group's normal operations or one-off in nature. These are detailed below.

7(b)(i): Impact of acquisition and disposal-related accounting

Goodwill and other acquired intangibles are recognised on the acquisition of a business and represent the premium paid over the fair value of the Group's share of the identifiable assets and liabilities acquired at the date of acquisition (as recognised under IFRS 3 Business Combinations). The Group excludes any impairment of goodwill from adjusted profit as well as the amortisation and impairment of acquired intangible assets, any acquisition costs, finance costs related to the discounting of contingent consideration and incidental items relating to past disposals.

The effect of these adjustments to determine adjusted profit are summarised below. All adjustments are in respect of continuing operations.

	Note	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Amortisation of other acquired intangible assets	14	42	45
Fair value gains on revaluation of contingent consideration		–	(5)
Unwinding of discount on contingent consideration		–	1
Total impact of acquisition and disposal-related accounting		**42**	**41**

7(b)(ii): Business transformation costs

Business transformation costs include four key items: costs associated with the UK Platform Transformation Programme, Optimisation programme costs, Business Simplification costs and business separation costs following disposal of Quilter International. For the year ended 31 December 2022, these costs totalled £30 million (31 December 2021: £70 million) in aggregate, the principal components of which are described below:

UK Platform Transformation Programme – 31 December 2022: £nil, 31 December 2021: £28 million

The Platform Transformation Programme concluded in 2021 with lifetime costs of £202 million. No further costs were incurred in 2022.

Optimisation programme costs – 31 December 2022: £6 million, 31 December 2021: £22 million

The Optimisation programme commenced in 2018 to provide closer business integration, create central support, rationalise technology and reduce third-party spend. The programme has now achieved its target of delivering annualised run-rate cost savings of £65 million with total implementation costs since inception of £87 million. This programme concluded during 2022.

Business Simplification costs – 31 December 2022: £17 million, 31 December 2021: £nil

The Business Simplification programme is anticipated to reduce operating costs by £45 million on a run-rate basis, with implementation costs expected to be £55 million. The Group continues to simplify its structures and organisation to support the two business segments. To date, the programme has delivered £23 million of annualised run-rate cost savings with an implementation cost of £17 million.

Restructuring costs following the disposal of Quilter Life Assurance – 31 December 2022: £3 million, 31 December 2021: £1 million

Following the sale of Quilter Life Assurance in 2019, the Group entered into a Transitional Service Agreement with the buyer, ReAssure. During the year ended 31 December 2022, the Group recognised £3 million for property exit costs following the conclusion of the Transitional Service Agreement.

Business separation costs following disposal of Quilter International – 31 December 2022: £nil, 31 December 2021: £19 million

The costs of business separation arise from the process to separate Quilter International's infrastructure, which is complex and covers a wide range of areas including people, IT systems, data and contracts facilities. A programme team has been established to ensure the transformation of these areas to the acquirer. These provisions have been based on external quotations and estimations, together with estimates of the time required for incremental resource costs to achieve the separation. The costs are predominantly expected to occur over a three-year period.

The Group has provided for the future restructuring costs arising due to the sale of Quilter International to Utmost Group on 30 November 2021, including the cost of migrating IT systems and data to the acquirer, as the Transitional Service Agreement with Utmost Group (the acquirer) runs off and the remaining Quilter business is restructured following the disposal.

Investment in business costs – 31 December 2022: £4 million, 31 December 2021: £nil

Investment in business costs of £4 million were incurred in 2022 as the Group continues to enable and support advisers and clients and improve productivity through better utilisation of technology.

7(b)(iii): Managed separation costs

For the year ended 31 December 2022, no managed separation costs were incurred (31 December 2021: £2 million). In prior periods, these one-off costs related to the Group's separation from Old Mutual and were excluded from adjusted profit because they related to a fundamental restructuring of the Group and were not representative of the operating activity of the Group. No further costs associated with managed separation are anticipated.

7: Alternative performance measures ("APMs") continued

7(b)(iv): Finance costs
The nature of much of the Group's operations means that, for management's decision-making and internal performance management, the effects of interest costs on external borrowings are removed when calculating adjusted profit. For the year ended 31 December 2022, finance costs were £10 million (31 December 2021: £10 million).

7(b)(v): Policyholder tax adjustments
For the year ended 31 December 2022, the total amount of policyholder tax adjustments to adjusted profit is £138 million charge (31 December 2021: £7 million credit). Adjustments to policyholder tax are made to remove distortions arising from market volatility that can, in turn, lead to volatility in the policyholder tax charge between periods. The recognition of the income received from policyholders (which is included within the Group's income) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding tax expense, creating volatility in the Group's IFRS profit or loss before tax attributable to equity holders. Note 11(a) provides further information on the impact of markets on the policyholder tax charge. Adjustments are also made to remove policyholder tax distortions from other non-operating adjusting items.

7(b)(vi): Voluntary customer repayment
For the year ended 31 December 2022, these costs were £6 million (31 December 2021: £nil) and relate to a change in business policy. The voluntary repayments represent amounts to be paid to customers relating to revenue previously recognised in respect of Final Plan Closure receipts.

7(b)(vii): Other adjusting items
For the year ended 31 December 2022, these costs were £1 million (31 December 2021: £nil) and relate to the impairment of an indemnification asset.

7(b)(viii): Exchange rate gain (ZAR/GBP)
For the year ended 31 December 2022, income of £4 million was received (31 December 2021: £nil) and related to a foreign exchange gain on cash held in South African Rand in preparation for the capital return and final dividend payments in May 2022. Cash was converted to South African Rand upon announcement of the details of the capital return and dividend payment to provide an economic hedge for the Group. The foreign exchange gain is fully offset by an equal amount taken directly to retained earnings. See note 4 for further detail.

7(b)(ix): Customer remediation
Lighthouse pension transfer advice provision – 31 December 2022: net income £12 million, 31 December 2021: net expenses £7 million

In 2022, insurance proceeds in relation to claims in respect of legal liabilities arising in connection with Lighthouse's DB to DC pension transfer advice cases have been received, contributing £12 million to the Group's profit before tax. These have been excluded from adjusted profit on the basis that the advice activities to which the charge and benefit relate took place prior to the Group's acquisition of the business. The provision for the redress of British Steel Pension Scheme cases and other DB to DC pension transfer cases, excluding the impact of payments made, has decreased by a further £4 million in the year, which has been recognised in the income statement as a reduction of expenses (31 December 2021: £7 million expense). This decrease reflects the impact of the final redress calculations performed compared with the provision estimated, as part of the ongoing skilled person review, and an estimate for further customer redress following the skilled person's recommendation of a review of additional cases. During the year, £4 million of additional legal, consulting, and other costs were incurred. Further details of the provision are provided in note 28.

7(c): IFRS profit before tax from continuing operations (excluding amortisation, policyholder tax adjustments and other one-off items)
For remuneration purposes, the Group uses IFRS profit before tax from continuing operations adjusted for specific items that management considers to be outside of the Group's normal operations or one-off in nature, as shown below. For further details refer to the Remuneration Report (page 95) and KPIs (page 14).

	Notes	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
IFRS profit before tax attributable to equity holders (excluding amortisation, policyholder tax adjustments and other one-off items)		103	68
Adjusted for the following:			
Reallocation of Quilter International costs		–	(10)
Profit on business disposals	6(a)	–	2
Impact of acquisition and disposal-related accounting	7(b)(i)	(42)	(41)
Policyholder tax adjustments	7(b)(v)	138	(7)
Profit before tax attributable to equity holders		**199**	**12**

7: Alternative performance measures ("APMs") continued

7(d): Reconciliation of IFRS income and expenses to "Total net fee revenue" and "Operating expenses" within adjusted profit

This reconciliation shows how each line of the Group's consolidated IFRS income statement is allocated to the Group's APMs: Net management fees, Total net fee revenue and Operating expenses, which are all defined on pages 210 and 211 and form the Group's adjusted profit before tax for continuing operations. The IFRS income statement column in the table below, down to "Profit before tax attributable to equity holders from continuing operations", reconciles to each line of the Group's consolidated income statement. Allocations are determined by management and aim to show the Group's sources of profit (net of relevant directly attributable expenses). These allocations remain consistent from period to period to ensure comparability, unless otherwise stated.

Year ended 31 December 2022	Net mgmt. fees[1] £m	Other revenue[1] £m	Total net fee revenue[1] £m	Operating expenses[1] £m	Adjusted profit before tax £m	Consol. of funds[2] £m	Consolidated income statement £m
Income							
Fee income and other income from service activities	548	95	643	–	643	(62)	581
Investment return	–	(4,292)	(4,292)	–	(4,292)	(357)	(4,649)
Other income	–	5	5	21	26	2	28
Total income	**548**	**(4,192)**	**(3,644)**	**21**	**(3,623)**	**(417)**	**(4,040)**
Expenses							
Change in investment contract liabilities	–	4,318	4,318	–	4,318	–	4,318
Fee and commission expenses, and other acquisition costs	(46)	1	(45)	–	(45)	(9)	(54)
Change in third-party interests in consolidated funds	–	–	–	–	–	438	438
Other operating and administrative expenses	(15)	–	(15)	(557)	(572)	(12)	(584)
Finance costs	–	–	–	(13)	(13)	–	(13)
Total expenses	**(61)**	**4,319**	**4,258**	**(570)**	**3,688**	**417**	**4,105**
Tax credit attributable to policyholder returns	134	–	134	–	134	–	134
Profit before tax attributable to equity holders from continuing operations	**621**	**127**	**748**	**(549)**	**199**	**–**	**199**
Adjusting items:							
Impact of acquisition and disposal-related accounting	–	–	–	42	42		
Business transformation costs	–	–	–	30	30		
Voluntary customer repayments	–	–	–	6	6		
Other adjusting items	–	–	–	1	1		
Finance costs	–	–	–	10	10		
Exchange rate gain (ZAR/GBP)	–	(4)	(4)	–	(4)		
Customer remediation	–	–	–	(12)	(12)		
Policyholder tax adjustments	(138)	–	(138)	–	(138)		
Adjusting items	**(138)**	**(4)**	**(142)**	**77**	**(65)**		
Adjusted profit before tax – continuing operations	**483**	**123**	**606**	**(472)**	**134**		

[1]The APMs "Net Management Fees", "Other revenue", "Total net fee revenue" and "Operating expenses" are commented on within the Financial review.
[2]Consolidation of funds shows the grossing up impact to the Group's consolidated income statement as a result of the consolidation of funds requirements, as described within note 5(a). This grossing up is excluded from the Group's adjusted profit.

7: Alternative performance measures ("APMs") continued
7(d): Reconciliation of IFRS income and expenses to "Total net fee revenue" and "Operating expenses" within adjusted profit continued

Year ended 31 December 2021	Net mgmt. fees[1] £m	Other revenue[1] £m	Total net fee revenue[1] £m	Operating expenses[1] £m	Adjusted profit before tax £m	Consol. of funds[2] £m	Consolidated income statement £m
Income							
Fee income and other income from service activities	633	111	744	–	744	(78)	666
Investment return	–	3,294	3,294	–	3,294	708	4,002
Other income	–	1	1	15	16	2	18
Total income	**633**	**3,406**	**4,039**	**15**	**4,054**	**632**	**4,686**
Expenses							
Change in investment contract liabilities	–	(3,293)	(3,293)	–	(3,293)	–	(3,293)
Fee and commission expenses, and other acquisition costs	(52)	4	(48)	–	(48)	(13)	(61)
Change in third-party interests in consolidated funds	–	–	–	–	–	(599)	(599)
Other operating and administrative expenses	(15)	1	(14)	(602)	(616)	(20)	(636)
Finance costs	–	–	–	(14)	(14)	–	(14)
Total expenses	**(67)**	**(3,288)**	**(3,355)**	**(616)**	**(3,971)**	**(632)**	**(4,603)**
Profit on business disposal	–	2	2	–	2	–	2
Tax expense attributable to policyholder returns	(73)	–	(73)	–	(73)	–	(73)
Profit before tax attributable to equity holders from continuing operations	**493**	**120**	**613**	**(601)**	**12**	**–**	**12**
Adjusting items:							
Impact of acquisition and disposal-related accounting	–	–	–	41	41		
Profit on business disposal	–	(2)	(2)	–	(2)		
Business transformation costs	–	–	–	51	51		
Managed separation costs	–	–	–	2	2		
Finance costs	–	–	–	10	10		
Customer remediation	–	–	–	7	7		
Policyholder tax adjustments	7	–	7	–	7		
Adjusting items	**7**	**(2)**	**5**	**111**	**116**		
Adjusted profit before tax after reallocation	500	118	618	(490)	128		
Reallocation of Quilter International costs[3]	–	–	–	10	10		
Adjusted profit before tax – continuing operations	**500**	**118**	**618**	**(480)**	**138**		

[1]The APMs "Net Management Fees", "Other revenue", "Total net fee revenue" and "Operating expenses" are commented on within the Financial review.
[2]Consolidation of funds shows the grossing up impact to the Group's consolidated income statement as a result of the consolidation of funds requirements, as described within note 5(a). This grossing up is excluded from the Group's adjusted profit.
[3]£10 million of Other operating and administrative expenses previously reported in Quilter International are presented within continuing operations, as costs of this nature did not transfer to Utmost Group (the acquirer) on disposal.

8: Segmental information

8(a): Segmental presentation

The Group's operating segments comprise High Net Worth and Affluent, which is consistent with the manner in which the Group is structured and managed. For all reporting periods, these segments have been classified as continuing operations in the consolidated income statement. Head Office includes certain revenues and central costs that are not allocated to the segments. There have been no changes to the basis of segmentation for the periods presented within these consolidated financial statements.

Adjusted profit before tax is an APM reported to the Group's management and Board. Management and the Board use additional performance indicators to assess the performance of each of the segments, including net client cash flows, assets under management and administration, total net fee revenue and operating margin.

Consistent with internal reporting, income and expenses that are not directly attributable to a particular segment are allocated between segments where appropriate. The Group accounts for inter-segment income and transfers as if the transactions were with third parties at current market prices. Intra-group recharges in respect of operating and administration expenses within businesses disclosed as discontinued operations are not adjusted for potential future changes to the level of remaining costs following the disposal of those businesses.

The segmental information in this note reflects the adjusted and IFRS profit measures for each operating segment as provided to management and the Board. Income is analysed in further detail for each operating segment in note 9.

Continuing operations:

High Net Worth

This segment comprises Quilter Cheviot and Quilter Private Client Advisers.

Quilter Cheviot provides discretionary investment management predominantly in the United Kingdom with bespoke investment portfolios tailored to the individual needs of High Net Worth clients, charities, companies and institutions through a network of branches in London and the regions. Investment management services are also provided by operations in the Channel Islands and the Republic of Ireland.

Quilter Private Client Advisers provide financial advice for protection, mortgages, savings, investments and pensions predominantly to High Net Worth clients.

Affluent

This segment is comprised of Quilter Investment Platform, Quilter Investors and Quilter Financial Planning.

Quilter Investment Platform is a leading investment platform provider of advice-based wealth management products and services in the UK, which serves a largely Affluent client base through advised multi-channel distribution.

Quilter Investors is a leading provider of investment solutions in the UK multi-asset market. It develops and manages investment solutions in the form of funds for the Group and third-party clients. It has several fund ranges which vary in breadth of underlying asset class.

Quilter Financial Planning is a restricted and independent financial adviser network including Quilter Financial Advisers and Lighthouse, providing mortgage and financial planning advice and financial solutions for both individuals and businesses through a network of intermediaries. It operates across all markets, from wealth management and retirement planning advice through to dealing with property wealth and personal and business protection needs.

Head Office

In addition to the Group's two operating segments, Head Office comprises the investment return on centrally held assets, central support function expenses, central core structural borrowings and certain tax balances.

Discontinued operations

Quilter International is excluded from the segmental information for the year ended 31 December 2021 as it was sold on 30 November 2021. See note 6 for further details.

Quilter International was Quilter's cross-border business, focusing on High Net Worth and Affluent local clients and expatriates in the UK, Asia, the Middle East, Europe and Latin America.

8: Segmental information continued

8(b)(i): Adjusted profit statement – segmental information for the year ended 31 December 2022

The table below presents the Group's continuing operations split by operating segment, reconciling the segmented IFRS income statement (to "Profit/(loss) before tax attributable to equity holders from continuing operations") to adjusted profit before tax.

		Operating segments				
	Notes	Affluent £m	High Net Worth £m	Head Office £m	Consolidation adjustments[1] £m	Consolidated income statement £m
Income						
Fee income and other income from service activities		441	202	–	(62)	581
Investment return		(4,307)	9	8	(359)	(4,649)
Other income		112	3	5	(92)	28
Segmental income		**(3,754)**	**214**	**13**	**(513)**	**(4,040)**
Expenses						
Change in investment contract liabilities		4,318	–	–	–	4,318
Fee and commission expenses, and other acquisition costs		(46)	–	–	(8)	(54)
Change in third-party interests in consolidated funds		–	–	–	438	438
Other operating and administrative expenses		(410)	(202)	(53)	81	(584)
Finance costs		(3)	–	(12)	2	(13)
Segmental expenses		**3,859**	**(202)**	**(65)**	**513**	**4,105**
Profit/(loss) before tax from continuing operations		**105**	**12**	**(52)**	**–**	**65**
Tax credit attributable to policyholder returns		134	–	–	–	134
Profit/(loss) before tax attributable to equity holders from continuing operations		**239**	**12**	**(52)**	**–**	**199**
Adjusted for non-operating items:						
Impact of acquisition and disposal-related accounting	7(b)(i)	10	32	–	–	42
Business transformation costs	7(b)(ii)	–	–	30	–	30
Finance costs	7(b)(iv)	–	–	10	–	10
Policyholder tax adjustments	7(b)(v)	(138)	–		–	(138)
Voluntary customer repayments	7(b)(vi)	6	–		–	6
Other adjusting items	7(b)(vii)	–	1	–	–	1
Exchange rate gain (ZAR/GBP)	7(b)(viii)	–	–	(4)	–	(4)
Customer remediation	7(b)(ix)	(12)	–		–	(12)
Adjusting items before tax		(134)	33	36	–	(65)
Adjusted profit/(loss) before tax – continuing operations		**105**	**45**	**(16)**	**–**	**134**

[1]Consolidation adjustments comprise the elimination of inter-segment transactions and the consolidation of investment funds.

8: Segmental information continued

8(b)(ii): Adjusted profit statement – segmental information for the year ended 31 December 2021

		Operating segments					
	Notes	Affluent £m	High Net Worth £m	Head Office £m	Reallocation of Quilter International costs[1] £m	Consolidation adjustments[2] £m	Consolidated income statement £m
Income							
Fee income and other income from service activities		532	213	–	–	(79)	666
Investment return		3,293	–	1	–	708	4,002
Other income		110	–	–	–	(92)	18
Segmental income		**3,935**	**213**	**1**	**–**	**537**	**4,686**
Expenses							
Change in investment contract liabilities		(3,293)	–	–	–	–	(3,293)
Fee and commission expenses, and other acquisition costs		(48)	–	–	–	(13)	(61)
Change in third-party interests in consolidated funds		–	–	–	–	(599)	(599)
Other operating and administrative expenses		(463)	(187)	(51)	(10)	75	(636)
Finance costs		(4)	–	(10)	–	–	(14)
Segmental expenses		**(3,808)**	**(187)**	**(61)**	**(10)**	**(537)**	**(4,603)**
Profit on sale of subsidiary		2	–	–	–	–	2
Profit/(loss) before tax from continuing operations		**129**	**26**	**(60)**	**(10)**	**–**	**85**
Tax expense attributable to policyholder returns		(73)	–	–	–	–	(73)
Profit/(loss) before tax attributable to equity holders from continuing operations		**56**	**26**	**(60)**	**(10)**	**–**	**12**
Adjusted for non-operating items:							
Impact of acquisition and disposal-related accounting	7(b)(i)	11	30	–	–	–	41
Net profit on business disposals and acquisitions		(2)	–	–	–	–	(2)
Business transformation costs	7(b)(ii)	32	–	19	–	–	51
Managed separation costs	7(b)(iii)	–	–	2	–	–	2
Finance costs	7(b)(iv)	–	–	10	–	–	10
Policyholder tax adjustments	7(b)(v)	7	–	–	–	–	7
Customer remediation	7(b)(ix)	7	–	–	–	–	7
Adjusting items before tax		55	30	31	–	–	116
Adjusted profit/(loss) before tax after reallocation		**111**	**56**	**(29)**	**(10)**	**–**	**128**
Reallocation of Quilter International costs	6(b)	–	–	–	10	–	10
Adjusted profit/(loss) before tax – continuing operations		**111**	**56**	**(29)**	**–**	**–**	**138**

[1]£10 million of Other operating and administrative expenses previously reported in Quilter International are presented within continuing operations, as costs of this nature did not transfer to Utmost Group (the acquirer) on disposal.
[2]Consolidation adjustments comprise the elimination of inter-segment transactions and the consolidation of investment funds.

9: Details of revenue

This note gives further detail on the items appearing in the revenue section of the income statement.

9(a): Breakdown of income

This note analyses the Group's income into further detail based on the types of fees earned and split by operating segment, which is aligned to the Group's client base.

Year ended 31 December 2022	Affluent £m	High Net Worth £m	Head Office £m	Consolidation adjustments £m	Total continuing operations £m
Premium-based fees	75	21	–	–	96
Fund-based fees[1]	356	181	–	(62)	475
Fixed fees	2	–	–	–	2
Other fee and commission income	8	–	–	–	8
Fee income and other income from service activities	**441**	**202**	**–**	**(62)**	**581**
Investment return	(4,307)	9	8	(359)	(4,649)
Other income	112	3	5	(92)	28
Total income	**(3,754)**	**214**	**13**	**(513)**	**(4,040)**

Year ended 31 December 2021	Affluent £m	High Net Worth £m	Head Office £m	Consolidation adjustments £m	Total continuing operations £m	Discontinued operations £m
Premium-based fees	87	24	–	–	111	45
Fund-based fees[1]	376	189	–	(79)	486	81
Retrocessions received, intra-group	–	–	–	–	–	6
Fixed fees	2	–	–	–	2	26
Exit fees	–	–	–	–	–	11
Other fee and commission income	67	–	–	–	67	–
Fee income and other income from service activities	**532**	**213**	**–**	**(79)**	**666**	**169**
Investment return	3,293	–	1	708	4,002	1,816
Other income	110	–	–	(92)	18	1
Total income	**3,935**	**213**	**1**	**537**	**4,686**	**1,986**

[1]Income from fiduciary activities is included within fund-based fees.

9(b): Investment return

This note analyses the investment return from the Group's investing activities.

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Interest and similar income		
Loans and advances	–	1
Investments and securities	70	69
Cash and cash equivalents	24	–
Total interest and similar income	**94**	**70**
Dividend income	217	225
Foreign currency gains and losses	1	1
Total (losses)/gains on financial instruments mandatorily recognised at fair value through profit or loss	(4,961)	3,706
Net investment (loss)/income – continuing operations	**(4,649)**	**4,002**
Net investment income – discontinued operations	**–**	**1,816**
Total net investment (loss)/income	**(4,649)**	**5,818**

10: Details of expenses

This note provides further details in respect of the items appearing in the expenses section of the income statement.

10(a): Fee and commission expenses, and other acquisition costs

This note analyses the fee and commission expenses and other acquisition costs.

	Note	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Fee and commission expense		9	13
Renewal commission – investment contracts		29	30
Retrocessions paid		17	21
Changes in contract costs	23	(1)	(3)
Fee and commission expenses, and other acquisition costs – continuing operations		**54**	**61**
Fee and commission expenses, and other acquisition costs – discontinued operations		**–**	**72**
Total fee and commission expenses, and other acquisition costs		**54**	**133**

10(b): Other operating and administrative expenses

This note provides further details in respect of the items included within other operating and administrative expenses section of the income statement.

	Notes	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Staff costs	10(c)(i)	297	341
Depreciation charge on right-of-use assets	15	9	10
Depreciation charge on other plant and equipment	15	6	6
Impairment of right-of-use assets	15	3	–
Impairment of other plant and equipment	15	4	–
Amortisation of software development costs	14(a)	2	2
Amortisation of other intangible assets	14(a)	42	45
Administration and other expenses		221	232
Other operating and administrative expenses – continuing operations		**584**	**636**
Other operating and administrative expenses – discontinued operations		**–**	**55**
Total other operating and administrative expenses		**584**	**691**

Administration and other expenses include business transformation costs for the year ended 31 December 2022 of £30 million (2021: £70 million), as detailed in note 7(b)(ii), as well as general operating expenses such as IT-related costs, premises and marketing.

