Quilter

For the generations of today and tomorrow

Annual Report 2021

Contents

Our business
Quilter is a modern, UK-focused, full-service wealth manager providing advice-led investment solutions and investment platform services.

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

Three years post-Listing and after restructuring the business, Quilter is at an inflection point. Quilter is now a simpler, modern, UK-focused, full-service wealth manager. Having built strong foundations, we are well positioned for our next phase, resolutely focused on delivering growth and driving efficiency.

2021 business highlights

Strategic highlights:
- Platform Transformation Programme completed
- Quilter International sold for £481 million, completing Quilter's multi-year transformation to be a simpler, UK-centric wealth manager
- Re-organised business around two core client segments: Affluent and High Net Worth
- Launched next phase of strategy focused on driving growth and delivering efficiency
- Continued capital management discipline: £197 million returned via a share buyback in 2021. £375 million share buyback programme completed in early 2022

Operational highlights:
- Maintained high levels of client engagement and operational resilience as global lockdowns continued
- Optimisation