10(c): Staff costs and other employee-related costs
10(c)(i): Staff costs

	Note	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Salaries		171	207
Bonus and incentive remuneration		45	61
Social security costs		28	27
Retirement obligations – defined contribution plans		18	17
Share-based payments – equity-settled	26(e)	24	19
Other		11	10
Staff costs – continuing operations		**297**	**341**
Staff costs – discontinued operations		**–**	**19**
Total staff costs		**297**	**360**

10: Details of expenses continued

10(c)(ii): Employee numbers

	Year ended 31 December 2022 Number	Year ended 31 December 2021 Number
The average number of persons employed by the Group was:		
Affluent	2,071	2,207
High Net Worth	914	917
Head Office	69	80
Continuing operations	**3,054**	**3,204**
Discontinued operations	**–**	**645**
Total average number of employees during the year	**3,054**	**3,849**

The monthly average number of persons employed by the Group is based on permanent employees and fixed-term contractors.

10(d): Auditors' remuneration

Included in other operating and administrative expenses are fees paid to the Group's auditors. These can be categorised as follows:

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Fees payable for audit services		
Group and Parent Company	1.3	1.5
Subsidiaries	2.1	2.2
Total fees for audit services	3.4	3.7
Fees for audit-related assurance services	1.2	0.8
Fees for non-audit services	0.2	0.5
Total Group auditors' remuneration – continuing operations	**4.8**	**5.0**
Total Group auditors' remuneration – discontinued operations	**–**	**0.3**
Total Group auditors' remuneration[1]	**4.8**	**5.3**

[1]All fees are presented net of VAT.

10(e): Finance costs

This note analyses the interest costs on our borrowings and similar charges, all of which are valued at amortised cost. Finance costs comprise:

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Term loans and other external debt	1	1
Subordinated debt securities (Tier 2 bond)	9	9
Interest payable on borrowed funds	10	10
Interest expense on lease liabilities	3	3
Other	–	1
Total finance costs	**13**	**14**

Finance costs represent the cost of interest and finance charges on the Group's borrowings from a number of relationship banks. More details regarding borrowed funds, including the interest rates payable, are shown in note 30. These costs are excluded from adjusted profit within the "Finance costs" adjusting item.

Within other finance costs above is £nil (2021: £1 million) relating to the impact of unwinding the discount rate on contingent consideration payable as a result of certain past acquisitions. These costs are excluded from adjusted profit within the "Impact of acquisition and disposal-related accounting" adjusting item as shown in note 7(b)(i).

11: Tax

11(a): Tax charged to the income statement

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Current tax		
United Kingdom	12	36
Overseas tax	1	1
Total current tax charge	**13**	**37**
Deferred tax		
Origination and reversal of temporary differences	(120)	36
Effect on deferred tax of changes in tax rates	(1)	(12)
Adjustments to deferred tax in respect of prior periods	(2)	1
Total deferred tax (credit)/charge	**(123)**	**25**
Total tax (credited)/charged to income statement – continuing operations	**(110)**	**62**
Total tax (credited)/charged to income statement	**(110)**	**62**
Attributable to policyholder returns – continuing operations	(134)	73
Attributable to equity holders – continuing operations	24	(11)
Total tax (credited)/charged to income statement	**(110)**	**62**

Policyholder tax

Certain products are subject to tax on policyholders' investment returns. This "policyholder tax" is an element of total tax expense. To make the tax expense more meaningful, tax attributable to policyholder returns and tax attributable to equity holders' profits are shown separately in the income statement.

The tax attributable to policyholder returns is the amount payable in the year plus the movement of amounts expected to be payable in future years. The remainder of the tax expense is attributed to shareholders as tax attributable to equity holders.

The Group's income tax credit on continuing operations was £110 million for the year ended 31 December 2022, compared to a charge of £62 million for the prior year. This income tax credit can vary significantly year-on-year as a result of market volatility and the impact this has on policyholder tax. The recognition of the income received from policyholders to fund the policyholder tax liability (which is included within the Group's income) can vary in timing to the recognition of the corresponding policyholder tax expense, creating volatility in the Group's IFRS profit before tax attributable to equity holders. An adjustment is made to adjusted profit to remove these distortions, as explained further in note 7(b)(v).

Market movements during the year ended 31 December 2022 resulted in investment losses of £587 million on products subject to policyholder tax. The loss is a component of the total "investment return" loss of £4,649 million shown in the income statement. The impact of the £587 million investment return loss is the primary reason for the £134 million tax credit attributable to policyholder returns in respect of the continuing operations for the year ended 31 December 2022 (31 December 2021: £73 million expense in respect of continuing operations and £nil expense in respect of discontinued operations).

UK Corporation Tax rate

The main rate of Corporation Tax is 19% for the financial year 2022 (2021: 19%). The Corporation Tax rate will increase from 19% to 25%, effective from 1 April 2023. This change was substantively enacted in 2021 and the new rate has been used in recognising the Company's deferred tax assets and liabilities for reversals expected to take place on or after 1 April 2023.

The Company has recognised deferred tax assets as disclosed in note 29. The Company considers that future years' profits will be sufficient to utilise the tax asset carried forward.

11: Tax continued

11(b): Reconciliation of total income tax expense

The income tax credited or charged to profit or loss differs from the amount that would apply if all of the Group's profits from all the countries in which the Group operates had been taxed at the UK standard Corporation Tax rate. The difference in the effective rate is explained below:

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Profit before tax from continuing operations	**65**	**85**
Tax at UK standard rate of 19% (2021: 19%)	12	16
Different tax rate or basis on overseas operations	–	1
Untaxed and low taxed income	(6)	–
Expenses not deductible for tax purposes	1	–
Net movements on unrecognised deferred tax assets	(6)	(4)
Effect on deferred tax of changes in tax rates	(1)	(12)
Adjustments to deferred tax in respect of prior years	(2)	1
Income tax attributable to policyholder returns (net of tax relief)	(108)	60
Total tax (credited)/charged to income statement – continuing operations	**(110)**	**62**
Total tax (credited)/charged to income statement	**(110)**	**62**

11(c): Reconciliation of income tax credit or expense in the income statement to income tax on adjusted profit

	Note	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Income tax (credit)/expense on continuing operations[1]		**(110)**	**62**
Tax on adjusting items			
Impact of acquisition and disposal-related accounting		8	4
Business transformation costs		5	10
Finance costs		2	2
Exchange rate gain (ZAR/GBP)		(1)	–
Customer remediation		–	1
Tax adjusting items			
Policyholder tax adjustments	7(b)(v)	138	(7)
Other shareholder tax adjustments[2]		(19)	7
Tax on adjusting items – continuing operations		**133**	**17**
Less: tax attributable to policyholder returns within adjusted profit – continuing operations[3]		(4)	(66)
Tax charged on adjusted profit – continuing operations		**19**	**13**
Tax charged on total adjusted profit		**19**	**13**

[1]Includes both tax attributable to policyholders and equity holders, in compliance with IFRS.
[2]Other shareholder tax adjustments comprise the reallocation of adjustments from policyholder tax as explained in note 7(b)(v) and shareholder tax adjustments for one-off items in line with the Group's adjusted profit policy.
[3]Adjusted profit treats policyholder tax as a pre-tax expense (this includes policyholder tax under IFRS and the policyholder tax adjustments) and is therefore removed from the tax charge on adjusted profit.

12: Earnings per share

The Group calculates earnings per share ("EPS") on a number of different bases. IFRS requires the calculation of basic and diluted EPS. Adjusted EPS reflects earnings that are consistent with the Group's adjusted profit measure and Headline earnings per share ("HEPS") is a requirement of the Johannesburg Stock Exchange.

The bases for calculation of the Group's EPS (in aggregate, including both continuing and discontinued operations) is disclosed in note 5(t).

	Framework	Notes	Year ended 31 December 2022 Pence	Year ended 31 December 2021 Pence
Basic earnings per share	IFRS	12(b)	12.2	9.4
Diluted basic earnings per share	IFRS	12(b)	12.0	9.2
Adjusted basic earnings per share	Group policy	12(b)	8.0	10.7
Adjusted diluted earnings per share	Group policy	12(b)	7.9	10.4
Headline basic earnings per share (net of tax)	JSE Listing Requirements	12(c)	11.7	3.9
Headline diluted earnings per share (net of tax)	JSE Listing Requirements	12(c)	11.5	3.8

12(a): Weighted average number of Ordinary Shares

The table below summarises the calculation of the weighted average number of Ordinary Shares for the purposes of calculating basic and diluted earnings per share for each profit measure (IFRS, adjusted and headline profit). Details of the impact on the number of shares from the Quilter share buyback scheme are detailed in note 25.

	Year ended 31 December 2022 Million	Year ended 31 December 2021 Million
Weighted average number of Ordinary Shares	1,496	1,721
Own shares including those held in consolidated funds and EBTs	(58)	(77)
Basic weighted average number of Ordinary Shares	**1,438**	**1,644**
Adjustment for dilutive share awards and options	20	39
Diluted weighted average number of Ordinary Shares	**1,458**	**1,683**

12(b): Basic and diluted EPS (IFRS and adjusted profit)

		Year ended 31 December 2022			Year ended 31 December 2021		
	Notes	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Profit after tax		175	–	175	23	131	154
Total adjusting items before tax	7(a)	(65)	–	(65)	116	(71)	45
Tax on adjusting items	11(c)	(133)	–	(133)	(17)	–	(17)
Less: Policyholder tax adjustments	11(c)	138	–	138	(7)	–	(7)
Adjusted profit after tax after reallocation		**115**	**–**	**115**	**115**	**60**	**175**
Reversal of:							
Reallocation of Quilter International costs[1]		–	–	–	10	(10)	–
Adjusted profit after tax		**115**	**–**	**115**	**125**	**50**	**175**

[1]Reallocation of Quilter International costs relate to costs that were previously reported as part of Quilter International which were presented within continuing operations in the prior year (31 December 2021: £10 million) as these did not transfer to Utmost Group (the acquirer) on disposal. There were no such costs in the year ended 31 December 2022.

12: Earnings per share continued

12(b): Basic and diluted EPS (IFRS and adjusted profit) continued

		Year ended 31 December 2022			Year ended 31 December 2021		
	Post-tax profit measure used	Continuing operations Pence	Discontinued operations Pence	Total Pence	Continuing operations Pence	Discontinued operations Pence	Total Pence
Basic EPS	IFRS profit	12.2	–	12.2	1.4	8.0	9.4
Diluted EPS	IFRS profit	12.0	–	12.0	1.4	7.8	9.2
Adjusted basic EPS	Adjusted profit	8.0	–	8.0	7.6	3.1	10.7
Adjusted diluted EPS	Adjusted profit	7.9	–	7.9	7.4	3.0	10.4

12(c): Headline earnings per share

		Year ended 31 December 2022		Year ended 31 December 2021	
	Note	Gross £m	Net of tax £m	Gross £m	Net of tax £m
Profit attributable to equity holders			**175**		**154**
Adjusted for:					
Profit on business disposals	6(a)	–	–	(90)	(90)
Impairment loss on property, plant and equipment[1]		–	(7)	–	–
Headline earnings			**168**		**64**
Headline basic EPS (pence)			**11.7**		**3.9**
Headline diluted EPS (pence)			**11.5**		**3.8**

[1]Of the impairment, £3 million relates to right-of-use asset and £4 million relates to plant and equipment.

13: Dividends

	Payment date	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
2020 Final dividend paid – 3.6p per Ordinary Share	17 May 2021	–	61
2021 Interim dividend paid – 1.7p per Ordinary Share	20 September 2021	–	28
2021 Final dividend paid – 3.9p per Ordinary Share	16 May 2022	62	–
2022 Interim dividend paid – 1.2p per Ordinary Share	20 September 2022	16	–
Dividends paid to Ordinary Shareholders		**78**	**89**

Subsequent to the year ended 31 December 2022, the Directors proposed a final dividend for 2022 of 3.3 pence per Ordinary Share amounting to £45 million in total. Subject to approval by shareholders at the Annual General Meeting, the dividend will be paid on 22 May 2023. In compliance with the rules issued by the Prudential Regulation Authority ("PRA") in relation to the implementation of the Solvency II regime and other regulatory requirements to which the Group is subject, the dividend is required to remain cancellable at any point prior to it becoming due and payable on 22 May 2023 and to be cancelled if, prior to payment, the Group ceases to hold capital resources equal to or in excess of its solvency capital requirement, or if that would be the case if the dividend was paid. The Directors have no intention of exercising this cancellation right, other than where required to do so by the PRA or for regulatory capital purposes.

Final and interim dividends paid to Ordinary Shareholders are calculated using the number of shares in issue at the record date less own shares held in employee benefit trusts.

14: Goodwill and intangible assets

14(a): Analysis of goodwill and intangible assets

The table below shows the movements in cost and amortisation of goodwill and intangible assets.

	Goodwill £m	Software development costs £m	Other intangible assets £m	Total £m
Gross amount				
1 January 2021[1]	356	95	429	880
Disposal of interests in subsidiaries	(50)	–	(4)	(54)
Disposals[2]	–	(65)	–	(65)
31 December 2021[1]	306	30	425	761
31 December 2022	**306**	**30**	**425**	**761**
Amortisation and impairment losses				
1 January 2021[1]	–	(85)	(239)	(324)
Amortisation charge for the year	–	(2)	(45)	(47)
Disposal of interests in subsidiaries	–	–	2	2
Disposals[2]	–	65	–	65
31 December 2021[1]	–	(22)	(282)	(304)
Amortisation charge for the year	–	(2)	(42)	(44)
31 December 2022	**–**	**(24)**	**(324)**	**(348)**
Carrying amount				
31 December 2021	306	8	143	457
31 December 2022	**306**	**6**	**101**	**413**

[1]Following the completion of a number of strategic projects, including IT projects, the Group reviewed the fixed asset register. Assets related to software development costs with a cost of £10 million and an accumulated amortisation of £10 million (net book value: £nil) that had been fully amortised prior to January 2021 and that are no longer held by the Group or no longer in use have been removed from the register and are not recognised in the gross amount of software development costs as at 31 December 2022. Figures for prior periods have been restated to ensure comparability.
[2]Disposals of £65 million in the year ended 31 December 2021 relate to the write-off of fully amortised software in respect of the Platform Transformation Programme and following the final migration of client assets in February 2021, with all Quilter Investment Platform assets now live on the new platform.

14(b): Analysis of other intangible assets

	31 December 2022 £m	31 December 2021 £m	Average estimated useful life	Average period remaining
Net carrying value				
Distribution channels – Quilter Financial Planning	4	9	8 years	2 years
Customer relationships				
Quilter Cheviot	59	86	10 years	2 years
Quilter Financial Planning	22	27	8 years	4 years
Quilter Private Client Advisers	14	18	8 years	4 years
Other	2	3	7 years	1 year
Total other intangible assets	**101**	**143**		

14(c): Allocation of goodwill to cash-generating units ("CGUs") and impairment testing

Goodwill is monitored by management at the level of the Group's two operating segments: Affluent and High Net Worth, as disclosed in note 8(a). Both operating segments represent a group of CGUs. The allocation of goodwill to these segments was based on their individual value-in-use calculations relative to the combined total.

	31 December 2022 £m	31 December 2021[1] £m
Goodwill (net carrying amount)		
Affluent	223	223
High Net Worth	83	83
Total goodwill	**306**	**306**

[1]The prior year figures have been re-presented to correct a minor classification difference between the two segments. The amount attributable to Affluent has decreased by £2 million from the amount originally presented with a corresponding increase in High Net Worth.

14: Goodwill and intangible assets continued
14(c): Allocation of goodwill to cash-generating units ("CGUs") and impairment testing continued

Impairment review
In accordance with the requirements of IAS 36 Impairment of Assets, goodwill in both the Affluent and High Net Worth CGU groups is tested for impairment annually, or earlier if an indicator of impairment exists, by comparing the carrying value of the CGU group to which the goodwill relates to the recoverable value of that CGU group, being the higher of that CGU group's value-in-use or fair value less costs to sell. If applicable, an impairment charge is recognised when the recoverable amount is less than the carrying value. Goodwill impairment indicators include sudden stock market falls, the absence of positive Net Client Cash Flows ("NCCF"), significant falls in profits and significant increases in the discount rate.

The goodwill balance has been tested for impairment at 31 December 2022 and continues to demonstrate a surplus of the recoverable amount over the carrying value of the CGUs. As a result, no impairment is required.

The following table shows the percentage change required in each key assumption before the carrying value would exceed the recoverable amount, assuming all other variables remain the same. This highlights that further adverse movements in the key assumptions used in the CGU value-in-use calculation would be required before an impairment would need to be recognised.

	Affluent	High Net Worth
Reduction in forecast cash flows	17%	47%
Percentage point increase in the discount rate	5%	20%

Forecast cash flows are impacted by movements in underlying assumptions, including equity market levels, revenue margins and NCCF. The Group considers that forecast cash flows are most sensitive to movements in equity markets because they have a direct impact on the level of the Group's fee income.

The principal sensitivity within equity market level assumptions relates to the estimated growth in equity market indices included in the three-year revenue forecasts. Management forecasts equity market growth for each business using estimated asset-specific growth rates that are supported by internal research, historical performance, Bank of England forecasts and other external estimates.

Value-in-use methodology
The value-in-use calculations are determined as the sum of net tangible assets and the expected cash flows from existing and expected future new business derived from the Business Plans. Future cash flow elements allow for the cost of capital needed to support the business.

The cash flows that have been used to determine the value-in-use of the CGUs are based on the most recent management approved three-year profit forecasts, which are contained in the Group's Business Plan. These profit forecasts incorporate anticipated equity market growth on the Group's future cash flows, and take into account climate-related risks and other responsible business considerations. These cash flows change at different rates because of the different strategies of the CGUs. In cases where the CGUs have made significant acquisitions in the recent past, the cash flows are forecast to grow faster than the more mature businesses. Post the three-year forecast period, the growth rate used to determine the terminal value of the CGUs in the annual assessment was 2.0% (2021: 2.0%), which is lower than the UK long-term growth rate. Market share and market growth information is also used to inform the expected volumes of future new business.

IAS 36 does not permit any cost savings linked to future restructuring activity to be included within the value-in-use calculation unless an associated restructuring provision has also been recognised. Consequently, for the purpose of the value-in-use calculation, a number of planned cost savings and the related implementation costs, primarily in relation to the Business Simplification programme, have been removed from the future cash flows.

The Group uses a single cost of capital of 11.4% (2021: 9.5%) to discount expected future cash flows across its two groups of CGUs because they are considered to present a similar level of risk. Capital is provided to the Group predominantly by shareholders with a relatively small amount of debt financing. The cost of capital is the weighted average of the cost of equity (return required by shareholders) and the cost of debt (return required by bondholders and owners of properties leased by the Group). When assessing the systematic risk (i.e. the beta value) within the calculation of the cost of equity, a triangulation approach is used that combines beta values obtained from historical data, a forward-looking view on the progression of beta values and the external views of investors.

15: Property, plant and equipment

	Right-of-use assets £m	Plant and equipment £m	Total £m
Gross amount			
1 January 2021[1]	166	83	249
Additions[2]	14	13	27
Disposal of interests in subsidiaries	(32)	(16)	(48)
Disposals	(16)	(2)	(18)
31 December 2021[1]	132	78	210
Additions	2	3	5
Disposals[3]	(3)	(5)	(8)
Transfer to non-current assets held for sale[4]	–	(1)	(1)
31 December 2022	**131**	**75**	**206**
Accumulated depreciation and impairment losses			
1 January 2021[1]	(65)	(42)	(107)
Depreciation charge for the year	(10)	(6)	(16)
Disposal of interests in subsidiaries	21	16	37
Disposals	5	2	7
31 December 2021[1]	(49)	(30)	(79)
Depreciation charge for the year	(9)	(6)	(15)
Impairment losses[5]	(3)	(4)	(7)
Disposals[3]	2	5	7
31 December 2022	**(59)**	**(35)**	**(94)**
Carrying value			
31 December 2021	83	48	131
31 December 2022	**72**	**40**	**112**

[1]Following the completion of a number of strategic projects, the Group reviewed the fixed asset register. Assets related to plant and equipment with a cost of £37 million and an accumulated depreciation of £37 million (net book value: £nil) that had been fully depreciated prior to January 2021 and that are no longer held by the Group or no longer in use have been removed from the register and are not recognised in the gross amount of plant and equipment costs as at 31 December 2022. Figures for prior periods have been restated to ensure comparability.
[2]The majority of additions in the year ended 31 December 2021 relate to the lease for Quilter House, the Group's main Southampton property, and the recognition of revised dilapidations provisions on properties in the lease portfolio.
[3]Following a review of the fixed asset register, the Group recognised the disposal of certain fully depreciated assets related to plant and equipment with a cost of £5 million and an accumulated depreciation of £5 million (net book value: £nil) in the year. There were no proceeds arising from the recognition of the disposal and therefore no gain or loss has been recognised in the income statement. There were also several disposals in 2022 relating to right-of-use assets, which resulted in an immaterial loss being recognised in the income statement.
[4]Plant and equipment transferred to non-current assets held for sale relates to the proposed sale of a leasehold interest in an office property, following the vacation of the building by staff and the active marketing of the property in August 2022.
[5]The impairment of the right-of-use assets and plant and equipment relates to the write down of assets relating to office premises no longer occupied by the Group. Quilter staff vacated The Point, an office property in Southampton in May 2022, and the Pinnacle, an office in Manchester, in December 2022.

In the financial statement for 2021, leasehold improvements were shown separately from other plant and equipment. These categories both of which are mainly related to the Group's office premises have now been combined for 2022 reporting. The 2021 figures have been re-presented with the two categories combined to ensure comparability.

The carrying value of right-of-use assets at 31 December 2022 relate to £72 million of property leases (31 December 2021: £83 million).

16: Loans and advances

This note analyses the loans and advances the Group has made. The carrying amounts of loans and advances were as follows:

	31 December 2022 £m	31 December 2021 £m
Loans to advisers and brokers	34	29
Total net loans and advances	**34**	**29**
To be recovered within 12 months	11	7
To be recovered after 12 months	23	22
Total net loans and advances	**34**	**29**

Loans to advisers are made on individually negotiated commercial terms. The loan agreement with the adviser details the dates on which the repayments of the loan are to be made. Where an adviser is due commission payments from Quilter, these commission payments are offset against the loan repayments due from the adviser. In certain circumstances, the loan agreement period may be extended where agreed by both Quilter and the adviser. Should the adviser terminate their terms of business agreement with Quilter, the loan balance becomes immediately repayable in full. The carrying amount of loans to advisers measured at amortised cost approximates to their fair value which is measured as the principal amount receivable under the loan agreements. The remaining loans are stated at fair value.

17: Financial investments

The table below analyses the investments and securities that the Group invests in, either on its own proprietary behalf (shareholder funds) or on behalf of third parties (policyholder funds).

	31 December 2022 £m	31 December 2021 £m
Government and government-guaranteed securities	225	649
Other debt securities, preference shares and debentures	1,609	1,662
Equity securities	6,225	7,251
Pooled investments	35,557	38,002
Short-term funds and securities treated as investments	1	1
Total financial investments	**43,617**	**47,565**
Recoverable within 12 months	43,617	47,565
Total financial investments	**43,617**	**47,565**

The financial investments recoverability profile is based on the intention with which the financial assets are held. These assets are held to cover the liabilities for linked investment contracts, all of which can be withdrawn by policyholders on demand.

18: Derivative financial instruments – assets and liabilities

The Group has limited involvement with derivative instruments and does not use them for the purposes of speculation. In past periods, derivative instruments have been used to manage well-defined foreign exchange risks arising out of the normal course of business. The Group does not anticipate any material adverse effect on its financial position resulting from its involvement in these types of contracts, nor does it anticipate non-performance by counterparties. The Group only deals with highly rated counterparties.

The derivatives included within the statement of financial position 31 December 2022 and 31 December 2021 relate to instruments included as a consequence of the consolidation of investment funds.

19: Categories of financial instruments

The analysis of financial assets and liabilities into their categories as defined in IFRS 9 Financial Instruments is set out in the following tables. Assets and liabilities of a non-financial nature, or financial assets and liabilities that are specifically excluded from the scope of IFRS 9, are reflected in the non-financial assets and liabilities category.

For information about the methods and assumptions used in determining fair value, refer to note 20. The Group's exposure to various risks associated with financial instruments is discussed in note 37.

31 December 2022

	Fair value				
Measurement basis	**Mandatorily at FVTPL £m**	**Designated at FVTPL £m**	**Amortised cost £m**	**Non-financial assets and liabilities £m**	**Total £m**
Assets					
Investments in associated undertakings[1]	–	–	–	1	1
Loans and advances	–	–	34	–	34
Financial investments	43,617	–	–	–	43,617
Trade, other receivables and other assets	–	–	261	42	303
Derivative assets	40	–	–	–	40
Cash and cash equivalents	1,112	–	670	–	1,782
Total assets that include financial instruments	44,769	–	965	43	45,777
Total other non-financial assets	–	–	–	640	640
Total assets	**44,769**	**–**	**965**	**683**	**46,417**
Liabilities					
Investment contract liabilities	–	38,186	–	–	38,186
Third-party interests in consolidated funds	5,843	–	–	–	5,843
Borrowings and lease liabilities	–	–	290	–	290
Trade, other payables and other liabilities	–	–	358	78	436
Derivative liabilities	20	–	–	–	20
Total liabilities that include financial instruments	5,863	38,186	648	78	44,775
Total other non-financial liabilities	–	–	–	94	94
Total liabilities	**5,863**	**38,186**	**648**	**172**	**44,869**

[1]Investments in associated undertakings classified as non-financial assets and liabilities are equity accounted.

19: Categories of financial instruments continued

31 December 2021

Measurement basis	Fair value Mandatorily at FVTPL £m	Fair value Designated at FVTPL £m	Amortised cost £m	Non-financial assets and liabilities £m	Total £m
Assets					
Investments in associated undertakings[1]	–	–	–	2	2
Loans and advances	–	–	29	–	29
Financial investments	47,564	–	–	1	47,565
Trade, other receivables and other assets	–	–	325	56	381
Derivative assets	14	–	–	–	14
Cash and cash equivalents	1,216	–	848	–	2,064
Total assets that include financial instruments	48,794	–	1,202	59	50,055
Total other non-financial assets	–	–	–	685	685
Total assets	**48,794**	**–**	**1,202**	**744**	**50,740**
Liabilities					
Investment contract liabilities	–	41,071	–	–	41,071
Third-party interests in consolidated funds	6,898	–	–	–	6,898
Borrowings and lease liabilities	–	–	299	–	299
Trade, other payables and other liabilities	–	–	370	114	484
Derivative liabilities	15	–	–	–	15
Total liabilities that include financial instruments	6,913	41,071	669	114	48,767
Total other non-financial liabilities	–	–	–	234	234
Total liabilities	**6,913**	**41,071**	**669**	**348**	**49,001**

[1]Investments in associated undertakings classified as non-financial assets and liabilities are equity accounted.

20: Fair value methodology

This section explains the judgements and estimates made in determining the fair values of financial instruments that are recognised and measured at fair value in the financial statements. Classifying financial instruments into the three levels of the fair value hierarchy (see note 20(b)), prescribed under IFRS, provides an indication about the reliability of inputs used in determining fair value.

20(a): Determination of fair value

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market exit prices for assets and offer prices for liabilities, at the close of business on the reporting date, without any deduction for transaction costs:

- for units in unit trusts and shares in open-ended investment companies, fair value is determined by reference to published quoted prices representing exit values in an active market;
- for equity and debt securities not actively traded in organised markets and where the price cannot be retrieved, the fair value is determined by reference to similar instruments for which market observable prices exist;
- for assets that have been suspended from trading on an active market, the last published price is used. Many suspended assets are still regularly priced. At the reporting date, all suspended assets are assessed for impairment; and
- where the assets are private company shares or within consolidated investment funds, the valuation is based on the latest available set of audited financial statements where available, or if more recent, financial statements for the fund or a statement of valuation provided by the management of the private company or fund.

There have been no significant changes in the valuation techniques applied when valuing financial instruments. Where assets are valued by the Group, the general principles applied to those instruments measured at fair value are outlined below:

Loans and advances

Loans and advances include certain loans to brokers at below-market interest rates which are measured at fair value. All other loans to brokers are stated at amortised cost.

Financial investments

Financial investments include government and government-guaranteed securities, listed and unlisted debt securities, preference shares and debentures, listed and unlisted equity securities, listed and unlisted pooled investments (see below), short-term funds and securities treated as investments and certain other securities.

20: Fair value methodology continued
20(a): Determination of fair value continued

Pooled investments represent the Group's holdings of shares/units in open-ended investment companies, unit trusts, mutual funds and similar investment vehicles. Pooled investments are recognised at fair value. The fair values of pooled investments are based on widely published prices that are regularly updated.

Other financial investments that are measured at fair value use observable market prices where available. In the absence of observable market prices, these investments and securities are fair valued utilising various approaches including discounted cash flows, the application of an earnings before interest, tax, depreciation and amortisation multiple or any other relevant technique.

Derivatives
The fair value of derivatives is determined with reference to the exchange-traded prices of the specific instruments. The fair value of over-the-counter forward foreign exchange contracts is determined by reference to the relevant exchange rates.

Investment contract liabilities
The fair value of the investment contract liabilities is determined with reference to the underlying funds that are held by the Group.

Third-party interests in consolidated funds
Third-party interests in consolidated funds are measured at the attributable net asset value of each fund.

20(b): Fair value hierarchy
Fair values are determined according to the following hierarchy:

Description of hierarchy	Types of instruments classified in the respective levels
Level 1 – quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets.	Listed equity securities, government securities and other listed debt securities and similar instruments that are actively traded, actively traded pooled investments, certain quoted derivative assets and liabilities and investment contract liabilities directly linked to other Level 1 financial assets.
Level 2 – valuation techniques using observable inputs: financial assets and liabilities with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial assets and liabilities valued using models where all significant inputs are observable.	Unlisted equity and debt securities where the valuation is based on models involving no significant unobservable data. Over-the-counter ("OTC") derivatives, certain privately placed debt instruments and third-party interests in consolidated funds which meet the definition of Level 2 financial instruments.
Level 3 – valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable.	Unlisted equity and securities with significant unobservable inputs, securities where the market is not considered sufficiently active, including certain inactive pooled investments.

The judgement as to whether a market is active may include, for example, consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads. In inactive markets, obtaining assurance that the transaction price provides evidence of fair value or determining the adjustments to transaction prices that are necessary to measure the fair value of the asset or liability requires additional work during the valuation process.

The majority of valuation techniques employ only observable data and so the reliability of the fair value measurement is high. Certain financial assets and liabilities are valued on the basis of valuation techniques that feature one or more significant inputs that are unobservable and, for them, the derivation of fair value is more judgemental. A financial asset or liability in its entirety is classified as valued using significant unobservable inputs if a significant proportion of that asset or liability's carrying amount is driven by unobservable inputs.

In this context, 'unobservable' means that there is little or no current market data available from which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no market data available at all upon which to base a determination of fair value. Furthermore, in some cases the majority of the fair value derived from a valuation technique with significant unobservable data may be attributable to observable inputs.

20(c): Transfer between fair value hierarchies
The Group deems a transfer to have occurred between Level 1 and Level 2 or Level 3 when an active, traded primary market ceases to exist for that financial instrument. A transfer between Level 2 and Level 3 occurs when the majority of the significant inputs used to determine the fair value of the instrument become unobservable. Transfers from Levels 3 or 2 to Level 1 are also possible when assets become actively priced.

There were no transfers of financial investments from Level 1 to Level 2 during the year (31 December 2021: £16 million). There were no transfers of financial investments from Level 2 to Level 1 during the year (31 December 2021: £85 million). The movement in 2021 related to assets held by the Quilter International business and these movements were matched closely by transfers of investment contract liabilities. See note 20(e) for the reconciliation of Level 3 financial instruments.

20: Fair value methodology continued

20(d): Financial assets and liabilities measured at fair value, classified according to fair value hierarchy

The majority of the Group's financial assets are measured using quoted market prices for identical instruments in active markets (Level 1) and there have been no significant changes during the year.

The linked assets are held to cover the liabilities for linked investment contracts (net of reinsurance). The difference between linked assets and linked liabilities is principally due to short-term timing differences between policyholder premiums being received and invested in advance of policies being issued, and tax liabilities within funds which are reflected within the Group's tax liabilities.

Differences between assets and liabilities within the respective levels of the fair value hierarchy also arise due to the mix of underlying assets and liabilities within consolidated funds. In addition, third-party interests in consolidated funds are classified as Level 2.

The table below presents a summary of the Group's financial assets and liabilities that are measured at fair value in the consolidated statement of financial position according to their IFRS 9 classification (see note 19 for further details).

	31 December 2022		31 December 2021	
	£m	%	£m	%
Financial assets measured at fair value				
Level 1	38,452	85.9%	41,996	86.0%
Level 2	6,288	14.0%	6,771	13.9%
Level 3	29	0.1%	27	0.1%
Total	**44,769**	**100.0%**	**48,794**	**100.0%**
Financial liabilities measured at fair value				
Level 1	38,161	86.6%	41,047	85.5%
Level 2	5,863	13.3%	6,913	14.4%
Level 3	25	0.1%	24	0.1%
Total	**44,049**	**100.0%**	**47,984**	**100.0%**

The tables below further analyse the Group's financial assets and liabilities measured at fair value by the fair value hierarchy described in note 20(b):

31 December 2022	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets measured at fair value				
Mandatorily (fair value through profit or loss)	38,452	6,288	29	44,769
Financial investments	37,340	6,248	29	43,617
Cash and cash equivalents	1,112	–	–	1,112
Derivative assets	–	40	–	40
Total assets measured at fair value	**38,452**	**6,288**	**29**	**44,769**
Financial liabilities measured at fair value				
Mandatorily (fair value through profit or loss)	–	5,863	–	5,863
Third-party interests in consolidated funds	–	5,843	–	5,843
Derivative liabilities	–	20	–	20
Designated (fair value through profit or loss)	38,161	–	25	38,186
Investment contract liabilities	38,161	–	25	38,186
Total liabilities measured at fair value	**38,161**	**5,863**	**25**	**44,049**

20: Fair value methodology continued
20(d): Financial assets and liabilities measured at fair value, classified according to fair value hierarchy continued

31 December 2021	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets measured at fair value				
Mandatorily (fair value through profit or loss)	41,996	6,771	27	48,794
Financial investments	40,780	6,757	27	47,564
Cash and cash equivalents	1,216	–	–	1,216
Derivative assets	–	14	–	14
Total assets measured at fair value	**41,996**	**6,771**	**27**	**48,794**
Financial liabilities measured at fair value				
Mandatorily (fair value through profit or loss)	–	6,913	–	6,913
Third-party interests in consolidated funds	–	6,898	–	6,898
Derivative liabilities	–	15	–	15
Designated (fair value through profit or loss)	41,047	–	24	41,071
Investment contract liabilities	41,047	–	24	41,071
Total liabilities measured at fair value	**41,047**	**6,913**	**24**	**47,984**

20(e): Level 3 fair value hierarchy disclosure
The majority of the assets classified as Level 3 are held within linked policyholder funds. Where this is the case, all of the investment risk associated with these assets is borne by policyholders and the value of these assets is exactly matched by a corresponding liability due to policyholders. The Group bears no risk from a change in the market value of these assets except to the extent that it has an impact on management fees earned.

Level 3 assets also include investments within consolidated funds. The Group bears no risk from a change in the market value of these assets except to the extent that it has an impact on fund management fee income. Any changes in market value are matched by a corresponding Level 2 liability within third-party interests in consolidated funds.

The table below reconciles the opening balance of Level 3 financial assets to the closing balance at each year end:

	2022 £m	2021 £m
At beginning of the year	27	1,822
Fair value losses charged to the income statement	(5)	(3)
Purchases	–	–
Sales	(2)	–
Transfers in	125	8
Transfers out	(116)	(393)
Disposal of subsidiaries[1]	–	(1,406)
Foreign exchange and other movements	–	(1)
Total Level 3 financial assets at the end of the year	**29**	**27**
Unrealised fair value losses charged to the income statement relating to assets held at the year end	(9)	(4)

[1]During the year to 31 December 2021, Level 3 assets decreased by £1,406 million following the sale of Quilter International to Utmost Group.

20: Fair value methodology continued

20(e): Level 3 fair value hierarchy disclosure continued

Amounts shown as sales arise principally from the sale of private company shares, unlisted pooled investments and from distributions received in respect of holdings in property funds.

Transfers into Level 3 assets in the current year total £125 million (31 December 2021: £8 million). This is mainly due to suspended funds previously shown within Level 1. Suspended funds are valued based on external valuation reports received from fund managers. Transfers out of Level 3 assets in the current year of £116 million (31 December 2021: £393 million) result from a transfer to Level 1 assets relating to assets that are now being actively repriced (that were previously stale) and where fund suspensions have been lifted.

The table below analyses the type of Level 3 financial assets held:

	31 December 2022 £m	31 December 2021 £m
Pooled investments	29	26
Unlisted and stale price pooled investments	–	1
Suspended funds	29	25
Private equity investments	–	1
Total Level 3 financial assets	**29**	**27**

As at 31 December 2022, the Group did not hold any private equity investments. As at 31 December 2021, Level 3 assets included £1 million of private equity investments, all within consolidated funds.

The table below reconciles the opening balance of Level 3 financial liabilities to the closing balance at each year end:

	2022 £m	2021 £m
At beginning of the year	24	1,820
Fair value losses charged to the income statement	(2)	(3)
Transfers in	119	5
Transfers out	(116)	(391)
Disposal of subsidiaries[1]	–	(1,406)
Foreign exchange and other movements	–	(1)
Total Level 3 financial liabilities at the end of the year	**25**	**24**
Unrealised fair value losses charged to the income statement relating to liabilities held at the year end	(5)	(4)

[1]During the year to 31 December 2021, Level 3 liabilities decreased by £1,406 million following the sale of Quilter International to Utmost Group.

All of the liabilities that are classified as Level 3 are investment contract liabilities which exactly match against the Level 3 assets held in linked policyholder funds.

20: Fair value methodology continued

20(f): Effect of changes in significant unobservable assumptions to reasonable alternatives

Details of the valuation techniques applied to the different categories of financial instruments can be found in note 20(a) above, including the valuation techniques applied when significant unobservable assumptions are used to value Level 3 assets.

Private equity investments are valued at the value disclosed in the latest available set of audited financial statements or, if more recent information is available from investment managers or professional valuation experts at the value of the underlying assets of the private equity investment.

For Level 3 assets and liabilities, no reasonable alternative assumptions are applicable and the Group therefore performs a sensitivity test of an aggregate 10% change in the value of the financial asset or liability (31 December 2021: 10%), representing a reasonable alternative judgement in the context of the current macroeconomic environment in which the Group operates. It is therefore considered that the impact of this sensitivity will be in the range of £3 million to the reported fair value of Level 3 assets, both favourable and unfavourable (31 December 2021: £2 million).

As described in note 20(e), changes in the value of Level 3 assets held within linked policyholder funds are exactly matched by corresponding changes in the value of liabilities due to policyholders and therefore have no impact on the Group's net asset value or profit or loss, except to the extent that it has an impact on management fees earned.

20(g): Fair value hierarchy for assets and liabilities not measured at fair value

Certain financial instruments of the Group are not carried at fair value. The carrying values of these are considered reasonable approximations of their respective fair values, as they are either short term in nature or are repriced to current market rates at frequent intervals. Their classification within the fair value hierarchy would be as follows:

Financial assets within Trade, other receivables, and other assets	Level 3
Financial liabilities within Trade, other payables, and other liabilities	Level 3

Cash and cash equivalents (excluding money market funds) are held at amortised cost and therefore not carried at fair value. The cash and cash equivalents that are held at amortised cost would be classified as Level 1 in the fair value hierarchy.

The loans and advances not carried at fair value would be classified as Level 3 in the fair value hierarchy.

Borrowed funds are financial liabilities held at amortised cost and therefore not carried at fair value. Borrowed funds relate to subordinated liabilities and would be classified as Level 1 in the fair value hierarchy.

Lease liabilities valued under IFRS 16 are held at amortised cost and therefore not carried at fair value. They would be classified as Level 3 in the fair value hierarchy.

21: Structured entities

Structured entities are defined as entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. The Group has interests in both consolidated and unconsolidated structured entities.

21(a): Group's involvement in structured entities

The Group invests in collective investment vehicles, including open-ended investment companies ("OEICs") and unit trusts, in order to match unit-linked investment contract liabilities. This means that all of the investment risk associated with these assets is borne by policyholders and any change in the value of these assets is closely matched by a corresponding change in liability due to policyholders. As the Group earns management fees based on the market value of unit-linked assets, any change in asset values will increase or decrease the Group's revenues. The Group has not provided any non-contractual support to any consolidated or unconsolidated structured entities during 2021 or 2022.

As at 31 December 2021 and 31 December 2022, the Group has no obligation or intention to provide financial support to structured entities that could expose the Group to a loss.

In addition, shareholder funds are also invested in collective investment vehicles, principally in respect of money market funds as an alternative to bank deposits.

The Group's holdings in collective investment vehicles are subject to the terms and conditions of the respective investment vehicles' offering documentation and are susceptible to market price risk arising from uncertainties about the future values of those investment vehicles. All of the investment vehicles in the investment portfolios are managed by portfolio managers who are compensated by the respective investment vehicles for their services. Such compensation generally consists of an asset-based fee and a performance-based incentive fee and is reflected in the valuation of the investment vehicles.

These structured entities are not consolidated where the Group determines that it does not have control.

21(b): Interests in unconsolidated structured entities

The Group invests in unconsolidated structured entities as part of its normal investment and trading activities. The Group's total interest in unconsolidated structured entities is classified as financial investments held mandatorily at fair value through profit or loss. The table below provides a summary of the carrying value of the Group's interests in unconsolidated structured entities:

	31 December 2022 £m	31 December 2021 £m
Financial investments[1]	31,300	33,712
Cash and cash equivalents	1,112	1,216
Total Group interest in unconsolidated structured entities	**32,412**	**34,928**

[1]In this disclosure note, financial investments held by unconsolidated structured entities for 2021 have been re-presented to exclude cash and cash equivalents.

The Group's maximum exposure to loss with regard to the Group's interests in unconsolidated structured entities presented above, before consideration of the reduction in unit-linked liabilities, is the carrying amount of the Group's investments (31 December 2022: £32,412 million; 31 December 2021: £34,928 million). The majority of the exposure relates to unit-linked products and therefore any movement in the Group's investment will be offset by a corresponding movement in investment contract liabilities. Once the Group has disposed of its shares or units in a fund, it ceases to be exposed to any risk from that fund. The Group's holdings in the above unconsolidated structured entities are less than 50% and as such the net asset value of these structured entities is significantly higher than the carrying value of the Group's interest.

21(c): Consolidation considerations for structured entities managed by the Group

The Group acts as the fund manager for a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of decision-making rights as fund manager, the investor's rights to remove the fund manager and the aggregate economic interests of the Group in the fund in the form of the interest held and exposure to variable returns.

In most instances, the Group's decision-making authority, in its capacity as fund manager, with regard to these funds is regarded to be well-defined. Discretion is exercised when decisions regarding the relevant activities of these funds are being made. For funds managed by the Group, where the investors have the right to remove the Group as fund manager without cause, the fees earned by the Group are considered to be market related. These agreements include only terms, conditions or amounts that are customarily present in arrangements for similar services and levels of skill negotiated on an arm's length basis. The Group has concluded that it acts as agent on behalf of the investors in such cases.

The Group is considered to be acting as principal where the Group is the fund manager and is able to make the investment decisions on behalf of the unit holders and earn a variable fee, and there are no kick out rights that would remove the Group as fund manager.

There have been no changes in facts or circumstances which have changed the Group's conclusion on its approach to the consolidation of funds.

21(d): Other interests in unconsolidated structured entities

At the current and prior reporting date, the Group held units in each of the investment funds it managed.

22: Trade, other receivables and other assets

This note analyses total trade, other receivables and other assets.

	31 December 2022 £m	31 December 2021 £m
Outstanding settlements	141	181
Other receivables	65	103
Accrued interest	4	1
Accrued income	46	40
Other accruals and prepayments	29	36
Contract assets	11	11
Management fees	7	9
Total trade, other receivables and other assets	**303**	**381**
To be settled within 12 months	302	381
To be settled after 12 months	1	–
Total trade, other receivables and other assets	**303**	**381**

Other receivables mainly relate to trade debtors, tax debtors and other debtors.

There have been no non-performing receivables or material impairments in the year that require disclosure. Information about the Group's expected credit losses on trade receivables is included in note 37(b). None of the receivables reflected above have been subject to the renegotiation of terms.

23: Contract costs

Contract costs (on investment contracts and asset management contracts) relate to costs that the Group incurs to obtain new business. These acquisition costs are capitalised in the statement of financial position and are amortised through the income statement over the life of the contracts. The table below analyses the movements in these balances relating to investment and asset management contracts.

	Investment contracts £m	Asset management £m	Total £m
1 January 2021	411	2	413
New business	2	1	3
Amortisation	–	–	–
Continuing operations movement	2	1	3
New business	24	–	24
Amortisation	(45)	–	(45)
Discontinued operations movement	(21)	–	(21)
Disposal of subsidiaries	(383)	–	(383)
Foreign exchange	(3)	–	(3)
31 December 2021	6	3	9
New business	2	1	3
Amortisation	(1)	(1)	(2)
Continuing operations movement	1	–	1
31 December 2022	**7**	**3**	**10**

24: Cash and cash equivalents

24(a): Analysis of cash and cash equivalents

	31 December 2022 £m	31 December 2021 £m
Cash at bank	406	559
Money market funds	1,112	1,216
Cash and cash equivalents in consolidated funds	264	289
Total cash and cash equivalents per statement of cash flows	**1,782**	**2,064**

The Group's management does not consider that the cash and cash equivalents balance arising due to consolidation of funds of £264 million (2021: £289 million) is available for use in the Group's day-to-day operations. The remainder of the Group's cash and cash equivalents balance of £1,518 million (2021: £1,775 million) is considered to be available for general use by the Group for the purposes of the disclosures required under IAS 7 Statement of Cash Flows. This balance includes policyholder cash as well as cash and cash equivalents held by regulated subsidiaries to meet their capital and liquidity requirements.

24(b): Analysis of net cash flows from operating activities:

	Notes	31 December 2022 £m	31 December 2021 £m
Cash flows from operating activities			
Profit before tax from continuing operations		65	85
Profit before tax from discontinued operations	6(b)	–	131
		65	216
Adjustments for			
Depreciation and impairment of property, plant and equipment	15	22	16
Movement on contract costs	23	(1)	18
Movement on contract liabilities and fee income receivable		–	10
Amortisation and impairment of intangibles	14	44	47
Fair value and other movements in financial assets		4,410	(5,102)
Fair value movements in investment contract liabilities	27	(4,878)	4,467
Other changes in investment contract liabilities		1,993	3,454
Profit on sale of subsidiaries	6(a)	–	(91)
Other movements		32	32
		1,622	2,851
Net changes in working capital			
(Increase)/decrease in net derivatives position		(21)	24
(Increase)/decrease in loans and advances	16	(5)	15
(Decrease)/increase in provisions	28	(24)	17
Movement in other assets/liabilities[1]		61	(20)
		11	36
Taxation paid		(22)	(10)
Net cash flows from operating activities		**1,676**	**3,093**

[1]Working capital changes in respect of other assets and liabilities primarily relate to consolidated funds.

24: Cash and cash equivalents continued

24(c): Cash flows from financing activities is further analysed below:

	Liabilities	Equity[1]	
31 December 2022	Borrowings and lease liabilities £m	Changes in equity £m	Total £m
	Note 30		
Opening balance at 1 January 2022	**299**	**1,739**	**2,038**
Cash flows from financing activities			
Liability related:			
Finance costs on external borrowings	(9)	–	(9)
Equity related:			
Dividends paid to equity holders of the Company	–	(78)	(78)
Redemption of B shares	–	(328)	(328)
Exchange rate movements paid to shareholders	–	(4)	(4)
Repurchase and cancellation of Ordinary Shares	–	(28)	(28)
Payment of lease liabilities	(14)	–	(14)
Cash flows from financing activities	**(23)**	**(438)**	**(461)**
Other changes			
External debt interest accrual	9	–	9
Changes in lease liabilities	5	–	5
Liability related	14	–	14
Equity related	–	247	247
31 December 2022	**290**	**1,548**	**1,838**

	Liabilities	Equity[1]	
31 December 2021	Borrowings and lease liabilities £m	Changes in equity £m	Total £m
	Note 30		
Opening balance at 1 January 2021	**319**	**1,878**	**2,197**
Cash flows from financing activities			
Liability related:			
Finance costs on external borrowings	(9)	–	(9)
Equity related:			
Dividends paid to equity holders of the Company	–	(89)	(89)
Repurchase and cancellation of Ordinary Shares	–	(197)	(197)
Payment of lease liabilities	(12)	–	(12)
Cash flows from financing activities	**(21)**	**(286)**	**(307)**
Other changes			
External debt interest accrual	9	–	9
Changes in lease liabilities	(8)	–	(8)
Liability related	1	–	1
Equity related	–	147	147
31 December 2021	**299**	**1,739**	**2,038**

[1] Full details of changes in equity are shown in the statement of changes in equity.

25: Share capital, capital redemption reserve and merger reserve

Financial instruments issued are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue a variable number of own equity instruments. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. At 31 December 2022, the Company's equity capital comprises 1,404,105,498 Ordinary Shares of 8 1/6 pence each with an aggregated nominal value of £114,668,616 (31 December 2021: 1,655,827,217 Ordinary Shares of 7 pence each with an aggregated nominal value of £115,907,905). All Ordinary Shares have been called up and fully paid.

This note gives details of the Company's share capital, shows the movements during the year and also gives details of the merger reserve release of £124 million in the prior year and £25 million in the current year:

	Number of Ordinary Shares	Nominal value of Ordinary Shares £m	Ordinary Share premium £m
At 1 January 2021	1,783,969,051	125	58
Shares cancelled through share buyback programme	(128,141,834)	(9)	–
At 31 December 2021	1,655,827,217	116	58
Shares cancelled through share buyback programme	(17,704,132)	(1)	–
Share Consolidation (including shares cancelled)[1]	(234,017,587)	–	–
At 31 December 2022	**1,404,105,498**	**115**	**58**

[1]To effect the Share Consolidation, four Ordinary Shares were cancelled so that the total Ordinary Shares were exactly divisible by seven.

25(a): Share capital

On 11 March 2020, the Company announced a share buyback programme to purchase shares up to a maximum value of £375 million, in order to return the net surplus proceeds to shareholders arising from the sale of Quilter Life Assurance which had the impact of reducing the share capital of the Company. The programme completed in January 2022.

On 9 March 2022, the Company announced a capital return of £328 million, equivalent to 20 pence per share, from the net surplus proceeds arising from the sale of Quilter International by way of a B Share Scheme. Following the return of capital, a Share Consolidation was completed so that comparability between the market price for Quilter plc's Ordinary Shares before and after the implementation of the B Share Scheme was maintained.

New Ordinary Shares were issued for existing Ordinary Shares in a ratio of six new shares of 8 1/6 pence each for seven existing shares of 7 pence each resulting in a reduction in the numbers of shares by 234,017,587.

At 31 December 2022, there is one class of share capital being the Ordinary Shares of 8 1/6 pence each. All shares issued carry equal voting rights. The holders of the Company's Ordinary Shares are entitled to receive dividends as declared and are entitled to one vote per share at shareholder meetings of the Company.

25(b): Capital redemption reserve

Following the issue and redemption of the B preference shares as part of the B Share Scheme, the Company transferred £328 million from retained earnings to the capital redemption reserve, as required under the provisions of sections 688 and 733 of the Companies Act 2006, being an amount equal to the nominal value of the B shares redeemed in the year. The increase in the capital redemption reserve results from the UK company law requirement to maintain the company's capital when shares are redeemed out of the company's distributable profits.

25(c): Merger reserve

During the year ended 31 December 2021, a dividend was paid by Quilter Perimeter Holdings Limited up to its parent Quilter plc. The resulting decrease in Quilter Perimeter Holdings Limited's net asset value gave rise to a £124 million impairment of Quilter plc's investment in Quilter Perimeter Holdings Limited and an associated release of the merger reserve reducing it to £25 million.

In 2022, the remaining balance of the merger reserve recognised in the Group's statement of financial position was released in the creation of the B preference shares (the remainder of the B shares were created from retained earnings).

26: Share-based payments

During the year ended 31 December 2022, the Group participated in a number of share-based payment arrangements. This note describes the nature of the plans and how the share options and awards are valued.

26(a): Description of share-based payment arrangements

The Group operates the following share-based payment schemes with awards over Quilter plc shares: the Quilter plc Performance Share Plan, the Quilter plc Share Reward Plan, the Quilter plc Share Incentive Plan, the Quilter plc Sharesave Plan, and the Charles Derby Group Performance Share Plan.

26: Share-based payments continued
26(a): Description of share-based payment arrangements continued

Scheme	Restricted shares	Conditional shares	Options	Other	Dividend entitlement[1]	Contractual life (years)	Typical service (years)	Performance (measure)
	Description of award					Vesting conditions		
Quilter plc Performance Share Plan	–	–	✓	–	✓	Up to 10	3	AP EPS CAGR[2] and Relative Total Shareholder Return
Quilter plc Performance Share Plan	–	✓	–	–	✓	Not less than 3	3	Conduct, Risk & Compliance Underpins
Quilter plc Share Reward Plan	–	✓	–	–	✓	Typically, 3	3	–
Quilter plc Share Incentive Plan	✓	–	–	–	✓	Not less than 3	2	–
Quilter plc Sharesave Plan[3]	–	–	✓	✓	–	3½ - 5½	3 & 5	–
Charles Derby Group Performance Share Plan	–	–	✓	–	✓	Up to 10	5	AP EPS CAGR

[1]Participants are entitled to actual dividends for the Share Incentive Plan. For all other schemes, participants are entitled to dividend equivalents.
[2]Adjusted profit compound annual growth rate ("CAGR").
[3]The Quilter plc Sharesave Plan is linked to a savings plan.

26(b): Reconciliation of movements in options
The movement in options outstanding under the Performance Share Plans and Sharesave Plan arrangements during the year is detailed below:

Options over Ordinary Shares (London Stock Exchange)	Year ended 31 December 2022 Number of options	Year ended 31 December 2022 Weighted average exercise price	Year ended 31 December 2021 Number of options	Year ended 31 December 2021 Weighted average exercise price
Outstanding at beginning of the year	27,188,566	£0.62	24,898,095	£0.54
Granted during the year	8,639,650	£0.83	6,315,110	£0.86
Forfeited during the year	(7,803,514)	£0.13	(1,544,730)	£0.38
Exercised during the year	(8,094,488)	£0.92	(1,609,808)	£0.27
Expired during the year	(441,038)	£1.27	(220,391)	£1.25
Cancelled during the year	(3,090,346)	£1.26	(649,710)	£1.27
Outstanding at end of the year	**16,398,830**	**£0.67**	**27,188,566**	**£0.62**
Exercisable at end of the year	**–**	**–**	**–**	**–**

The weighted average fair value of options at the measurement date for options granted during the year ended 31 December 2022 is £0.59, (2021: £0.68). The weighted average share price at the dates of exercise for options exercised during the year was £1.14 (2021: £1.62).

The options outstanding at 31 December 2022 have exercise prices of £nil for the Quilter plc Performance Share Plan, and between £1.17 and £1.31 for the Quilter plc Sharesave Plan, with a weighted average remaining contractual life of 1.8 years. At 31 December 2021, the exercise price was £nil for both the Quilter plc Performance Share Plan and Charles Derby Group Performance Share Plan, and between £1.25 and £1.31 for the Quilter plc Sharesave Plan, with a weighted average remaining contractual life of 1.3 years.

See note 4 for details of the capital return, Share Consolidation and impact on shareholder metrics.

26(c): Measurements and assumptions
In determining the fair value of equity-settled share-based awards and the related charge to the income statement, the Group makes assumptions about future events and market conditions. Specifically, management makes estimates of the likely number of shares that will vest and the fair value of each award granted which is valued and 'locked in' at the grant date.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of fair value of share options granted is measured using either a Black-Scholes option pricing model or a Monte Carlo simulation.

26: Share-based payments continued

26(c): Measurements and assumptions continued

The inputs used in the measurement of fair values at the grant date for awards granted during 2022 were as follows:

Scheme	Weighted average share price £	Weighted average exercise price £	Weighted average expected volatility	Weighted average expected life (years)	Weighted average risk-free interest rate	Weighted average expected dividend yield	Expected forfeitures per annum
Quilter plc Performance Share Plan – Share Options (Nil cost options)	1.38	0.00	29%	3.0	1.5%	0.0%	0%
Quilter plc Performance Share Plan – Conditional Shares	1.36	0.00	30%	3.0	1.5%	0.0%	4%
Quilter plc Share Reward Plan – Conditional Shares	1.37	0.00	30%	2.0	1.4%	0.0%	4%
Quilter plc Sharesave Plan	1.43	1.17	30%	3.4	1.4%	3.1%	5%

The expected volatility used was based on the historical volatility of the share price over the period for which trading history is available. The risk-free interest rate was based on the yields available on UK Government bonds as at the date of grant. The bonds chosen were those with a similar remaining term to the expected life of the share awards.

26(d): Share grants

The following table summarises the fair value of Conditional Shares granted by the Group during the year:

	Year ended 31 December 2022		Year ended 31 December 2021	
Instruments granted during the year	Number granted	Weighted average fair value	Number granted	Weighted average fair value
Quilter plc Performance Share Plan – Conditional Shares	4,258,062	£1.38	3,854,809	£1.64
Quilter plc Share Reward Plan – Conditional Shares	11,204,853	£1.37	4,243,273	£1.64

26(e): Financial impact

The share-based payment reserve of £41 million (31 December 2021: £42 million) represents the cumulative expense of the Group for the unsettled portion of equity awarded schemes.

The total expense recognised in the year arising from equity compensation plans was as follows:

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Expense arising from equity-settled share and share option plans – continuing operations	24	19
Expense arising from equity-settled share and share option plans – discontinued operations	–	1
Total expense arising from share and share option plans	**24**	**20**

27: Investment contract liabilities

The following table provides a summary of the Group's investment contract liabilities:

	2022 £m	2021 £m
Carrying amount at 1 January	**41,071**	**57,407**
From continuing operations		
Fair value movements	(4,878)	2,821
Investment income	560	472
Movements arising from investment return	(4,318)	3,293
From discontinued operations		
Fair value movements	–	1,646
Investment income	–	172
Movements arising from investment return	–	1,818
Contributions received	4,408	6,837
Withdrawals and surrenders[1]	(2,759)	(3,866)
Claims and benefits	(219)	(162)
Other movements	3	1
Change in liability	**(2,885)**	**7,921**
Currency translation gain	–	(199)
Disposal of subsidiaries	–	(24,058)
Investment contract liabilities at end of the year	**38,186**	**41,071**

[1]Includes amounts previously presented as maturities of £406 million for the year to 31 December 2021.

For unit-linked investment contracts, movements in asset values are offset by corresponding changes in liabilities, limiting the net impact on profit.

The benefits offered under the unit-linked investment contracts are based on the risk appetite of policyholders and the return on their selected investments and collective fund investments, whose underlying investments include equities, debt securities, property and derivatives.
This investment mix is unique to individual policyholders.

For unit-linked business, the unit liabilities are determined as the value of units credited to policyholders. Since these liabilities are determined on a retrospective basis, no assumptions for future experience are required. Assumptions for future experience are required for unit-linked business in assessing whether the total of the contract costs asset and contract liability is greater than the present value of future profits expected to arise on the relevant blocks of business (the "recoverability test"). If this is the case, then the contract costs asset is restricted to the recoverable amount. For linked contracts, the assumptions are on a best estimate basis.

28: Provisions

31 December 2022	Compensation provisions £m	Sale of subsidiaries £m	Property provisions £m	Clawback and other provisions £m	Total £m
Balance at beginning of the year	41	22	9	21	93
Charge to income statement	22	–	4	3	29
Utilised during the year	(28)	(7)	(1)	(2)	(38)
Unused amounts reversed	(12)	–	–	(4)	(16)
Reclassification within the statement of financial position[3]	–	–	–	1	1
Balance at 31 December 2022	**23**	**15**	**12**	**19**	**69**

31 December 2021	Compensation provisions £m	Sale of subsidiaries £m	Property provisions £m	Clawback and other provisions £m	Total £m
Balance at beginning of the year	42	10	–	25	77
Charge to income statement[1]	23	17	7	2	49
Utilised during the year	(12)	(4)	–	(4)	(20)
Unused amounts reversed	(10)	(1)	–	(5)	(16)
Disposals[2]	(2)	–	–	–	(2)
Reclassification within the statement of financial position[4]	–	–	2	3	5
Balance at 31 December 2021	**41**	**22**	**9**	**21**	**93**

[1]Part of the charge to the income statement in 2021 was included within the discontinued operations income statement.
[2]The balance within "Disposals" relates to the provision balance within Quilter International at completion of the sale of the business on 30 November 2021.
[3]Clawback and other provisions related to the balancing premium payable for the bulk annuity purchased for the Quilter Cheviot Limited Retirement Benefits scheme were reclassified during the year to 31 December 2022 from accruals reflecting the uncertainty of the amounts to be settled.
[4]During the year to 31 December 2021, property provisions related to dilapidations and other provisions related to historical licence agreements were reclassified from lease liabilities and accruals respectively reflecting the uncertainty of the amounts to be settled.

Compensation provisions

Compensation provisions total £23 million (31 December 2021: £41 million) and the net reduction of £18 million during the year is due to additional charges to the income statement of £22 million, compensation payments made during the period of £28 million and the £12 million release of unused amounts during 2022 following further review work completed during the year. Compensation provisions are comprised of the following:

Lighthouse pension transfer advice provision of £5 million (31 December 2021: £29 million)

Lighthouse pension transfer advice provided to British Steel members of £4 million (31 December 2021: £21 million)

A total provision of £4 million (31 December 2021: £21 million) remains for the redress of British Steel Pension Scheme cases, including anticipated costs associated with the redress activity. This is comprised of two parts:

(a) Client redress provision of £3 million (31 December 2021: £19 million), comprised of £23 million (31 December 2021: £23 million) redress payable, less payments made to customers of £20 million, of which £16 million was paid in 2022 (31 December 2021: £4 million).
(b) Anticipated costs associated with redress activity of £1 million (31 December 2021: £2 million), comprised of £7 million costs payable (31 December 2021: £4 million), less payments made of £4 million during 2022 and £2 million during 2021. This provision is recognised in respect of the anticipated costs of legal and professional fees related to the cases and redress process, which includes the expected costs to review advice.

During the year to 31 December 2022, the skilled person completed their review of all British Steel Pension Scheme cases within the initial scope of the review, reflecting the outcome on suitability of the DB to DC pension transfer advice review for each case, and all remaining offers were made to customers who received unsuitable DB to DC pension transfer advice which caused them to sustain a loss.

Certain customers who have been included in the skilled person review work already undertaken have referred their case to the Financial Ombudsman Service, relating to cases where: (i) relevant DB to DC pension transfer advice was found to be suitable by the skilled person; or (ii) where relevant DB to DC pension transfer advice was found to be unsuitable by the skilled person, but the customer disagrees with the way in which their redress offer has been calculated by the skilled person. The Financial Ombudsman Service may uphold some or all of the challenges made.

In November 2022, the FCA published a policy statement containing the final rules for a redress scheme for former members of the British Steel Pension Scheme who received unsuitable advice (the "BSPS Redress Scheme"). The BSPS Redress Scheme will cover those persons who received advice between 26 May 2016 and 29 March 2018 to transfer out of the British Steel Pension Scheme. The final rules for the BSPS Redress Scheme set out how advisers must determine whether they gave unsuitable advice and whether they must pay redress. The Group may therefore face further costs of redress as a result of the BSPS Redress Scheme. The BSPS Redress Scheme will not cover individuals that have accepted redress for that advice, referred the matter to the Financial Ombudsman Service or received a final outcome following a suitability assessment of their case conducted through a skilled person review. Therefore, based on the final rules of the BSPS Redress Scheme, this process will not include Lighthouse cases that have already been reviewed by the skilled person where the customer received a final outcome. The Group is currently considering whether, based on the final rules for the BSPS Redress Scheme, there are any Lighthouse cases relating to British Steel Pension Scheme members that were subject to the skilled person review that may fall within the scope of the BSPS Redress Scheme.

28: Provisions continued

An asset of £3 million representing an insurance recoverable in respect of British Steel pension transfer advice was included in the fair value of the acquired net assets of Lighthouse and presented on the statement of financial position as at 31 December 2021. During 2022, the insurers confirmed coverage and the Group received £15 million cash.

Lighthouse pension transfer advice provided to members of other schemes of £1 million (31 December 2021: £8 million)
During 2021, the skilled person review identified unsuitable DB to DC pension advice provided by Lighthouse advisers for pension schemes other than the British Steel Pension Scheme. The initial scope of the review concluded in 2022, with £3 million paid to customers and the remaining provision released to the income statement. Subject to FCA confirmation, we anticipate that the skilled person review will conclude during 2023.

In the second half of 2022, the skilled person recommended a potential review of a further sample of Lighthouse DB to DC pension transfer advice cases not relating to the British Steel Pension Scheme. In December 2022, the FCA confirmed to the Group that it agreed with the skilled person's recommendation. The FCA also confirmed that, given the cooperation of the Group in relation to the skilled person review and established past business review methodology and consistent with the recommendation made by the skilled person, this further sample should be reviewed under a Group managed past business review process with the current skilled person acting as expert. The FCA also agreed with the skilled person that the further sample should be selected on a risk-based approach and has set out to the Group the key risk factors to be used in determining the sample. The review of this sample may uncover some additional cases where customer redress is required. Until the relevant sample has been reviewed, uncertainty exists as to the number of cases where this will be required and the value of total redress which may be payable. A provision for redress relating to the review of this further sample of cases of £1 million has been established at 31 December 2022.

Compensation provisions (other) of £18 million (31 December 2021: £12 million)
Other compensation provisions of £18 million include amounts relating to the cost of correcting deficiencies in policy administration systems, including restatements, any associated litigation costs and the related costs to compensate previous or existing policyholders and customers. This provision represents management's best estimate of expected outcomes based upon previous experience, and a review of the details of each case. Due to the nature of the provision, the timing of the expected cash outflows is uncertain. The best estimate of the timing of outflows is that the majority of the balance is expected to be settled within 12 months.

A provision of £7 million, included within the balance, has been recognised at 31 December 2022 (31 December 2021: £6 million) relating to potentially unsuitable DB to DC pension transfer advice provided by advisers, including advice provided prior to Quilter's acquisition of the relevant advice businesses. Of this balance, £2 million (31 December 2021: £2 million) has been recognised for potentially unsuitable DB to DC pension transfer advice provided to British Steel Pension Scheme members by Quilter Financial Planning firms other than Lighthouse. This provision was recognised following the receipt of a "Dear CEO" letter from the FCA in December 2021, and subsequent establishment of the BSPS Redress Scheme. These British Steel Pension Scheme cases have yet to be reviewed for suitability and an estimate of the provision has been made based upon the Group's experience of the Lighthouse skilled person review.

A provision of £4 million, included within the balance, related to Final Plan Closure ("FPC") receipts previously recognised as revenue since 2013 for distributions the Group received from investments for clients who had previously closed their accounts. FPC receipts represent distributions, including tax gross ups where relevant, and rebates received after a customer has left the Quilter platform, which the Terms and Conditions of the pension and insured bonds legally entitled the Group to retain. A review this year has led to a change in business policy, and Quilter have made the decision to voluntarily return these amounts to those impacted clients backdated to inception, with an appropriate interest rate applied to the balances owed. A provision of £6 million was initially recognised, and payments of £2 million have been made to clients during the year. The remaining provision outstanding of £4 million is expected to be payable within one year.

The Group estimates a reasonably possible change of +/- £4 million from the £18 million balance, based upon a review of the cases and the range of potential outcomes for the customer redress payments.

Sale of subsidiaries
Sale of subsidiaries provisions total £15 million at 31 December 2022 (31 December 2021: £22 million), and include the following:

Provisions arising on the disposal of Quilter International of £11 million (31 December 2021: £16 million)
Quilter International was sold on 30 November 2021, resulting in provisions totalling £17 million being established in respect of costs related to the disposal including the costs of business separation and data migration activities.

The costs of business separation arise from the process required to separate Quilter International's infrastructure, which is complex and covers a wide range of areas including people, IT systems, data, and contracts facilities. A programme team has been established to ensure the transition of these areas to the acquirer. These provisions have been based on external quotations and estimations, together with estimates of the incremental time and resource costs required to achieve the separation, which is expected to occur over a two-year period.

The most significant element of the provision is the cost of migration of IT systems and data to the acquirer. Calculation of the provision is based on management's best estimate of the work required, the time it is expected to take, the number and skills of the staff required and their cost, and the cost of related external IT services to support the work. In reaching these judgements and estimates, management has made use of its past experience of previous IT migrations following business disposals, including the migration of QLA. The Group estimates a provision sensitivity of +/-25% (£3 million), based upon a review of the range of time periods expected to complete the work required. The provision is expected to be fully utilised over three years from the sale, with £8 million forecast to be paid within one year.

During the year, £6 million (2021: £1 million) of the provision has been utilised.

28: Provisions continued

Sale of Single Strategy Asset Management business provision of £4 million (31 December 2021: £4 million)

In 2018, a restructuring provision was recognised as a result of the sale of the Single Strategy Asset Management business (now known as Jupiter Investment Management ("Jupiter")) to enable the remaining Quilter Investors business to function as a standalone operation going forward. The remaining provision relates to various sale-related future commitments, the outcome of which was uncertain at the time of the sale and the most significant of which is in relation to the guarantee of revenues for the seller in future years arising from funds invested by customers of Quilter. In 2021, £2 million was settled relating to the 2020 measurement year. The balance has been adjusted for the latest estimate for the 2022 measurement year, which is the final measurement year required in the sale agreement.

The expected range of payments based upon the latest information received from Jupiter and the Group's reasonable expectations of AUM invested within Jupiter funds during the 2022 assessment period is between £4 million and £5 million.

The provision outstanding is estimated to be payable within one year, with expected final settlement due in the first half of 2023. Once finalised and settled, this will be the final amount payable under this arrangement with Jupiter.

Provisions arising on the disposal of Quilter Life Assurance of £nil (31 December 2021: £1 million)

Quilter Life Assurance was sold in 2019, resulting in provisions totalling £6 million being established in respect of the costs of disposing the business and the related costs of business separation.

During the year, £1 million of the provision has been utilised. These were the final costs incurred to complete and close the project.

Property provisions

Property provisions represent the discounted value of expected future costs of reinstating leased property to its original condition at the end of the lease term, and any onerous commitments which may arise in cases where a leased property is no longer being fully utilised by the Group. The estimate is based upon property location, size of property and an estimate of the charge per square foot. Property provisions are utilised or released when the reinstatement obligations have been fulfilled. The associated asset for the property provisions relating to the cost of reinstating property is included within "Property, plant and equipment".

Of the £12 million provision outstanding, £3 million (2021: £1 million) is estimated to be payable within one year. The majority of the balance relates to leased property which has a lease term maturity of more than five years.

Clawback and other provisions

Other provisions include amounts for the resolution of legal uncertainties and the settlement of other claims raised by contracting parties and indemnity commission provisions and now includes the balancing premium payable for the bulk annuity purchased for the Quilter Cheviot Limited Retirement Benefits scheme. Where material, provisions are discounted at discount rates specific to the risks inherent in the liability. The timing and final amounts of payments, particularly those in respect of litigation claims and similar actions against the Group, are uncertain and could result in adjustments to the amounts recorded.

Included within the balance at 31 December 2022 is £14 million (31 December 2021: £16 million) of clawback provisions in respect of potential refunds due to product providers on indemnity commission within the Quilter Financial Planning business. This provision, which is estimated and charged as a reduction of revenue on the income statement at the point of sale of each policy, is based upon assumptions determined from historical experience of the proportion of policyholders cancelling their policies, which requires Quilter to refund a portion of commission previously received. Reductions to the provision result from the payment of cash to product providers as refunds or the recognition of revenue where a portion is assessed as no longer payable. The provision has been assessed at the reporting date and adjusted for the latest cancellation information available. At 31 December 2022, an associated balance of £8 million recoverable from brokers is included within "Trade, other receivables and other assets" (31 December 2021: £9 million).

The Group estimates a reasonably possible change of +/- £3 million, based upon the potential range of outcomes for the proportion of cancelled policies within the clawback provision, and a detailed review of the other provisions.

Of the total £19 million provision outstanding, £8 million is estimated to be payable within one year (31 December 2021: £13 million).

29: Tax assets and liabilities

Deferred tax is calculated on all temporary differences at the tax rate applicable in the country in which the differences arise.

Deferred tax summary

	31 December 2022 £m	31 December 2021 £m
Deferred tax assets	94	88
Less: deferred tax liabilities	(24)	(139)
Net deferred tax asset/(liability)	**70**	**(51)**

The main rate of Corporation Tax is 19% for the financial year 2022 (2021: 19%). The Corporation Tax rate will increase from 19% to 25%, effective from 1 April 2023. This change was substantively enacted in 2021 and the new rate has been used in recognising the Company's deferred tax assets and liabilities for reversals expected to take place on or after 1 April 2023.

29(a): Deferred tax assets

Deferred tax assets are recognised for tax losses carried forward only to the extent that the realisation of the related tax benefit is probable. Realisation of the tax benefit is considered to be probable where on the basis of all available evidence, it is more likely than not that there will be suitable taxable profits against which the loss can be relieved.

The movements on recognised deferred tax assets are explained below:

31 December 2022	At beginning of the year £m	Income statement (charge)/ credit £m	Charged to equity £m	At end of the year £m
Tax losses carried forward	24	(8)	–	16
Accelerated depreciation	20	1	–	21
Accrued interest expense and other temporary differences	41	(10)	–	31
Share-based payments	9	–	(2)	7
Deferred expenses and excess expenses[1]	6	44	–	50
Netted against deferred tax liabilities	(12)	(19)	–	(31)
Deferred tax assets	**88**	**8**	**(2)**	**94**

31 December 2021	At beginning of the year £m	Income statement (charge)/ credit £m	Charged to equity £m	At end of the year £m
Tax losses carried forward	15	9	–	24
Accelerated depreciation	19	1	–	20
Accrued interest expense and other temporary differences	41	–	–	41
Share-based payments	9	–	–	9
Deferred expenses and excess expenses[1]	6	–	–	6
Provisions	1	(1)	–	–
Netted against deferred tax liabilities	(13)	1	–	(12)
Deferred tax assets	**78**	**10**	**–**	**88**

[1]For the year ended 31 December 2022, the £50 million includes deferred expenses of £5 million (2021: £6 million) and excess expenses of £45 million (2021: £nil).

The recognition of deferred tax assets is subject to the estimation of future taxable profits based on the Group's Business Plan. The Business Plan takes into account estimated levels of assets under management and administration, which are subject to a large number of factors including global stock market movements and related movements in foreign exchange rates, together with estimates of net client cash flow, expenses and other charges. The Business Plan also takes into account climate-related risks.

The Business Plan, adjusted for known and estimated tax sensitivities, is used to determine the extent to which deferred tax assets are recognised. In general, the Group assesses recoverability of deferred tax assets based on estimated taxable profits over a three-year planning horizon.

Deferred tax assets have been recognised to the extent they are supported by the Group's Business Plan. The sensitivity of these deferred tax assets is such that any decrease in profitability over the three-year planning period would result in a reduction in the value of these assets.

29: Tax assets and liabilities continued
29(a): Deferred tax assets continued

Unrecognised deferred tax assets
The amounts for which no deferred tax asset has been recognised consist of:

	31 December 2022 £m		31 December 2021 £m	
	Gross amount	Tax	Gross amount	Tax
Pre-April 2017 UK tax losses	244	61	252	63
Post-April 2017 UK tax losses	91	23	106	26
Capital losses	347	87	347	87
Total unrelieved tax losses	682	171	705	176
Other timing differences	–	–	3	1
Total unrecognised deferred tax assets[1]	**682**	**171**	**708**	**177**

[1]None of the unrecognised deferred tax assets have a set expiry date in tax law.

Movements in unrecognised deferred tax assets
Under UK tax law, UK brought forward non-capital tax losses that arose after 1 April 2017 ("Post-April 2017 UK tax losses") may be offset against current year UK taxable profits arising in any company within Group, subject to a restriction of 50% of profits each year. Consequently, as described above and in note 11, the recognition of deferred tax assets on Post-April 2017 UK tax losses is assessed by reference to the Group's Business Plan.

The Group may in the future recognise additional deferred tax assets in respect of the unrecognised portion of the Post-April 2017 UK tax losses, as the Group progresses through the Business Plan period. The recognition of deferred tax assets on these losses is expected to remain a critical accounting estimate as described in these financial statements for the foreseeable future.

All other non-capital UK tax losses within the Group ("Pre-April 2017 UK tax losses") can only be used against taxable profits arising in the same company as the loss. It is therefore less likely that a deferred tax asset will be recognised in the foreseeable future in respect of the currently unrecognised portion of these tax losses.

Capital losses are in Quilter Life & Pensions Limited. There is currently insufficient evidence to forecast future chargeable gains in that company on which to justify recognition of a deferred tax asset for any of these losses.

29(b): Deferred tax liabilities
The movement on deferred tax liabilities is as follows:

31 December 2022	At beginning of the year £m	Income statement (credit)/ charge £m	Acquisition/ disposal of subsidiaries £m	At end of the year £m
Other acquired intangibles	32	(8)	–	24
Other temporary differences	–	1	–	1
Investment gains	120	(90)	–	30
Netted against deferred tax assets	(13)	(18)	–	(31)
Deferred tax liabilities	**139**	**(115)**	**–**	**24**

31 December 2021	At beginning of the year £m	Income statement (credit)/ charge £m	Acquisition/ disposal of subsidiaries £m	At end of the year £m
Other acquired intangibles	36	(4)	–	32
Other temporary differences	2	–	(2)	–
Investment gains	81	39	–	120
Netted against deferred tax assets	(13)	–	–	(13)
Deferred tax liabilities	**106**	**35**	**(2)**	**139**

Movements in deferred tax liabilities
Deferred tax liabilities in relation to investment gains and losses have decreased by £90 million (2021: £39 million increase) due to market movements in the year, as disclosed in note 11.

29(c): Current tax receivables and payables
Current tax receivables and current tax payables at 31 December 2022 were £10 million (2021: £nil) and £1 million (2021: £2 million), respectively.

30: Borrowings and lease liabilities

The following table analyses the Group's borrowings and lease liabilities:

	Notes	31 December 2022 £m	31 December 2021 £m
Subordinated debt: fixed rate loan at 4.478%	30(a)	200	199
Lease liabilities	30(b)	90	100
Total borrowings and lease liabilities		**290**	**299**

30(a): Borrowings

Borrowed funds are repayable on demand and categorised in terms of IFRS 9 Financial Instruments as "Financial liabilities at amortised cost". The carrying value of the Group's borrowings is considered to be materially in line with the fair value. All amounts outstanding at 31 December 2022 are payable to a number of relationship banks.

On 28 February 2018, the Group issued a £200 million subordinated debt security in the form of a 10-year Tier 2 bond with a one-time issuer call option after five years to J.P. Morgan Securities plc, paying a semi-annual coupon of 4.478% (the "Tier 2 Bond"). The Tier 2 bond was remarketed and sold to the secondary market in full on 13 April 2018. At 31 December 2022, the Tier 2 bond was listed and regulated under the terms of the London Stock Exchange. At the reporting date, the Tier 2 bond was due to mature in 2028 with the option to redeem in 2023.

Refer to note 40 for details of the £200,000,000 8.625% Fixed Rate Reset Subordinated Notes issued in January 2023.

In addition, the Group has entered into a £125 million revolving credit facility which remains undrawn and is being held for contingent funding purposes.

30(b): Lease liabilities

The Group has entered into commercial non-cancellable leases on certain property, plant and equipment where it is not in the best interest of the Group to purchase these assets. Such leases have varying terms, escalation clauses and renewal rights.

Termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of termination options held are exercisable only by the Group and not by the respective lessor.

As at 31 December 2022, future undiscounted cash outflows of £nil (2021: £nil) have been included in the lease liability which will occur beyond termination option dates on none (2021: none) of the Group's principal property leases. The lease term is reassessed if an option is exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

During the year, certain lease terms were reassessed to reflect the expectation that termination options will now be exercised. The financial effect of this reassessment was a change of £nil in recognised lease liabilities and right-of-use assets, for the year (2021: £11 million decrease). These are the only significant property leases where the term is modelled up to a termination option date.

Lease liabilities represent the obligation to pay lease rentals as required by IFRS 16 and are categorised as financial liabilities at amortised cost.

	2022 £m	2021 £m
Opening balance at 1 January	100	120
Additions	1	13
Disposals and adjustments to lease liabilities	–	(12)
Interest charge for the year	3	4
Reclassification to provisions	–	(2)
Payment for the interest portion of lease liabilities	(3)	(2)
Payment for the principal portion of lease liabilities	(11)	(10)
Disposal of interests in subsidiary	–	(11)
Closing balance at 31 December	**90**	**100**
To be settled within 12 months	9	10
To be settled after 12 months	81	90
Total lease liabilities	**90**	**100**
Maturity analysis – undiscounted		
Within one year	11	13
One to five years	37	40
More than five years	60	67
Total lease liabilities – undiscounted	**108**	**120**

31: Trade, other payables and other liabilities

	31 December 2022 £m	31 December 2021 £m
Amounts payable to policyholders	51	46
Outstanding settlements	201	185
Accruals and deferred income	83	123
Trade creditors	32	33
Deferred consideration	–	5
Other liabilities	69	92
Total trade, other payables and other liabilities	**436**	**484**
To be settled within 12 months	436	484
To be settled after 12 months	–	–
Total trade, other payables and other liabilities	**436**	**484**

32: Contract liabilities

Contract liabilities relate to non-refundable front-end fee income, comprising fees received at inception or receivable over an initial period for services not yet provided. The income is deferred through the creation of a contract liability on the statement of financial position and released to income as the services are provided. Equal service provision is assumed over the lifetime of the contract and, as such, the contract liability is amortised on a linear basis over the expected life of the contract, adjusted for expected persistency. The contract liability principally comprises fee income already received in cash. The table below analyses the movements in contract liabilities. All contract liabilities for the year ended 2021 relate to discontinued operations.

	Total £m
1 January 2021	379
Fees and commission income deferred	41
Amortisation	(40)
Foreign exchange	(4)
Discontinued operations movements	(3)
Disposal of subsidiaries – sale of Quilter International	(376)
31 December 2021	–
31 December 2022	**–**

33: Post-employment benefits

The Group operates a number of defined contribution and defined benefit pension schemes in the UK, the Channel Islands and Ireland.

Defined contribution pension schemes

The Group's defined contribution schemes require contributions to be made to funds held in trust, separate from the assets of the Group. Participants receive either a monthly pension supplement to their salaries or contributions to personal pension plans. For the defined contribution schemes, the Group pays contributions to separately administered pension schemes. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised in current service cost in the income statement as staff costs and other employee-related costs when they are due.

Defined benefit schemes

The Group operates two defined benefit schemes: The Quilter Cheviot Limited Retirement Benefits Scheme and the Quilter Cheviot Channel Islands Retirement Benefits Scheme which are both closed to new members. The assets of these schemes are held in separate trustee administered funds. Pension costs and contributions relating to defined benefit schemes are assessed in accordance with the advice of qualified actuaries. Actuarial advice confirms that the current level of contributions payable to each pension scheme, together with existing assets, are adequate to secure members' benefits over the remaining service lives of participating employees. The Group's policy is to fund at least the amounts sufficient to meet minimum funding requirements under applicable employee benefit and tax regulations. The schemes are reviewed at least on a triennial basis or in accordance with local practice and regulations. In the intervening years, the actuary reviews the continuing appropriateness of the assumptions applied.

In 2019, the Trustees of the Quilter Cheviot Limited Retirement Benefits scheme purchased a bulk annuity from Aviva to de-risk the defined benefit pension scheme obligation. This investment strategy was intended to equally match the assets and liabilities of the scheme. This covers all remaining insured scheme benefits following previous bulk annuity transactions in 2013, 2014 and 2015.

IAS 19 Employee Benefits disclosures

This note gives full IAS 19 Employee Benefits disclosures for the above schemes.

33: Post-employment benefits continued

33(a): Liability for defined benefit obligations

The IAS 19 value of the assets and the scheme obligations are as follows:

	2022 £m	2021 £m
Changes in retirement benefit obligations		
Total IAS 19 retirement benefit obligation at 1 January	(41)	(41)
Interest cost on benefit obligation	(1)	(1)
Effect of changes in actuarial assumptions	15	–
Benefits paid	2	1
Total IAS 19 retirement benefit obligations at 31 December	**(25)**	**(41)**
Change in plan assets		
Total IAS 19 fair value of scheme assets at 1 January	42	42
Actual return on plan assets	(14)	1
Benefits paid	(2)	(1)
Total IAS 19 fair value of scheme assets at 31 December	**26**	**42**
Net IAS 19 asset recognised in statement of financial position		
Funded status of plan	1	1
Unrecognised assets	(1)	(1)
Net IAS 19 amount recognised in statement of financial position as at 31 December	**–**	**–**

Contributions for the year to the defined benefit schemes totalled £nil (2021: £nil), and £1 million was accrued at 31 December 2022 (2021: £1 million). The Group expects to contribute £nil million in the next financial year (the year to 31 December 2023), based upon the current funded status and the expected return assumption for the next financial year.

	2022 £m	2021 £m
Changes in the asset ceiling		
Opening unrecognised asset due to asset ceiling at 1 January	1	1
Closing unrecognised asset due to the asset ceiling at 31 December	**1**	**1**

33(b): Income and expenses recognised in the income statement

The total pension charge to staff costs for all of the Group's defined benefit schemes for 2022 was £nil (2021: £nil).

Actuarial gains and losses and the effect of the limit to the pension asset under IAS 19 Employee Benefits have been reported in other comprehensive income.

The cumulative amount of actuarial losses recognised in other comprehensive income is £33 million (2021: £33 million).

Assumptions used in the defined benefit schemes

The expected long-term rate of return on assets represents the Group's best estimate of the long-term return on the scheme assets and is generally estimated by computing a weighted average return of the underlying long-term expected returns on the different asset classes, based on the target asset allocations. The expected long-term return on assets is a long-term assumption that is generally expected to remain the same from one year to the next unless there is a significant change in the target asset allocation, the fees and expenses paid by the plan or market conditions.

The Group, in consultation with its independent investment consultants and actuaries, determines the asset allocation targets based on its assessment of business and financial conditions, demographic and actuarial data, funding characteristics and related risk factors. Other relevant factors, including industry practices, long-term historical and prospective capital market returns, were also considered.

The scheme return objectives provide long-term measures for monitoring the investment performance against growth in the pension obligations. The overall allocation is expected to help protect the plan's funded status while generating sufficiently stable real returns (net of inflation) to help cover current and future benefit payments.

33: Post-employment benefits continued
33(b): Income and expenses recognised in the income statement continued

Both the equity and fixed income portions of the asset allocation use a combination of active and passive investment strategies and different investment styles. The fixed income asset allocation consists of longer duration fixed income securities in order to help reduce plan exposure to interest rate variation and to better correlate assets with obligations. The longer duration fixed income allocation is expected to help stabilise plan contributions over the long run.

The weighted average duration of the defined benefit obligation is 13 years, based upon actual cash flows.

The following table presents the principal actuarial assumptions at the end of the reporting year:

	31 December 2022 %	31 December 2021 %
Discount rate	5.0	1.8
Rate of increase in defined benefit funds	3.6	3.7
Inflation	3.1	3.3

The mortality assumptions used give the following life expectancy at 65:

		Life expectancy at 65 for male member currently		Life expectancy at 65 for female member currently	
	Mortality table	Aged 65	Aged 40	Aged 65	Aged 40
31 December 2022	**S3PA Light**	**23.60**	**25.60**	**25.10**	**27.20**
31 December 2021	S3PA Light	23.60	25.50	25.10	27.10

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, inflation rate and rate of mortality.

The sensitivities regarding the principal assumptions used to measure the defined benefit obligations are described below. Reasonably possible changes at the reporting date to one of the principal actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation as follows:

	31 December 2022		31 December 2021	
	Increase £m	Decrease £m	Increase £m	Decrease £m
Discount rate (0.1% movement)	(0.3)	0.3	(0.7)	0.8
Inflation rate (0.1% movement)	0.2	(0.2)	0.3	(0.3)
Rate of mortality (increase by one year)	0.7	N/A	1.6	N/A

33(c): Scheme assets allocation
Scheme assets are stated at their fair values. Information on the composition of scheme assets is provided below:

	31 December 2022 %	31 December 2021 %	31 December 2022 £m	31 December 2021 £m
Equity securities	4	7	1	3
Debt securities	96	93	25	39
Total IAS 19 fair value of scheme assets	**100**	**100**	**26**	**42**

Equity securities have a quoted market price. Debt securities, which comprise the value of the bulk annuity policy, do not have a quoted market price. The bulk annuity policy, where assets are matched to the value of liabilities, is included at values provided by the actuary in accordance with relevant guidelines.

34: Master netting and similar agreements

The Group offsets financial assets and liabilities in the statement of financial position when it has a legally enforceable right to do so and intends to settle on a net basis simultaneously. Currently, the only such offsetting within the Group relates to bank accounts, where in some circumstances a bank account that is overdrawn is offset against a bank account that is not.

The following tables present information on the potential effect of offsetting arrangements after taking into consideration these types of agreements.

31 December 2022	Gross amounts £m	Amounts offset in the statement of financial position £m	Net amounts reported in the statement of financial position £m
Financial assets			
Cash and cash equivalents	1,844	(62)	1,782
Financial liabilities			
Trade, other payables and other liabilities – amounts owed to banks	62	(62)	–

31 December 2021	Gross amounts £m	Amounts offset in the statement of financial position £m	Net amounts reported in the statement of financial position £m
Financial assets			
Cash and cash equivalents	2,146	(82)	2,064
Financial liabilities			
Trade, other payables and other liabilities – amounts owed to banks	82	(82)	–

35: Contingent liabilities

The Group, in the ordinary course of business, enters into transactions that expose it to tax, legal, regulatory and business risks. The Group recognises a provision when it has a present obligation as a result of past events, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made (see note 28). Possible obligations and known liabilities where no reliable estimate can be made or it is considered improbable that an outflow would result are reported as contingent liabilities in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The Group routinely monitors and assesses contingent liabilities arising from matters such as business reviews, litigation, warranties and indemnities relating to past acquisitions and disposals.

Contingent liabilities – pension transfer advice redress

The skilled person review covered British Steel Pension Scheme DB to DC pension transfer advice activity undertaken by Lighthouse advisers, and a representative sample of other Lighthouse DB to DC pension transfer advice activity in the relevant period.

The skilled person review is largely complete, and the skilled person has recommended a potential review of a further sample of Lighthouse DB to DC pension transfer cases not relating to the British Steel Pension Scheme, and this further sample will be reviewed under a Group-managed past business review process with the skilled person acting as reviewer, as agreed with the FCA. Details of provisions for redress payable and payments made are included within Provisions as set out in note 28. Until the review has finalised, uncertainty exists as to the number of cases where this will be required and the value of total redress which will be payable. Subject to FCA confirmation, we anticipate that the skilled person review will conclude during 2023.

Customers have the legal right to challenge the result of the skilled person review in respect of their case via a complaint to the Financial Ombudsman Service. Certain customers have made such complaints. The skilled person is independent from the Group and has run a robust process, which has been overseen by the FCA. The Group does not consider any of the complaints to have merit and so the provision does not include any amounts in relation to such complaints. In particular, there is no provision for obligations that may arise in the event that any complaints to the Financial Ombudsman Service over the outcome of the skilled person review in respect of particular customers are upheld.

During 2020, the Group was also informed by the FCA that it is conducting an enforcement investigation into Lighthouse in respect of whether Lighthouse has breached certain FCA requirements in connection with advising on and arranging DB to DC pension transfers in the period from 1 April 2015 to 30 April 2019. This investigation is now at an advanced stage and the Group's current view is that it is likely to conclude before the end of the first half of the Group's current financial year on 30 June 2023. However, as the outcome of the enforcement investigation remains unknown, the provision does not include any potential regulatory fines or penalties that could be imposed on Lighthouse in connection with DB to DC pension transfers prior to the Group's acquisition of Lighthouse.

It is possible that further material costs of redress, regulatory fines or penalties may be incurred in relation to the skilled person review, additional past business review and the BSPS Redress Scheme. Further customer redress costs may also be incurred for other potential unsuitable pension transfer advice provided across the Group.

Any further redress costs, and any differences between the provision and final payment to be made for any unsuitable DB to DC pension transfer cases, will be recognised as an expense or credit in the income statement.

35: Contingent liabilities continued

Tax
The tax authorities in the countries in which the Group operates routinely review historical transactions undertaken and tax law interpretations made by the Group. The Group is committed to conducting its tax affairs in accordance with the tax legislation of the countries in which it operates. All interpretations made by the Group are made with reference to the specific facts and circumstances of the transaction and the relevant legislation.

There are occasions where the Group's interpretation of tax law may be challenged by the tax authorities. The financial statements include provisions that reflect the Group's assessment of liabilities which might reasonably be expected to materialise as part of their review. The Group is satisfied that adequate provisions have been made to cater for the resolution of tax uncertainties and that the resources available to fund such potential settlements are sufficient.

Due to the level of estimation required in determining tax provisions, amounts eventually payable may differ from the provision recognised.

Complaints, disputes and regulations
The Group is committed to treating customers fairly and supporting its customers in meeting their lifetime goals. During the normal course of business, from time to time, the Group receives complaints and claims from customers including, but not limited to, complaints to the Financial Ombudsman Service and legal proceedings related thereto, enters into commercial disputes with service providers, and is subject to discussions and reviews with regulators. The costs, including legal costs, of these issues as they arise can be significant and, where appropriate, provisions have been established in accordance with IAS 37.

36: Commitments
The Group has contractual commitments in respect of funding arrangements which will be payable in future periods. These commitments are not recognised in the Group's statement of financial position.

37: Capital and financial risk management

37(a): Capital management
The Group manages its capital with a focus on capital efficiency and effective risk management. The capital management objectives are to maintain the Group's ability to continue as a going concern while supporting the optimisation of return relative to the risks. The Group ensures that it can meet its expected capital and financing needs at all times having regard to the Group's Business Plans, forecasts, strategic initiatives and the regulatory requirements applicable to Group entities.

The Group's overall capital risk appetite is set with reference to the requirements of the relevant stakeholders and seeks to:
- maintain sufficient, but not excessive, financial strength to support stakeholder requirements;
- optimise debt to equity structure to enhance shareholder returns; and
- retain financial flexibility by maintaining liquidity including unutilised committed credit lines.

The primary sources of capital used by the Group are equity shareholders' funds of £1,548 million (31 December 2021: £1,739 million) and subordinated debt which was issued at £200 million in February 2018. Alternative resources are utilised where appropriate. Risk appetite has been defined for the level of capital, liquidity and debt within the Group. The risk appetite includes long-term targets, early warning thresholds and risk appetite limits. The dividend policy sets out the target dividend level in relation to profits.

The regulatory capital for the Group is assessed under Solvency II requirements.

37(a)(i): Regulatory capital (unaudited)
The Group is subject to Solvency II group supervision by the Prudential Regulation Authority. The Group is required to measure and monitor its capital resources under the Solvency II regulatory regime.

The Group's UK life insurance undertaking is included in the Group solvency calculation on a Solvency II basis. Other regulated entities are included in the Group solvency calculation according to the relevant sectoral rules. The Group's Solvency II surplus is the amount by which the Group's capital on a Solvency II basis (own funds) exceeds the Solvency II capital requirement (solvency capital requirement or "SCR").

The Group's Solvency II surplus is £820 million at 31 December 2022 (31 December 2021: £1,030 million), representing a Solvency II ratio of 230% (31 December 2021: 275%) calculated under the standard formula. The Solvency II regulatory position for the year ended 31 December 2022 allows for the impact of the recommended final dividend payment of £45 million (31 December 2021: £62 million).

37: Capital and financial risk management continued
37(a): Capital management continued

The Solvency II results for the year ended 31 December 2022 (unaudited estimate) and 31 December 2021 were as follows:

	31 December 2022[1] £m	31 December 2021[2] £m
Own funds	1,451	1,617
Solvency capital requirement	631	587
Solvency II surplus	820	1,030
Solvency II coverage ratio	**230%**	**275%**

[1]Filing of annual regulatory reporting forms due by 19 May 2023.
[2]As reported in the Group Solvency and Financial Condition Report for the year ended 31 December 2021.

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

Group own funds	31 December 2022 £m	31 December 2021 £m
Tier 1[1]	1,249	1,412
Tier 2[2]	202	205
Total Group Solvency II own funds	**1,451**	**1,617**

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

The Group's UK life insurance undertaking is also subject to Solvency II at entity level. Other regulated entities in the Group are subject to the locally applicable entity-level capital requirements in the countries in which they operate. In addition, the Group's asset management and advice businesses are subject to group supervision by the FCA under the UK Investment Firms Prudential Regime ("IFPR").

The capital requirements for the Group and its regulated subsidiaries are reported and monitored through regular Capital Management Forum meetings. Throughout 2022, the Group has complied with the regulatory requirements that apply at a consolidated level and Quilter's insurance undertakings and investment firms have complied with the regulatory capital requirements that apply at entity level.

37(a)(ii): Loan covenants
Under the terms of the revolving credit facility agreement, the Group is required to comply with the following financial covenant: the ratio of total net borrowings to consolidated equity shareholders' funds shall not exceed 0.5.

	Note	31 December 2022 £m	31 December 2021 £m
Total external borrowings of the Company	30	200	199
Less: cash and cash equivalents of the Company		(126)	(503)
Total net external borrowings of the Company		74	(304)
Total shareholders' equity of the Group		1,548	1,739
Tier 2 bond	30	200	199
Total Group equity (including Tier 2 bond)		1,748	1,938
Ratio of Company net external borrowings to Group equity		**0.042**	**-0.157**

The Group has complied with the covenant since the facility was created in 2018.

37: Capital and financial risk management continued
37(a): Capital management continued

37(a)(iii): Own Risk and Solvency Assessment ("ORSA") and Internal Capital Adequacy and Risk Assessment ("ICARA")
The Group ORSA process is an ongoing cycle of risk and capital management processes which provides an overall assessment of the current and future risk profile of the Group and demonstrates the relationship between business strategy, risk appetite, risk profile and solvency needs. These assessments support strategic planning and risk-based decision making.

The underlying ORSA processes cover the Group and consider how risks and solvency needs may evolve over the planning period. The ORSA includes stress and scenario tests, which are performed to assess the financial and operational resilience of the Group.

The Group ORSA report is produced annually and summarises the analysis, insights and conclusions from the underlying risk and capital management processes in respect of the Group. The ORSA report is submitted to the PRA as part of the normal supervisory process and may be supplemented by ad hoc assessments where there is a material change in the risk profile of the Group outside the usual reporting cycle.

In addition to the Group ORSA process, an entity-level ORSA process is performed for Quilter Life & Pensions Limited.

The ICARA process is similar to the ORSA process and is performed at entity level for certain UK investment firms within the Group. A Group ICARA report is also produced annually and summarises the analysis, insights and conclusions from the underlying risk and capital management processes in respect of the IFPR prudential consolidation Group. The ICARA reports are submitted to the FCA as part of the normal supervisory process and may be supplemented by ad hoc assessments where there is a material change in risk profile outside the usual reporting cycle.

The conclusions of the ORSA and ICARA processes are reviewed by management and the Board throughout the year.

37(b): Credit risk
Overall exposure to credit risk
Credit risk is the risk of adverse movements in credit spreads (relative to the reference yield curve), credit ratings or default rates leading to a deterioration in the level or volatility of assets, liabilities or financial instruments resulting in loss of earnings or reduced solvency. This includes counterparty default risk, counterparty concentration risk and spread risk.

The Group has established a Credit Risk Framework that includes a Credit Risk Policy and Credit Risk Appetite Statement. This framework applies to all activities where the shareholder is exposed to credit risk, either directly or indirectly, ensuring appropriate identification, measurement, management, monitoring and reporting of the Group's credit risk exposures.

The credit risk arising from all exposures is mitigated by ensuring that the Group only enters into relationships with appropriately robust counterparties, adhering to the Group Credit Risk Policy. For each asset, consideration is given as to:
- the credit rating of the counterparty, which is used to derive the probability of default;
- the loss given default;
- the potential recovery which may be made in the event of default;
- the extent of any collateral that the Group has in respect of the exposures; and
- any second order risks that may arise where the Group has collateral against the credit risk exposure.

The credit risk exposures of the Group are monitored regularly to ensure that counterparties remain creditworthy, that there is appropriate diversification of counterparties and that exposures are within approved limits. At 31 December 2022, the Group's material credit exposures were to financial institutions (primarily through the investment of shareholder funds), corporate entities (including external fund managers) and individuals (primarily through fund management trade settlement activities).

There is no direct exposure to non-UK sovereign debt within the shareholder investments. The Group has no significant concentrations of credit risk exposure.

Other credit risks
The Group is exposed to financial adviser counterparty risk through a number of loans that it makes to its advisers and the payment of upfront commission on the sale of certain types of business. The risk of default by financial advisers is managed through monthly monitoring of loan and commission debt balances.

The Group is also exposed to the risk of default by fund management groups in respect of settlements and rebates of fund management charges on collective investments held for the benefit of policyholders. This risk is managed through the due diligence process which is completed before entering into any relationship with a fund group. Amounts due to and from fund groups are monitored for prompt settlement and appropriate action is taken where settlement is not timely.

Legal contracts are maintained where the Group enters into credit transactions with a counterparty.

37: Capital and financial risk management continued
37(b): Credit risk continued

Impact of credit risk on fair value
Due to the limited exposure that the Group has to credit risk, credit risk does not have a material impact on the fair value movement of financial instruments for the year under review. The fair value movements on these instruments are mainly due to changes in market conditions.

Maximum exposure to credit risk
The Group's maximum exposure to credit risk does not differ from the carrying value disclosed in the relevant notes to the consolidated financial statements.

Loans and advances subject to 12-month expected credit losses are £34 million (31 December 2021: £29 million) and other receivables subject to lifetime expected credit losses are £204 million (31 December 2021: £252 million). Those balances represent the pool of counterparties that do not require a rating. These counterparties individually generate no material credit exposure and this pool is highly diversified, monitored and subject to limits.

Exposure arising from financial instruments not recognised on the statement of financial position is measured as the maximum amount that the Group would have to pay, which may be significantly greater than the amount that would be recognised as a liability. The Group does not have any significant exposure arising from items not recognised on the statement of financial position.

The table below represents the Group's exposure to credit risk from cash and cash equivalents.

	Credit rating relating to cash and cash equivalents that are neither past due nor impaired £m						
31 December 2022	**AAA**	**AA**	**A**	**B**	**<BBB**	**Not rated[1]**	**Carrying value**
Cash at amortised cost, subject to 12-month ECL	–	13	388	5	–	264	670
Money market funds at FVTPL	1,112	–	–	–	–	–	1,112
Total cash and cash equivalents	**1,112**	**13**	**388**	**5**	**–**	**264**	**1,782**

	Credit rating relating to cash and cash equivalents that are neither past due nor impaired £m						
31 December 2021	AAA	AA	A	B	<BBB	Not rated[1]	Carrying value
Cash at amortised cost, subject to 12-month ECL	–	105	451	–	3	289	848
Money market funds at FVTPL	1,216	–	–	–	–	–	1,216
Total cash and cash equivalents	**1,216**	**105**	**451**	**–**	**3**	**289**	**2,064**

[1]Cash included in the consolidation of funds is not rated (see note 24(a)).

Impairment allowance
Assets that are measured and classified at amortised cost are monitored for any expected credit losses ("ECL") on either a 12-month or lifetime ECL model. The majority of such assets within the Group are measured on the lifetime ECL model, with the exception of some specific loans that are on the 12-month ECL model.

Impairment allowance	£m
Balance at 1 January 2021	(0.8)
Change due to change in counterparty balance	(0.4)
31 December 2021	**(1.2)**
Change due to change in counterparty balance	0.1
31 December 2022	**(1.1)**

37: Capital and financial risk management continued

37(c): Market risk

Market risk is the risk of an adverse change in the level or volatility of market prices of assets, liabilities or financial instruments resulting in loss of earnings or reduced solvency. Market risk arises from changes in equity, bond and property prices, interest rates and foreign exchange rates. Market risk arises differently across the Group's businesses depending on the types of financial assets and liabilities held. The Group recognises that climate change can contribute to market risk.

The Group has a market risk policy which sets out the risk management framework, permitted and prohibited market risk exposures, maximum limits on market risk exposures, management information and stress testing requirements which are used to monitor and manage market risk. The policy is cascaded to the businesses across the Group, and Group-level governance and monitoring processes provide oversight of the management of market risk by the individual businesses.

The Group does not undertake any principal trading for its own account. The Group's revenue is however affected by the value of assets under management and consequently it has exposure to equity market levels and economic conditions. Scenario testing is undertaken to test the resilience of the business to severe but plausible events, including assessment of the potential implications of climate-related risks and opportunities, and to assist in the identification of management actions.

37(c)(i): Equity and property price risk

In accordance with the market risk policy, the Group does not generally invest shareholder assets in equity or property, or related collective investments, except where the exposure arises due to:
- mismatches between unitised fund assets and liabilities. These mismatches are permitted, subject to maximum limits, to avoid excessive dealing costs; and
- seed capital investments. Seed capital is invested within new unitised or other funds within the Group at the time when these funds are launched. The seed capital is then withdrawn from the funds as policyholders and customers invest in the funds.

The above exposures are not material to the Group.

The Group derives fees (e.g. annual management charges) and incurs costs (e.g. outsourced service provider and adviser fund-based renewal commissions) which are linked to the performance of the underlying assets. Therefore, future earnings will be affected by equity and property market performance.

Equity and property price sensitivity testing

A movement in equity and property prices would impact the fee income that is based on the market value of the investments held by or on behalf of customers. The sensitivity is applied as an instantaneous shock to equity and property prices at the start of the year. The sensitivity analysis is not limited to the unit-linked business and therefore reflects the sensitivity of the Group as a whole.

Impact on profit after tax and shareholders' equity	31 December 2022 £m	31 December 2021 £m
Impact of 10% increase in equity and property prices	30	34
Impact of 10% decrease in equity and property prices	(30)	(34)

37(c)(ii): Interest rate risk

Interest rate risk arises primarily from bank balances held with financial institutions. A small amount of the Group's assets is held in fixed interest UK Government bonds, which are exposed to fluctuations in interest rates.

Fixed interest UK Government bonds are mainly held to match liabilities by duration and so the exposure to interest rate risk is not material.

A rise in interest rates would also cause an immediate fall in the value of investments in fixed income securities within clients' investment funds, resulting in a fall in fund-based revenues.

Conversely, a reduction in interest rates would cause a rise in the value of investments in fixed income securities within clients' investment funds. It would also reduce the interest rate earned on bank balances and could potentially result in the Group incurring interest charges on these balances, if interest rates become negative.

Exposure of the income statement and statement of financial position to interest rates are summarised below.

37: Capital and financial risk management continued
37(c): Market risk continued

Interest rate sensitivity testing
The impact of an increase and decrease in market interest rates of 1% is tested (e.g. if the current interest rate is 5%, the test allows for the effects of an instantaneous change to 4% and 6% from the start of the year). The test allows consistently for similar changes in investment returns and movements in the market value of any fixed interest assets backing the liabilities. The sensitivity of profit to changes in interest rates is provided.

Impact on profit after tax and shareholders' equity	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Impact of 1% increase in interest rates	7	11
Impact of 1% decrease in interest rates	(7)	–

37(c)(iii): Currency translation risk
Currency translation risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's functional currency is pounds sterling, which accounts for the majority of the Group's transactions. The Group has minor exposure to Euros, through the Group's Irish subsidiary and to the South African Rand, due to the listing on the Johannesburg Stock Exchange and the payment of a proportion of shareholder dividends in Rand. During 2022, the Group had limited exposure to foreign exchange risk in respect of other currencies due its non-UK operations and foreign currency transactions.

37(d): Liquidity risk
Liquidity risk is the risk that there are insufficient assets or that assets cannot be realised in order to settle financial obligations as they fall due or that market conditions preclude the ability of the Group to trade in illiquid assets in order to maintain its asset and liability matching ("ALM") profile. The Group manages liquidity on a daily basis through:
- maintaining adequate high-quality liquid assets and banking facilities, the level of which is informed through appropriate liquidity stress testing;
- continuously monitoring forecast and actual cash flows; and
- monitoring a number of key risk indicators to help in the identification of a liquidity stress.

Individual businesses maintain and manage their local liquidity requirements according to their business needs within the overall Group Liquidity Risk Framework that includes a Group Liquidity Risk Policy and Group Liquidity Risk Appetite Statement. The Group framework is applied consistently across all businesses in the Group to identify, manage, measure, monitor and report on all liquidity risks that have a material impact on liquidity levels. This framework considers both short-term liquidity and cash management considerations and longer-term funding risk considerations.

Liquidity is monitored centrally by Group Treasury, with management actions taken at a business level to ensure each business has sufficient liquidity to cover its minimum liquidity requirement, with an appropriate buffer set in line with the Group Risk Appetite Statement.

Throughout the ongoing Ukraine crisis and market volatility during 2022, Quilter plc and its subsidiaries have operated above their individual liquidity targets and there were no material liquidity stresses identified over this period. Daily liquidity monitoring continues across the Group to enable timely identification of any emerging issues.

The Group maintains contingency funding arrangements to provide liquidity support to businesses in the event of liquidity stresses that are greater than their risk appetite. Contingency Funding Plans are in place for each individual business in order to set out the approach and management actions that would be taken should liquidity levels fall below minimum liquidity requirements. The plans undergo an annual review and testing cycle to ensure they are fit for purpose and can be relied upon during a liquidity stress.

Information on the nature of the investments and securities held is given in note 17.

The Group has a £125 million five-year Revolving Credit Facility with a five-bank club that provides a form of contingency liquidity for the Group. No drawdown on this facility has been made since inception. The Group has exercised the option to extend the facility for a further two-year period, to February 2025, and has continued to meet all the covenants attached to its financing arrangements.

The financing arrangements are considered sufficient to maintain the target liquidity levels of the Group and offer coverage for appropriate stress scenarios identified within the liquidity stress testing undertaken across the Group.

Further details, together with information on the Group's borrowed funds, are given in note 30.

The Group does not have material liquidity exposure to special purpose entities or investment funds.

37: Capital and financial risk management continued

37(e): Insurance risk

37(e)(i): Overview

The definition of insurance risk set out in the policy covers risks arising under Quilter's unit-linked investment contracts which do not meet the IFRS definition of insurance contracts.

The Group's Enterprise Risk Management Framework defines insurance risk as the risk of a reduction in Solvency II own funds from adverse experience or change in assumptions relating to claims, policyholder behaviour, mortality, longevity or expenses, resulting in an adverse impact to earnings or reduced solvency.

The Group has implemented an insurance risk policy which sets out the Group's requirements for the management, measurement, monitoring and reporting of insurance risks. The Group has implemented the Technical Provisions Standard to support the insurance risk policy.

The sensitivity of the Group's earnings and capital position to insurance risks is monitored through the Group's capital management processes.

The Group manages its insurance risks through the following mechanisms:
- Management of expense levels relative to approved budgets.
- Analysis and monitoring of experience relative to the assumptions used to determine technical provisions.

Persistency

Persistency risk is the risk that the level of surrenders or withdrawals on products offered by Quilter Life & Pensions Limited occur at levels that are different to the levels assumed in the determination of technical provisions. Persistency statistics are monitored monthly and a detailed persistency analysis at a product group level is carried out on an annual basis. Management actions may be triggered if persistency statistics indicate significant adverse movement or emerging trends in experience.

Expenses

Expense risk is the risk that actual expenses and expense inflation differ from the levels assumed in the determination of technical provisions. Expense levels are monitored on a quarterly basis against budgets and forecasts. Expense drivers are used to allocate expenses to entities and products. Some product structures include maintenance charges. These charges are reviewed annually in light of changes in maintenance expense levels and the market rate of inflation. This review may result in changes in charge levels.

Mortality

Mortality risk is not material as the Group does not provide material mortality insurance on its products and mortality benefits are reinsured.

37(e)(ii): Sensitivity analysis

Sensitivity analysis has been performed by applying the following parameters to the statement of financial position and income statement for 2021 and 2022. Interest rate and equity and property price sensitivities are included within the Group market sensitivities above.

Expenses

The increase in expenses is assumed to apply to the costs associated with the maintenance and acquisition of contracts within the unit-linked business. It is assumed that these expenses are increased by 10% from the start of the year, so is applied as an expense shock rather than a gradual increase. The only administrative expenses that are deferrable are sales bonuses but as new business volumes are unchanged in this sensitivity, sales bonuses and the associated deferrals have not been increased. Administrative expenses have been allocated equally between life and pensions.

An increase in expenses of 10% would have decreased profit by £6 million after tax (2021: £6 million).

37(f): Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, or from personnel and systems, or from external events, resulting in an adverse impact to earnings or reduced solvency. Operational risk includes all risks resulting from operational activities, excluding the risks already described above and excluding strategic risks and risks resulting from being part of a wider group of companies.

Operational risk includes the effects of failure of administration processes, IT and Information Security maintenance and development processes, investment processes (including settlements with fund managers, fund pricing and matching and dealing), people and HR processes, product development and management processes, legal risks (e.g. risk of inadequate legal contracts with third parties), change delivery risks (including poorly managed responses to regulatory change), physical and certain transitional financial risks arising from climate change, risks relating to the relationship with third-party suppliers and outsourcers, and the consequences of financial crime and business interruption events.

In accordance with Group policies, management has primary responsibility for the identification, measurement, assessment, management and monitoring of risks, and the escalation and reporting on issues to Executive Management.

The Group's Executive Management has responsibility for implementing the Group Operational Risk Framework and for the development and implementation of action plans designed to manage risk levels within acceptable tolerances and to resolve issues identified.

37: Capital and financial risk management continued

37(g): Contractual maturity analysis
Investment contract policyholders have the option to terminate or transfer their contracts at any time and to receive the surrender or transfer value of their policies, and these liabilities are therefore classified as having a maturity of less than three months. Although these liabilities are payable on demand, the Group does not expect that all liabilities will be settled within a short time period.

38: Fiduciary activities
The Group provides custody, trustee, corporate administration and investment management and advisory services to external parties that involve the Group making allocation, purchase and sales decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. Some of these arrangements involve the Group accepting targets for benchmark levels of returns for the assets under the Group's care. These services give rise to the risk that the Group may be accused of misadministration or underperformance.

Certain Quilter investment firms hold client money and other assets on behalf of clients and related activities are subject to the rules set out in the FCA's Client Assets Sourcebook ("CASS"). The Group is not beneficially entitled to those assets and therefore neither the assets nor the related amounts due to clients are recognised on the Group balance sheet.

39: Related party transactions
In the normal course of business, the Group enters into transactions with related parties. Loans to related parties are conducted on an arm's length basis and are not material to the Group's results. There were no transactions with related parties during the current year or the prior year which had a material effect on the results or financial position of the Group.

39(a): Transactions with key management personnel, remuneration and other compensation
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group. Details of the compensation paid to the Board of Directors as well as their shareholdings in the Company are disclosed in the Directors' Remuneration Report.

39(a)(i): Key management personnel compensation

	31 December 2022 £'000	31 December 2021 £'000
Salaries and other short-term employee benefits	5,739	7,627
Post-employment benefits	25	43
Share-based payments	3,372	2,987
Total compensation of key management personnel	**9,136**	**10,657**

39(a)(ii): Key management personnel transactions
Key management personnel and members of their close family have undertaken transactions with the Group in the normal course of business.

The Group's products are available to all employees of the Group on preferential staff terms, the impact of which is immaterial to the Group's financial statements. During the year ended 31 December 2022, key management personnel and their close family members contributed £2 million (2021: £1 million) to Group pensions and investments (in both internal and external funds). The total value of investments in Group pensions and investment products by key management personnel serving at any point during the year and their close family members was £12 million at the end of the year (2021: £12 million).

Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the course of the year ended 31 December 2022 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers and office. In addition, the Company maintains Directors' and Officers' Liability Insurance which provides appropriate cover for legal action that may be brought against its Directors and Officers.

39(b): Associates
In the current and prior year, IT services were provided by 360 Dot Net Limited, an associate of the Group. The relevant transactions had no material impact on the Group's financial statements.

39(c): Other related parties
Details of the Group's staff pension schemes are provided in note 33. Transactions made between the Group and the Group's staff pension schemes are made in the normal course of business.

40: Events after the reporting date
Note 13 provides information on the Group's final dividend in respect of 2022.

In January 2023, the Company issued the £200,000,000 8.625% Fixed Rate Reset Subordinated Notes (due April 2033) and received net cash proceeds of £197 million. The Notes are now listed and regulated under the terms of the London Stock Exchange. On 28 February 2023, the Company repaid the existing £200,000,000 4.478% Fixed Rate Reset Subordinated Notes (due February 2028).

Appendix
For the year ended 31 December 2022

Appendix A: Related undertakings

The Companies Act 2006 requires disclosure of certain information about the Group's related undertakings which is set out in this note. Related undertakings comprise subsidiaries, joint ventures, associates and other significant holdings. Significant holdings are where the Group either has a shareholding greater than or equal to 20% of the nominal value of any share class, or a book value greater than 20% of the Group's assets.

The definition of a subsidiary undertaking in accordance with the Companies Act 2006 is different from the definition under IFRS. As a result, the related undertakings included within the list below may not be the same as the undertakings consolidated in the Group IFRS financial statements. Refer to accounting policies note 5(a) Group Accounting for further detail on the principles of consolidation.

The Group's related undertakings along with the country of incorporation, the registered address, the classes of shares held and the effective percentage of equity owned at 31 December 2022 are disclosed below.

Quilter plc is the ultimate parent of the Group.

Company name	Share class	% Held
United Kingdom		
Senator House, 85 Queen Victoria Street, London, EC4V 4AB		
Blueprint Distribution Limited	Ordinary	100
Blueprint Financial Services Limited	Ordinary	100
Blueprint Organisation Limited	Ordinary	100
Caerus Capital Group Limited	Ordinary	100
Caerus Holdings Limited	Ordinary	100
Caerus Wealth Limited	Ordinary	100
Caerus Wealth Solutions Limited	Ordinary	100
Charles Derby Group Limited	Ordinary	100
Charles Derby Private Clients Limited	Ordinary	100
Charles Derby Wealth Management Limited	Ordinary	100
Cheviot Capital (Nominees) Limited	Ordinary	100
Falcon Financial Advice Limited	Ordinary	100
Forward Thinking Wealth Management Limited	Ordinary	100
Lighthouse Advisory Services Limited	Ordinary	100
Lighthouse Benefits Limited	Ordinary	100
Lighthouse Corporate Services Ltd	Ordinary	100
Lighthouse Financial Advice Limited	Ordinary	100
Lighthouse Group Limited	Ordinary	100
Lighthouse Support Services Limited	Ordinary	100
Lighthouse Wealth Management Limited	Ordinary	100
LighthouseWealth Limited	Ordinary	100
LighthouseXpress Limited	Ordinary	100
Luceo Asset Management Limited	Ordinary	100
Quilter Perimeter Limited	Ordinary	100
Quilter Perimeter (GGP) Limited	Ordinary	100
Quilter Perimeter UK Limited	Ordinary	100
Quilpep Nominees Limited	Ordinary	100
Quilter Business Services Limited	Ordinary	100
Quilter Cheviot Holdings Limited	Ordinary	100
Quilter Cheviot Limited	Ordinary	100
Quilter CoSec Services Limited	Ordinary	100
Quilter Financial Advisers Limited	Ordinary	100
Quilter Financial Limited	Ordinary A	100
Quilter Financial Planning Limited	Ordinary	100
Quilter Financial Services Limited	Ordinary	100
Quilter Holdings Limited	Ordinary	100
Quilter Investment Platform Limited	Ordinary	100
Quilter Investment Platform Nominees Limited	Ordinary	100
Quilter Investors Limited	Ordinary	100
Quilter Investors Portfolio Management Limited	Ordinary	100
Quilter Life & Pensions Limited	Ordinary	100
Quilter Mortgage Planning Limited	Ordinary	100
Quilter Nominees Limited	Ordinary	100
Quilter Pension Trustees Limited	Ordinary	100

Company name	Share class	% Held
Quilter Private Client Advisers Limited	Ordinary	100
Quilter UK Holding Limited	Ordinary	100
Quilter Wealth Limited	Ordinary	100
Quilter Perimeter Holdings Limited	Ordinary	100
Violet No.2 Limited	Ordinary	100
Quilter House, Portland Terrace, Southampton, SO14 7EJ		
IFA Services Holdings Company Limited	Ordinary A	95
	Ordinary B	100
Riverside House, The Waterfront, Newcastle upon Tyne, NE15 8NY		
Quilter Financial Planning Solutions Limited	Ordinary	100
Think Synergy Limited	Ordinary	100
C/O Teneo Restructuring Limited, 156 Great Charles Street, Queensway, Birmingham, West Midlands, B3 3HN		
Charles Jacques Limited (in liquidation since 4 October 2021)	Ordinary	100
Commsale 2000 Limited (in liquidation since 21 September 2022)	Ordinary	100
IFA Holding Company Limited (in liquidation since 21 September 2022)	Ordinary	100
Intrinsic Cirilium Investment Company Limited (in liquidation since 21 September 2022)	Ordinary	100
Premier Planning Limited (in liquidation since 19 March 2018)	Ordinary	100
Prescient Financial Intelligence Limited (in liquidation since 4 October 2021)	Ordinary	100
The Falcon Group Limited (in liquidation since 10 November 2022)	Ordinary	100
C/O Addleshaw Goddard LLP, 19 Canning Street, Edinburgh, Scotland, EH3 8EH		
Financial Services Advice & Support Limited	Ordinary	100
Ireland		
Hambleden House, 19-26 Lower Pembroke Street, Dublin 2, D02 WV96		
Pembroke Quilter (Ireland) Nominees Limited	Ordinary	100
Quilter Cheviot Europe Limited	Ordinary	100
Isle of Man		
33-37 Athol Street, Douglas, IM1 1LB		
Quilter Perimeter (IOM) Limited	Ordinary	100
Third Floor, St George's Court, Upper Hill Street, Douglas, IM1 1EE		
Quilter Insurance Company Limited	Ordinary	100
Jersey		
3rd Floor, Windward House, La Route de la Liberation, St Helier, JE1 1QJ		
C.I.P.M. Nominees Limited	Ordinary	100
QGCI Nominees Limited	Ordinary	100
Quilter Cheviot International Limited	Ordinary	100
Germany		
Wiesenhüttenstraße 11, 60329 Frankfurt am Main		
Old Mutual Europe GmbH (in liquidation since 1 September 2022)	Ordinary	100
Skandia Retail Europe Holding GmbH (in liquidation since 1 September 2022)	Ordinary	100
United Kingdom – associate		
12-14 Upper Marlborough Road, St Albans, Hertfordshire, AL1 3UR		
360 Dot Net Limited	Ordinary A	17.5

Appendix A: Related undertakings continued

The Quilter Foundation (registered charity no. 1175555) is an independent charity. The Quilter Foundation's sole member, Quilter Holdings Limited appoints the trustees of the charity.

In addition, the following funds are consolidated and constitute related undertakings, as described in note 5(a).

Some of the funds in the table below are subfunds of umbrella funds. The following umbrella funds are operated or represented by Quilter entities: Quilter Investors Balanced OEIC, Quilter Investors Charity Authorised Investment Funds, Quilter Investors Cirilium OEIC, Quilter Investors ICAV, Quilter Investors Multi-Asset OEIC, Quilter Investors OEIC, Quilter Investors Portfolio OEIC, Quilter Investors Series I and Quilter Investors Trust.

Share Class	
A	Accumulation
B	Income

Fund name	Share class	% Held
United Kingdom		
Senator House, 85 Queen Victoria Street, London, EC4V 4AB		
Quilter Investors Absolute Return Bond Fund	A	63
Quilter Investors Asia Pacific (ex Japan) Equity Fund	A	62
Quilter Investors Asia Pacific (ex Japan) Large-Cap Equity Fund	A	59
Quilter Investors Asia Pacific Fund	A	64
Quilter Investors Bond 1 Fund	B	63
Quilter Investors Bond 3 Fund	B	97
Quilter Investors Cirilium Adventurous Passive Portfolio	A	45
Quilter Investors Cirilium Adventurous Portfolio	A	38
Quilter Investors Cirilium Balanced Passive Portfolio	A	42
Quilter Investors Cirilium Conservative Passive Portfolio	A	33
Quilter Investors Cirilium Conservative Portfolio	A	32
Quilter Investors Cirilium Dynamic Passive Portfolio	A	41
Quilter Investors Cirilium Moderate Passive Portfolio	A	42
Quilter Investors Corporate Bond Fund	A	60
Quilter Investors Creation Balanced Portfolio	A	30
Quilter Investors Creation Dynamic Portfolio	A	31
Quilter Investors Creation Moderate Portfolio	A	29
Quilter Investors Diversified Bond Fund	A	60
Quilter Investors Emerging Markets Equity Fund	A	64
Quilter Investors Emerging Markets Equity Growth Fund	A	64
Quilter Investors Emerging Markets Equity Growth Fund	A	64
Quilter Investors Emerging Markets Equity Income Fund	A	63
Quilter Investors Europe (ex UK) Equity Fund	A	60
Quilter Investors Europe (ex UK) Equity Growth Fund	A	61
Quilter Investors Europe (ex UK) Equity Income Fund	A	63
Quilter Investors Global Dynamic Equity Fund	A	55
Quilter Investors Global Equity Absolute Return Fund	A	62
Quilter Investors Global Equity Value Fund	A&B	64
Quilter Investors Investment Grade Corporate Bond Fund	A&B	50
Quilter Investors Japanese Equity Fund	A	60
Quilter Investors Monthly Income & Growth Portfolio	A&B	46
Quilter Investors Monthly Income Portfolio	A&B	46
Quilter Investors Natural Resources Equity Fund	A	54
Quilter Investors North American Equity Fund	A	63
Quilter Investors Precious Metals Equity Fund	A	59
Quilter Investors Sterling Corporate Bond Fund	A&B	50
Quilter Investors Sterling Diversified Bond Fund	A&B	59
Quilter Investors Timber Equity Fund	A	64
Quilter Investors UK Equity Fund	A	62
Quilter Investors UK Equity 2 Fund	A	100
Quilter Investors UK Equity Growth Fund	A	55
Quilter Investors UK Equity Income Fund	A	63
Quilter Investors UK Equity Large-Cap Income Fund	A&B	57
Quilter Investors UK Equity Mid-Cap Growth Fund	A	55
Quilter Investors UK Equity Opportunities Fund	A	58
Quilter Investors US Equity Growth Fund	A	41
Quilter Investors US Equity Income Fund	A	59
Quilter Investors US Equity Small/Mid-Cap Fund	A	52

Company statement of financial position

At 31 December 2022

	Notes	31 December 2022 £m	31 December 2021 £m
Assets			
Investments in subsidiary undertakings	4	2,150	2,130
Loans and advances	5	462	453
Deferred tax assets	6	4	6
Current tax assets		12	7
Other receivables and other assets	7	27	32
Cash and cash equivalents	8	126	503
Total assets		**2,781**	**3,131**
Equity and liabilities			
Equity			
Ordinary Share capital		115	116
Ordinary Share premium reserve		58	58
Capital redemption reserve		346	17
Merger reserve	9	1,359	1,687
Share-based payments reserve		41	42
Retained earnings (including profit/(loss) for the financial year of £81 million (2021: £319 million))		637	966
Total equity		**2,556**	**2,886**
Liabilities			
Provisions	10	4	4
Borrowings	11	203	202
Other payables	12	18	39
Total liabilities		**225**	**245**
Total equity and liabilities		**2,781**	**3,131**

Approved by the Board of Quilter plc on 7 March 2023.

Steven Levin
Chief Executive Officer

Mark Satchel
Chief Financial Officer

Company registered number: 06404270

Company statement of changes in equity

For the year ended 31 December 2022

31 December 2022	Note	Ordinary Share capital[4] £m	Ordinary Share premium[4] £m	B shares £m	Capital redemption reserves[4] £m	Merger reserve[4] £m	Share-based payments reserve[4] £m	Retained earnings £m	Total shareholders' equity £m
Balance at 1 January 2022		**116**	**58**	**–**	**17**	**1,687**	**42**	**966**	**2,886**
Profit for the year		–	–	–	–	–	–	81	81
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**81**	**81**
Dividends[5]		–	–	–	–	–	–	(78)	(78)
Ordinary Shares purchased in the buyback programme[1]		(1)	–	–	1	–	–	–	–
Issue of B shares[2]		–	–	328	–	(328)	–	–	–
Redemption of B shares[2]	9	–	–	(328)	328	–	–	(328)	(328)
Exchange rate movement (ZAR/GBP)[3]		–	–	–	–	–	–	(4)	(4)
Equity share-based payments		–	–	–	–	–	(1)	–	(1)
Total transactions with the owners of the Company		**(1)**	**–**	**–**	**329**	**(328)**	**(1)**	**(410)**	**(411)**
Balance at 31 December 2022		**115**	**58**	**–**	**346**	**1,359**	**41**	**637**	**2,556**

31 December 2021	Note	Ordinary Share capital £m	Ordinary Share premium £m	B shares £m	Capital redemption reserve £m	Merger reserve £m	Share-based payments reserve £m	Retained earnings £m	Total shareholders' equity £m
Balance at 1 January 2021		**125**	**58**	**–**	**8**	**1,811**	**42**	**816**	**2,860**
Profit for the year		–	–	–	–	–	–	319	319
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**319**	**319**
Dividends		–	–	–	–	–	–	(89)	(89)
Release of merger reserve	9	–	–	–	–	(124)	–	124	–
Ordinary Shares purchased in the buyback programme[1]		(9)	–	–	9	–	–	(204)	(204)
Total transactions with the owners of the Company		**(9)**	**–**	**–**	**9**	**(124)**	**–**	**(169)**	**(293)**
Balance at 31 December 2021		**116**	**58**	**–**	**17**	**1,687**	**42**	**966**	**2,886**

[1]On 11 March 2020, the Company announced a share buyback programme to purchase Ordinary Shares up to a maximum value of £375 million, in order to return the net surplus proceeds to shareholders arising from the sale of Quilter Life Assurance which had the impact of reducing the share capital of the Company. During the year ending 31 December 2022, the Company acquired 17.7 million shares (31 December 2021: 128.1 million) for a total consideration of £26 million (31 December 2021: £197 million) and incurred additional costs of £1 million (31 December 2021: £3 million). The shares, which have a nominal value of £1 million (31 December 2021: £9 million), were subsequently cancelled, giving rise to a capital redemption reserve of the same value as required by the Companies Act 2006. The share buyback was completed in January 2022.

[2]On 9 March 2022, the Company announced a capital return of £328 million from the net surplus proceeds arising from the sale of Quilter International by way of a B Share Scheme accompanied by a Share Consolidation. Refer to note 4 on the consolidated financial statements for further details of the capital return and Share Consolidation. Following the issue and redemption of the B preference shares as part of the B Share Scheme, the Company transferred £328 million from retained earnings to the capital redemption reserve, as required under the provisions of sections 688 and 733 of the Companies Act 2006, being an amount equal to the nominal value of the B shares redeemed in the year. The increase in the capital redemption reserve results from the UK company law requirement to maintain the Company's capital when shares are redeemed out of the Company's distributable profits.

[3]The South African Rand value of the proposed capital return for shares registered on the Johannesburg Stock Exchange was set on 9 March 2022. The impact of exchange rate movements between the year-end Market Announcement on 9 March 2022 and the redemption of the B shares on 24 May 2022 on the pound sterling equivalent of payments to JSE shareholders in South African Rand is recognised directly in equity. Additionally, the impact of exchange rate movements between the announcement date of dividends payable and the payment date on the pound sterling equivalent of payments to JSE shareholders in South African Rand is recognised directly in equity. The Company held cash in South African Rand equal to the expected cash outflows and therefore was economically hedged for the outflows.

[4]Please refer to the SOCIE of the Group financial statements for further information.

[5]Details of dividends proposed and paid during the year are disclosed in the notes to the financial statements of the Group.

Notes to the financial statements of the Company

For the year ended 31 December 2022

1: General information

Quilter plc (the "Company") is a public limited company incorporated in England and Wales and domiciled in the United Kingdom with registration number 06404270.

The Company's Registered Office is Senator House, 85 Queen Victoria Street, London EC4V 4AB.

2: Basis of preparation

The financial statements of Quilter plc for the year ended 31 December 2022 have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101"). The financial statements have been prepared on a going concern basis and under the historical cost convention, as modified by the revaluation of certain financial instruments which have been recognised at fair value through profit or loss, and in accordance with the Companies Act 2006.

The accounting policies adopted are the same as those set out in note 1 to the Group financial statements with the exceptions noted below. These accounting policies have been applied consistently.

First-time application of FRS 101

The Company has transitioned to FRS 101 for the first time in 2022 for the purposes of preparing the Parent Company financial statements. In the prior year, the Parent Company financial statements were prepared in accordance with international accounting standards. No material adjustments have been required to the prior year in respect of the change in reporting approach.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the critical accounting estimates and judgements section below.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- IFRS 7, 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
  - paragraph 79(a)(iv) of IAS 1 (reconciliation of shares outstanding);
  - paragraph 73(e) of IAS 16, 'Property, plant and equipment' (reconciliation of carrying amount); and
  - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 111 (statement of cash flows information); and
  - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group
- The requirements of the second sentence of paragraph 110 and paragraphs 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its own income statement in these financial statements.

Critical accounting estimates and judgements

The preparation of financial statements requires management to exercise judgement in applying accounting policies and make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Critical accounting estimates and judgements are those that involve the most complex or subjective assessments and assumptions. Management uses its knowledge of current facts and circumstances and applies estimation and assumption setting techniques that are aligned with relevant accounting guidance to make predictions about future actions and events. Actual results may differ significantly from those estimates.

2: Basis of preparation continued

Critical accounting estimates and judgements continued

The areas where judgements and estimates have the most significant effect on the amounts recognised in these financial statements are summarised below:

Area	Critical accounting judgements	Note
Investments in subsidiaries – measurement	Management has applied judgement in its impairment assessment in respect of determining the cash-generating unit ("CGU"), which is the level at which largely independent cash inflows occur. The Company's investments in Quilter Holdings Limited and Quilter Investors Limited each contain cash flows generated from within the Affluent segment and management has taken the judgement that aggregating cash flows from these investments represents the lowest level at which largely independent cash inflows are generated.	4

Other principal estimates

The Company's assessment of its investment in subsidiaries for impairment uses the latest cash flow forecasts from the Group's three-year Business Plan to calculate the recoverable value of its trading subsidiaries. These forecasts include estimates relating to equity market levels and growth in AuMA in future periods, together with levels of new business growth, net client cash flow, revenue margins, and future expenses and discount rates (see note 14 of the Group financial statements). Management does not believe that the use of these estimates has a significant risk of causing a material adjustment to the carrying amount of the assets within the next financial year.

3: Capital and financial risk management

The material risks faced by the Company are described below.

3(a): Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, or from personnel and systems, or from external events, resulting in an adverse impact to earnings or reduced solvency. Operational risk includes all risks resulting from operational activities, excluding the risks detailed below and excluding strategic risks and risks resulting from being part of a wider group of companies.

Operational risk includes the effects of failure of administration processes, IT and Information Security maintenance and development processes, people and HR processes, legal risks, poorly managed responses to regulatory change, change and physical and certain transitional financial risks arising from climate change, risks relating to the relationship with third-party suppliers and outsourcers, and the consequences of financial crime and business interruption events.

3(b): Credit risk

Credit risk is the risk of adverse movements in credit spreads (relative to the reference yield curve), credit ratings or default rates leading to a deterioration in the level or volatility of assets, liabilities or financial instruments resulting in loss of earnings or reduced solvency. This includes counterparty default risk, counterparty concentration risk and spread risk.

The Company is exposed to credit and counterparty risk primarily arising from the investment of its shareholder funds. Sources of credit risk are managed in line with the requirements of the Credit Risk Policy that ensures cash is placed with highly rated counterparties and is appropriately diversified. Credit risk exposures of the Company are monitored regularly to ensure that counterparties remain creditworthy, that there is appropriate diversification of counterparties and that exposures are within approved limits.

3(c): Market risk

Market risk is the risk of an adverse change in the level or volatility of market prices of assets, liabilities or financial instruments resulting in loss of earnings or reduced solvency. Market risk arises from changes in equity, bond and property prices, interest rates and foreign exchange rates. Market risk arises differently across the business depending on the types of financial assets and liabilities held. The Company recognises that climate change can contribute to market risk. The Company is subject to material risk in the following areas:

Interest rate risk

Interest rate risk is defined as the risk of a deviation of the actual interest rates from the expected interest rates, resulting in the potential for a negative impact on earnings or capital and/or reduced solvency.

An exposure exists as a result of four intercompany loans (see note 5) that are linked to an underlying variable interest rate, and so the value of these interest payments will vary if the underlying interest rate changes.

The Company also has subordinated debt (see note 11) that has a fixed interest rate, where the present value of the loan would vary in the event of a change in interest rates. Note 15 contains information on changes to debt financing after the reporting date.

3(d): Liquidity risk

Liquidity risk is the risk that there are insufficient assets or that assets cannot be realised in order to settle financial obligations as they fall due. The Company manages liquidity on a daily basis through maintaining adequate high-quality liquidity assets and banking facilities, regularly monitoring forecast and actual cash flows, matching the maturity profiles of financial assets and liabilities and monitoring a number of key risk indicators to help in the identification of a liquidity stress. The Company maintains and manages its local liquidity requirements according to its business needs, within the overall liquidity framework established by the Company.

3: Capital and financial risk management continued

3(e): Sensitivity tests

Sensitivity analysis has been performed by applying the following parameters to the statement of financial position and income statement as at the reporting date.

Interest rate sensitivity

The impact of an increase and decrease in market interest rate of 1% is assessed (e.g. if the current interest rate is 5% the test allows for the effects of an instantaneous change to 4% and 6% from the start of the year).

A decrease in interest rate of 1% would have decreased profit and shareholders' equity by £4 million (2021: increase £1 million) after tax; an equal change in the opposite direction would have increased profit by £4 million (2021: increase £6 million) after tax.

4: Investments in subsidiary undertakings

Investments in subsidiaries are stated at cost, less impairment in value. All shares held are Ordinary Shares.

	31 December 2022 £m	31 December 2021 £m
Balance at the beginning of the year	2,130	2,254
Investment in subsidiary undertaking in relation to share-based payments	(1)	–
Reversal of impairment/(impairment) of subsidiary undertakings	21	(124)
Balance at the end of the year	**2,150**	**2,130**

Investment in subsidiary undertakings in relation to share-based payments

Quilter plc grants rights to its equity instruments to employees of its subsidiaries under various share-based payment arrangements. In so doing, the subsidiaries receive services from employees that are paid for by Quilter plc, thereby increasing/(decreasing) the investment that Quilter plc holds in those subsidiaries. Quilter plc recognises the equity-settled share-based payment in equity, with a corresponding increase/(decrease) in its investment in the subsidiaries. The amount recognised as an additional investment is based on the grant date fair value of the share options granted, and is recognised by Quilter plc over the vesting period of the respective share schemes. A decrease to the investment in subsidiary undertakings is recognised when each share award vests, and shares are delivered to the employees.

During 2022, the Company marginally decreased its investments in subsidiaries in relation to share-based payments as listed below. In 2021, its investments in relation to share-based payments marginally increased.

	31 December 2022 £m	31 December 2021 £m
Quilter Business Services Limited	(2)	–
Quilter Cheviot Limited	–	2
Quilter Financial Planning Limited	–	(2)
Quilter Investors Limited	–	1
Other subsidiaries	1	(1)
Total investments in subsidiaries	**(1)**	**–**

Impairments of investments in subsidiary undertakings

In accordance with the requirements of IAS 36 Impairment of Assets, the investments in subsidiaries are tested annually for impairment by comparing the carrying value of the underlying investments to the recoverable value, being the higher of the value-in-use or fair value less costs to sell. If applicable, an impairment charge is recognised when the recoverable amount is less than the carrying value.

On 31 December 2021, the Company received a dividend from its subsidiary, Quilter Perimeter Holdings Limited. This resulted in a reduction in the net asset value of Quilter Perimeter Holdings Limited and gave rise to an impairment of £124 million of the Company's investment in Quilter Perimeter Holdings Limited.

2022 impairment to investment in subsidiary

During 2022, the net asset value of Quilter Perimeter Holdings Limited and its subsidiaries increased, leading to the partial reversal of a previous impairment, of £21 million. The Company does not consider the £21 million arising on reversal of impairment to be distributable.

5: Loans and advances

This note analyses the loans and advances the Company has made. The carrying amounts of loans and advances were as follows:

	31 December 2022 £m	31 December 2021 £m
Loans to subsidiary undertakings	462	453
Total net loans and advances	**462**	**453**

All loans are held at amortised cost and repayable on demand. The loans to subsidiary undertakings are with Quilter Holdings Limited and are charged at base rate plus 0.5% and 10%, Quilter Perimeter Holdings Limited, which is charged at base rate plus 0.5%, and the Employee Benefit Trust, which attracts no interest. Given the profitability and net assets of these subsidiaries, the credit risk associated with these loans is considered minimal. There have been no non-performing loans, loans subject to renegotiations or material impairments on loans and advances recognised in the financial year.

6: Deferred tax assets/liabilities

The following are the deferred tax balances recognised by the Company and the movements thereon, during the current and prior year.

	Tax losses £m	Closing deferred tax asset £m
Assets/(liabilities) at 1 January 2021	**–**	**–**
Income statement (charge)/credit	6	6
Assets/(liabilities) at 31 December 2021	**6**	**6**
Income statement (charge)/credit	(2)	(2)
Assets/(liabilities) at 31 December 2022	**4**	**4**

Deferred tax assets or liabilities are recognised to the extent that temporary differences are expected to reverse in the foreseeable future. The timing of reversals are estimated based on the Company's annual Business Plan. Deferred tax assets are recognised to the extent that they are supported by the Company's Business Plan or where appropriate the Group's Business Plan.

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable, being where, on the basis of all available evidence, it is considered more likely than not that there will be suitable taxable profits against which the reversal of the deferred tax asset can be deducted.

Sensitivity analysis demonstrates headroom in the recoverable amount of the deferred tax asset over the taxable profits contained within the three-year planning horizon. The impacts of a 20% decrease in profitability have been assessed and do not give rise to concerns over recoverability.

Sensitivity analysis shows a 20% reduction in Group future taxable profits will necessitate a £3 million write down in the value of the current deferred tax asset.

The main rate of Corporation Tax is 19% for the financial year 2022. The rate will increase to 25% with effect from 1 April 2023. This change having been substantively enacted has been used in recognising the Company's deferred tax assets and liabilities for reversals expected to take place on or after 1 April 2023.

Unrecognised deferred tax assets

The amounts for which no deferred tax asset has been recognised comprises:

	31 December 2022		31 December 2021	
	Gross amount £m	Tax £m	Gross amount £m	Tax £m
Pre-April 2017 UK tax losses	16	4	16	4
Post-April 2017 UK tax losses	67	17	57	14
Total unrecognised deferred tax assets	**83**	**21**	**73**	**18**

A deferred tax asset has not been recognised as there is sufficient uncertainty to the extent it is probable there will be future taxable profits to utilise the relevant losses. Unrecognised losses are available to carry forward with no expiry date, subject only to the continuation of the business.

7: Other receivables and other assets

The note analyses total other receivables and other assets.

	31 December 2022 £m	31 December 2021 £m
Due from subsidiary undertakings	27	32
Total other receivables and other assets	**27**	**32**

All amounts due from Group companies are unsecured, interest-free and settled on demand. The Directors consider that the carrying amount of other receivables approximate their fair value.

8: Cash and cash equivalents

	31 December 2022 £m	31 December 2021 £m
Cash at bank	11	21
Money market funds	115	482
Total cash and cash equivalents per the statement of financial position	**126**	**503**

All cash and cash equivalents are current, and recognised at amortised cost, apart from money market investments which are recognised mandatorily at FVTPL.

Investments in money market funds are classified as cash and cash equivalents. Management holds these investment funds for short-term liquidity purposes. The funds are highly liquid, have a strong credit rating and a very low risk of reduction in value.

9: Merger reserve

2021 Merger reserve

On 31 December 2021, there was a dividend payment made from Quilter Perimeter Holdings Limited to the Company. This reduced the net asset value of Quilter Perimeter Holdings Limited, giving rise to a £124 million impairment in the Company's investment in its subsidiary, and an associated release of the merger reserve.

2022 Merger reserve

On 9 March 2022, the Company announced a capital return of £328 million from the net surplus proceeds arising from the sale of Quilter International, by way of a B Share Scheme accompanied by a Share Consolidation. Note 4 on the consolidated financial statements contains further information on the capital return.

These transactions attracted merger relief under section 612 of the Companies Act 2006.

10: Provisions

	31 December 2022 £m	31 December 2021 £m
Balance at beginning of the year	4	7
Jupiter guarantee of revenue payment	–	(2)
Reassessment of provision	–	(1)
Total provisions	**4**	**4**

Revenue warranty in relation to the sale of the Single Strategy Asset Management business

In 2018, a restructuring provision was recognised as a result of the sale of the Single Strategy Asset Management business (now known as Jupiter Investment Management ("Jupiter")) to enable the remaining Quilter Investors business to function as a standalone operation going forward. The remaining provision relates to various sale-related future commitments, the outcome of which was uncertain at the time of the sale and the most significant of which is in relation to the guarantee of revenues for the seller in future years arising from funds invested by customers of Quilter. The balance decreased to £4 million during 2021 as a result of the settlement of £2 million related to the 2020 measurement year. The balance has been adjusted for the final calculations relating to the 2021 measurement year and for the latest estimate for the 2022 measurement year.

The expected range of payments based upon the latest information received from Jupiter and the Group's reasonable expectations of the assets under management invested within Jupiter funds during the 2022 assessment period is between £4 million and £5 million.

The provision outstanding is estimated to be payable within one year, with expected final settlement due in the first half of 2023.

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11: Borrowings

	31 December 2022 £m	31 December 2021 £m
Subordinated debt		
Subordinated loan at 4.478%[1]	200	199
Funding – intercompany payables	3	3
Total borrowings	**203**	**202**

[1]Commenced on 28 February 2018 and used for general corporate purposes.

Amounts borrowed are held at amortised cost.

On 28 February 2018, the Company issued a £200 million subordinated debt security in the form of a 10-year Tier 2 bond with a one-time issuer call option after five years to J.P. Morgan Securities plc, paying a semi-annual coupon of 4.478% (the "Tier 2 Bond"). The bond is held at amortised cost of £200 million at 31 December 2022 (2021: £199 million). The bond was remarketed and sold to the secondary market in full on 13 April 2018. The Bond was listed and regulated under the terms of the London Stock Exchange. Note 40 to the Group financial statements contains information on changes to debt financing after the reporting date.

In addition, the Company has entered into a £125 million revolving credit facility which remains undrawn and is being held for contingent funding purposes across the Group.

12: Other payables

	31 December 2022 £m	31 December 2021 £m
Due to subsidiary undertakings	15	9
Accruals	3	30
Total other payables	**18**	**39**

In 2021, other payables included an accrual for committed share purchases to complete the final tranche of the share buyback programme of £26 million; the tranche completed in January 2022.

All amounts are current and short term i.e. repayable within one year.

Amounts due to subsidiary undertakings are unsecured, repayable on demand and usually settled quarterly.

13: Related party transactions

Key management personnel transactions

Key management personnel and members of their close family have undertaken transactions with the Group in the normal course of business.

The Directors and key management personnel of the Company are considered to be the same as for the Group. See note 39 of the Group financial statements for further information.

Other related party transactions

There were no other related party transactions to disclose in the year ended 31 December 2022 and 31 December 2021 other than those referenced in note 39 of the Group financial statements.

14: Loan covenants

Under the terms of the revolving credit facility, the Company is required to comply with certain financial covenants. Please refer to note 37(a) to the Group financial statements for further information.

Other information

Contents

Shareholder information

Information for all shareholders

2023 key dates
The key dates for shareholders are:

18 April 2023	Last day for shares to trade cum dividend in South Africa
19 April 2023	Shares start trading ex-dividend in South Africa
20 April 2023	Shares start trading ex-dividend in the UK
21 April 2023	Final Dividend record date – shareholders on the register are eligible for the Final Dividend
18 May 2023	AGM at 11:00am (UK time)
22 May 2023	Final Dividend payment date
8 August 2023	Publication of 2023 half year results, including any Interim Dividend details

Dates may be subject to change. Please check our website at plc.quilter.com for further information.

Dividends

Dividend information
This year the Directors are recommending the payment of a Final Dividend of 3.3 pence per share.

Dividend policy
The Quilter Board targets a dividend pay-out ratio of 50% to 70% of post-tax, post-interest adjusted profit.

We expect to pay an Interim and a Final Dividend each financial year. It is expected that the Final and Interim Dividends will be paid in the approximate proportions of one-third (Interim dividend) and two-thirds (Final Dividend) of the total dividends payable in respect of a financial year, taking into account the underlying cash generation, cash resources, capital position, distributable reserves and market conditions at the time.

All key dividend dates such as ex-dividend date, record date and payment date will be published on our website as soon as they are announced.

Dividends paid by cheque – shareholders on the UK share register

Quilter only pays dividends to shareholders on the UK share register by direct credit. We stopped paying dividend payments by cheque in September 2022. Paying dividends by direct credit straight into your bank or building society account rather than by cheque is a safer, quicker and easier way for shareholders to receive their dividends while the reduction in printing, paper and postage supports our environmental objectives. There is no fee charged by Quilter or our Registrar, Equiniti, for the direct credit service. If you have not yet provided your bank details, it is important that you take action as soon as possible so that you continue to receive your dividend payments. You can do this:

Online
You can provide and maintain your UK bank or building society account details via Shareview. Please visit www.shareview.co.uk for details on how to register.

Telephone
You can provide your UK bank or building society account details by telephoning Equiniti.

Post
You can download a Bank Mandate Form from plc.quilter.com. Alternatively, please telephone Equiniti using the contact details on page 208 and they will send a form to you for completion.

If you have any questions, please contact Equiniti using the contact details on page 208.

Return of Capital to shareholders following the sale of Quilter International

Following approval by shareholders at a General Meeting held on Thursday 12 May 2022, Quilter returned £328 million of the net proceeds arising from the sale of Quilter International to shareholders by way of a B Share Scheme and Share Consolidation. The B Share Scheme was implemented through the issue of new redeemable B shares to shareholders on Monday 23 May 2022, which Quilter subsequently redeemed for cash on Tuesday 24 May 2022.

Through the B Share Scheme, shareholders on our UK share register received 20 pence per old Ordinary Share. This equated to a return of 401.33300 South African cents per old Ordinary Share for shareholders on our South African share register, using an exchange rate of 20.06665 South African cents to one pence, the average rate achieved on 7 and 8 March 2022.

The Share Consolidation completed on Monday 23 May 2022 and resulted in each shareholder receiving six new Ordinary Shares of 8 1/6 pence each for every seven old Ordinary Shares of 7 pence each that they held on the record date of Friday 20 May 2022.

If you have not received your B Share Scheme payment or your new share certificate following the Share Consolidation, please contact Equiniti using the contact details on page 208.

Donation to The Quilter Foundation

£102,000

donated on behalf of shareholders

The fractional share entitlements arising from the Share Consolidation were aggregated and sold in the market on behalf of shareholders. As the proceeds from the sale of any fractional entitlement were less than £3.00 per shareholder, the Board decided to donate the aggregated proceeds to The Quilter Foundation. More information on The Quilter Foundation and its impact, achievements and focus can be found on our website at plc.quilter.com.

Quilter 2023 AGM

AGM key dates

The key AGM dates for shareholders are:

12 May 2023 By no later than 5:00pm (UK time)	Written shareholder questions to be received by the Company Secretary
16 May 2023 By no later than 11:00am (UK time)	Proxy Forms to be received by our Registrar* and requests to join the AGM by telephone to be received by the Company Secretary
18 May 2023 11:00am (UK time)	AGM to be held

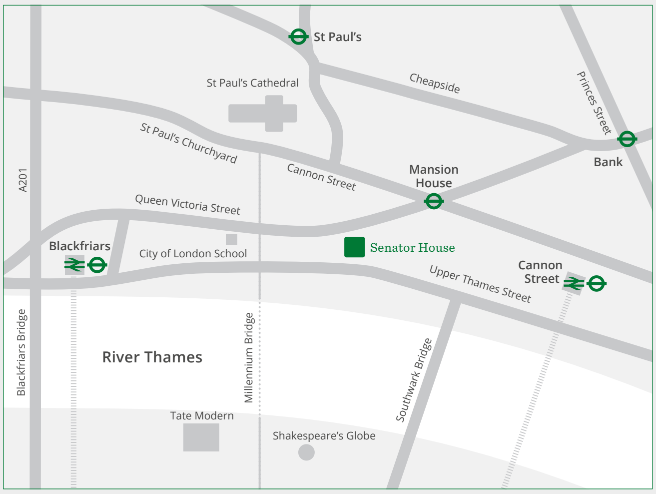
*Voting deadlines may vary depending on how you hold your shares. If you hold your shares via a CSDP, broker or nominee, please contact them to confirm their voting deadline.

More information about your AGM

Our Company Secretary, Clare Barrett, sets out information on the AGM arrangements and how you can have your say in more detail on pages 4 and 5 of the 2023 Notice of AGM.

Attending the AGM

We are pleased to invite you to Quilter plc's 2023 AGM to be held at 11:00am (UK time) on Thursday 18 May 2023 at Senator House, 85 Queen Victoria Street, London EC4V 4AB. We look forward to welcoming you to our meeting and value the opportunity to engage with our shareholders to review our performance and to answer questions on the business of the meeting.



How to get there

Senator House is within walking distance of the following train and underground stations:

- Bank (Central, DLR, Northern and Waterloo & City lines)
- Blackfriars (Southeastern Railway, Thameslink and Circle and District lines)
- Cannon Street (Southeastern Railway and Circle and District lines)
- Mansion House (Circle and District lines)
- St Paul's (Central line)

The venue can also be accessed via bus routes 4, 11, 15, 17, 26, 76, 388 and 521.

Asking a question

You can, if you wish, submit any questions you may have on the business of the meeting to the Board ahead of the AGM by emailing the Company Secretary at companysecretary@quilter.com by 5:00pm (UK time) on Friday 12 May 2023. If you do not plan to attend the AGM in person, this will enable you to have your questions answered before you vote your shares. The questions and answers will be published on our GM Hub at plc.quilter.com/gm in advance of the voting deadline. If you submit a question after this time, we will respond to you as soon as possible.

If you attend the AGM in person or join the meeting by telephone, you will also have the opportunity to ask a question on the day.

Joining the meeting by telephone

Shareholders can join the meeting by telephone. You will be able to listen to the meeting and also the opportunity to ask the Board any questions relating to the business of the meeting. Please note that shareholders joining by telephone will not be able to vote on the day. We recommend that shareholders appoint the Chair of the meeting as their proxy and register a voting instruction ahead of the meeting.

How to join the AGM by telephone

If you would like to join the AGM by telephone, please contact the Company Secretary at companysecretary@quilter.com to request your individual secure dial in details. Requests must be received no later than 11:00am (UK time) on Tuesday 16 May 2023. The telephone line will open shortly before 11:00am (UK time) on the day of the meeting.

Voting results and AGM information available to shareholders

The final voting results are expected to be released to the London Stock Exchange and Johannesburg Stock Exchange on Thursday 18 May 2023 as soon as practical after the AGM and will be published on our GM Hub at plc.quilter.com/gm. We will also make available the Chair's statement. Please ensure you check the GM Hub regularly for up to date information about our AGM arrangements.

Information for UK shareholders

Managing your shares and staying in touch

You do not have to receive paper shareholder documentation. Many shareholders choose to receive their communications electronically. Equiniti provide a free, convenient online service, Shareview, where you can access your shareholding quickly and easily. If you have not already done so, you can register for Shareview by visiting www.shareview.co.uk. All you need is your Quilter Shareholder Reference Number, which can be found on your share certificate or dividend confirmation. We will email you a notification when any shareholder statements are available and when we announce our full and half year results. You can also use Shareview to submit a voting instruction for any general meetings and to find out when any dividends are due.

Keeping your personal information up to date

It is important that you keep the personal information we hold up to date. That way correspondence advising you of any changes that might affect your shareholding reaches you and any dividends are paid to you promptly. You can do this online at www.shareview.co.uk, via the Quilter Shareholder Helpline or by post. Contact details are overleaf.

Fraud warning

Shareholders should be wary of any unsolicited calls or documents offering unsolicited investment advice and offers to buy shares at a discounted price. Fraudsters can use persuasive and high-pressure tactics to lure shareholders into scams. You are advised not to give out any personal details or to hand over any money without ensuring that the organisation is authorised by the UK Financial Conduct Authority ("FCA") and doing further research. If you are unsure, or think you may have been targeted, you should report the organisation to the FCA using the share fraud reporting form available at www.fca.org.uk/scams. You can also report suspected share fraud through the FCA Helpline on +44 (0)800 111 6768 or through Action Fraud on +44 (0)300 123 2040.

Useful information

Quilter plc share register

Quilter plc listed on the London and Johannesburg Stock Exchanges on 25 June 2018. Quilter plc has a premium listing on the London Stock Exchange and a secondary listing on the Johannesburg Stock Exchange. The shares track under the QLT ticker.

New Ordinary Shares nominal value

Following the Share Consolidation, which was implemented on Monday 23 May 2022, each shareholder received six new Ordinary Shares of 8 1/6 pence each for every seven old Ordinary Shares of 7 pence each that they held on the record date of Friday 20 May 2022. The nominal value of the new Ordinary Shares is 8 1/6 pence each.

Historical shareholder information

If you had shares in Old Mutual plc and have any questions about your holding or any unclaimed dividends, you should contact our Registrars using the contact details on page 208. Please have your Shareholder Reference Number to hand.

Information for African shareholders

Managing your shares and staying in touch

You can go online to manage your shareholding at https://investorcentre.jseinvestorservices.co.za. This enables you to view your holding, check your dividend history and update how you want us to communicate with you.

Quilter would like to send you information about your shares by text message or email. We will text you a notification when your biannual shareholder statement is available; when we announce our results; when you can vote at any general meetings; and when any dividends are due. If you have not already done so, you can quickly and easily register your mobile phone and email address with us as follows:

Online
Go to https://investorcentre.jseinvestorservices.co.za and register for electronic communications by following the instructions on screen. All you need is your postcode and Shareholder Reference Number which can be found on your share certificate.

By email
Write to investorenquiries@jseinvestorservices.co.za. Please include your email address and mobile phone number and state that these should be used for all future communications.

By telephone
Call your Quilter Shareholder Helpline number provided overleaf and ask for your email and mobile number to be recorded.

Dividends

For your security, Quilter will only pay your dividends to the bank account currently registered with our Registrar, JSE Investor Services. To register your bank details please contact JSE Investor Services using the contact details overleaf.

Dividend currency

All dividends will be declared in pounds sterling for shareholders on the UK register and Rand for shareholders on the South African register. The foreign exchange rate is determined the day before the Directors declare the dividend.

Did you know?

You do not need to hold a paper share certificate. By holding your shares electronically you can buy and sell shares more easily and protect your holding to help prevent fraud. You can find out more by contacting JSE Investor Services using the contact details overleaf.

Contact information

Contact our UK Registrar, Equiniti
If you have a question about your shareholding, please contact Equiniti.

Post
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Online
https://help.shareview.co.uk

Telephone
+44 (0)333 207 5953*

*Lines are open Monday to Friday between 08:30 and 17:30 (UK time), excluding public holidays in England and Wales.

Contact our African Registrars

Shareholders on the South Africa Register

Post
JSE Investor Services (Pty) Limited
PO Box 10462, Johannesburg, 2000, South Africa

Email
investorenquiries@jseinvestorservices.co.za

Telephone
086 140 0110/086 154 6566 (calling from South Africa)
+27 11 029 0251/+27 11 715 3000 (calling from overseas)

Shareholders in Namibia

Post
Transfer Secretaries (PTY) Limited
PO Box 2401
Windhoek, Namibia

Email
ts@nsx.com.na

Telephone
+264 (0)61 227 647

Shareholders in Malawi

Post
National Bank of Malawi plc
Legal Department
PO Box 945
Blantyre, Malawi

Email
legal@natbankmw.com

Telephone
+265 (0)182 0622/+265 (0)182 0054

Shareholders in Zimbabwe

Post
Corpserve Registrars (PVT) Ltd
PO Box 2208
Harare, Zimbabwe

Email
corpserve@escrowgroup.org

Telephone
+263 (0)242 751 559/+263 (0)242 751 561

Alternative Performance Measures

We assess our financial performance using a variety of alternative performance measures ("APMs"). APMs are not defined under IFRS, but we use them to provide further insight into the financial performance, financial position and cash flows of the Group and the way it is managed.

APMs should be read together with the Group's consolidated financial statements, which include the Group's income statement, statement of financial position and statement of cash flows, which are presented on pages 121 to 125.

Further details of APMs used by the Group in its Financial review are provided below.

APM	Definition
Adjusted profit before tax	Adjusted profit before tax represents the Group's IFRS profit, adjusted for specific items that management consider to be outside of the Group's normal operations or one-off in nature, as detailed on page 142 in the consolidated financial statements. The exclusion of certain adjusting items may result in adjusted profit before tax being materially higher or lower than the IFRS profit after tax. Adjusted profit before tax does not provide a complete picture of the Group's financial performance, which is disclosed in the IFRS income statement, but is instead intended to provide additional comparability and understanding of the financial results. Adjusted profit before tax is presented for the continuing Group (excluding Quilter International), for discontinued operations (Quilter International), and for the total Group for continuing and discontinued operations. A detailed reconciliation of the adjusted profit before tax metrics presented, and how these reconcile to IFRS, is provided on page 40 of the Financial review. Adjusted profit before tax is referred to throughout the Chief Executive Officer's statement and Financial review, with comparison to the prior year explained on page 37. A reconciliation from each line item on the IFRS income statement to adjusted profit before tax is provided in note 7(d) to the consolidated financial statements on page 145.
Adjusted profit after tax	Adjusted profit after tax represents the post-tax equivalent of the adjusted profit before tax measure, as defined above.
Adjusted profit before tax after reallocation	Adjusted profit before tax after reallocation reflects adjusted profit before tax including certain costs within continuing operations relating to Quilter International that did not transfer to Utmost Group on completion of the sale, as detailed above. A reconciliation from each line item on the IFRS income statement to adjusted profit before tax after reallocation is provided in note 7(d) to the consolidated financial statements on page 145.
IFRS profit before tax attributable to equity holders	IFRS profit before tax attributable to equity holders represents the profit after policyholder tax ('tax attributable to policyholder returns') but before shareholder tax ('tax attributable to equity holders'). The tax charge for the Group's UK life insurance entity, Quilter Life & Pensions Limited, comprises policyholder tax and shareholder tax. Policyholder tax is regarded economically as a pre-tax cost to the Group, in that it is based on the return on assets held by the Group's life insurance entity to match against related unit-linked liabilities in respect of clients' policies, and for which the Company charges fees to clients. As such, policyholder tax can be a charge or credit in any period depending on underlying market movements on those assets held to cover linked liabilities. Shareholder tax is the remaining tax after deducting policyholder tax and is more reflective of the profitability of the entity. This metric is included on the face of the Group's income statement on page 40 and is included in the adjusted profit before tax to IFRS profit after tax reconciliation in note 7(a) to the consolidated financial statements.

APM	Definition
IFRS profit before tax from continuing operations (excluding amortisation, policyholder tax adjustments, business disposal impacts and other one-off items)	This profit metric is calculated using the Group's IFRS profit before tax, from continuing operations and is adjusted to exclude amortisation of intangible assets, policyholder tax adjustments, business disposal impacts and other one-off items as disclosed in the reconciliation in the Group's Annual Report. This metric is used as the basis for remuneration, which is explained in the Remuneration report in the Group's Annual Report.
Revenue margin (bps)	Revenue margin represents net management fees, divided by average AuMA. Management use this APM as it represents the Group's ability to earn revenue from AuMA. Revenue margin by segment and for the Group is explained on page 37 of the Financial review.
Operating margin	Operating margin represents adjusted profit before tax divided by total net fee revenue. Management use this APM as this is an efficiency measure that reflects the percentage of total net fee revenue that becomes adjusted profit before tax. Operating margin is referred to in the Chief Executive Officer's statement and Financial review, with comparison to the prior year explained in the adjusted profit section on page 37.
Gross flows	Gross flows are the gross client cash inflows received from customers during the period and represent our ability to increase AuMA and revenue. Gross flows are referred to in the Financial review on page 36.
Net flows	Net flows is the difference between money received from and returned to customers during the relevant period for the Group or for the business indicated. This measure is a lead indicator of total net fee revenue. Net flows is referred to throughout this document, with a separate section in the Financial review on page 36.
Assets under Management and Administration ("AuMA")	AuMA represents the total market value of all financial assets managed and administered on behalf of customers. AuMA is referred to throughout this document, with a separate section in the Financial review on page 37.
Average AuMA	Average AuMA represents the average total market value of all financial assets managed and administered on behalf of customers. Average AuMA is calculated using a 7-point average (half year) and 13-point average (full year) of monthly closing AuMA.
Total net fee revenue	Total net fee revenue represents revenue earned from net management fees and other revenue listed below and is a key input into the Group's operating margin. Further information on total net fee revenue is provided on page 38 of the Financial review and note 7(d) in the consolidated financial statements.
Net management fees	Net management fees consist of revenue generated from AuMA, fixed fee revenues including charges for policyholder tax contributions, less trail commissions payable. Net management fees are presented net of trail commission payable as trail commission is a variable cost directly linked to revenue, which is a treatment and presentation commonly used across our industry. Net management fees are a part of total net fee revenue and is a key input into the Group's operating margin. Further information on net management fees is provided on page 38 and note 7(d) in the consolidated financial statements.
Other revenue	Other revenue represents revenue not directly linked to AuMA (e.g. encashment charges, closed book unit-linked policies, non-linked Protect policies, adviser initial fees and adviser fees linked to AuMA in Quilter Financial Planning (recurring fees). Other revenue is a part of total net fee revenue, which is included in the calculation of the Group's operating margin. Further information on other revenue is provided on page 38 and note 7(d) in the consolidated financial statements.

APM	Definition
Operating expenses	Operating expenses represent the costs for the Group, which are incurred to earn total net fee revenue and excludes the impact of specific items that management considers to be outside of the Group's normal operations or one-off in nature. Operating expenses are included in the calculation of adjusted profit before tax and impact the Group's operating margin. A reconciliation of operating expenses to the applicable IFRS line items is included in note 7(a) to the consolidated financial statements, and the adjusting items excluded from operating expenses are explained in note 7(b). Operating expenses are explained on page 38 of the Financial review.
Cash generation	Cash generation is calculated by removing non-cash generative items from adjusted profit before tax, such as deferrals required under IFRS to spread fee income and acquisition costs over the lives of the underlying contracts with customers. It is stated after deducting an allowance for net cash required to support the capital requirements generated by new business offset by a release of capital from the in-force book. Cash generation is explained on page 41 of the Financial review.
Asset retention	The asset retention rate measures our ability to retain assets from delivering good customer outcomes and investment performance. Asset retention reflects the annualised gross outflows of the AuMA during the period as a percentage of opening AuMA. Asset retention is calculated as: 1 - (annualised gross outflow divided by opening AuMA). Asset retention is provided for the Group on page 37.
Net inflows/opening AuMA	This measure is calculated as total net flows annualised (as described above) divided by opening AuMA presented as a percentage. This metric is provided on page 37.
Gross flows per adviser	Gross flows per adviser is a measure of the value created by our Quilter distribution channel and is an indicator of the success of our multi-channel business model. Gross flows per adviser is calculated as gross flows generated by the Quilter channel through the Quilter Investment Platform, Quilter Investors or Quilter Cheviot (annualised) per average Restricted Financial Planner in both segments. Gross flows per adviser is provided on page 37.
Return on Equity ("RoE")	Return on equity calculates how many pounds of profit the Group generates from continuing operations with each pound of shareholder equity. This measure is calculated as adjusted profit after tax divided by average equity. Equity is adjusted for the impact of discontinued operations, if applicable. Return on equity is provided on page 37.
Adjusted diluted earnings per share	Adjusted diluted earnings per share represents the adjusted profit earnings per share, calculated as adjusted profit after tax divided by the weighted average number of shares. Refer to page 155 and note 12 in the consolidated financial statements. A continuing and discontinued view of diluted earnings per share has also been presented, and the calculation of all EPS metrics, is shown in note 12 to the consolidated financial statements.
Headline earnings per share	The Group is required to calculate headline earnings per share in accordance with the Johannesburg Stock Exchange Limited Listing Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 1/2021 Headline Earnings. This is calculated on a basic and diluted basis. For details of the calculation, refer to note 12 of the consolidated financial statements.

Glossary

Term	Definition
Affluent	Customers with up to £500,000 of investable assets
AuA	Assets under administration, which unless stated otherwise, reflects gross AuA before intra-group eliminations
AuM	Assets under management, which unless stated otherwise, reflects gross AuM before intra-group eliminations
AuMA	Assets under management and administration – for more details see Alternative Performance Measures on page 210
Brexit	The exit of the United Kingdom from the European Union, officially announced on 29 March 2017
CAGR	Compound annual growth rate
Company	Quilter plc
COVID-19	Coronavirus disease 2019
FCA	The UK Financial Conduct Authority
GHG	Greenhouse gas
Group	Quilter plc and its subsidiaries
High Net Worth	Customers with over £250,000 of investable assets
ICAAP	Internal Capital Adequacy Assessment Process
IFAs	Independent Financial Advisers, meaning advisers who provide advice on an independent basis, based on a comprehensive analysis of the whole market and free from any restriction
IFRS	The International Financial Reporting Standards as adopted by the United Kingdom
Investment manager (IM)	Individual who provides investment advice and investment management services to private clients of Quilter Cheviot in line with individual circumstances and investment objectives
IPO	Initial Public Offering
ISA	Individual Savings Accounts
JSE	Johannesburg Stock Exchange
Lighthouse	Lighthouse Group plc was acquired on 12 June 2019. The Company changed its name to Lighthouse Group Limited on 19 February 2021
Listing	Reference to Quilter plc listing on the London and Johannesburg Stock Exchanges on 25 June 2018
LSE	London Stock Exchange
Managed Separation	Refers to the Managed Separation of Quilter plc from the Old Mutual Group
ORSA	Own Risk and Solvency Assessment
Own funds	Capital resources determined on the basis of the Solvency II balance sheet
PCA	Private Client Advisers – refers to Quilter Private Client Advisers
PRA	Prudential Regulation Authority
Productivity	Also referred to as 'gross flows per adviser'. For definition, see Alternative Performance Measures on page 211.
PTP	Platform Transformation Programme
Quilter	Quilter plc
Quilter Group	The group of companies that are ultimately owned by Quilter plc
QLA	Quilter Life Assurance – sold to ReAssure on 31 December 2019
Restricted Financial Planners (RFPs)	Advisers who advise on a defined range of products and investment solutions, including investment solutions offered by the Group and by third parties that have been pre-researched by the Group
Scope 1, 2 & 3 GHG emissions	Greenhouse gas emissions are categorised into three groups or 'scopes' by the most widely-used international accounting tool, the Greenhouse Gas (GHG) Protocol. Scope 1 and 2 cover direct emissions sources (e.g., fuel used in company vehicles and purchased electricity), Scope 3 emissions cover all indirect emissions due to the activities of an organisation.
SCR	Solvency Capital Requirement, the regulatory capital requirement under the Solvency II Directive
SMCR	Senior Managers and Certification Regime
Standard Formula	The regulatory formula used to determine capital requirements for insurance entities under Solvency II. This formula broadly represents the potential loss of own funds calibrated to a 1-in-200 likelihood level.

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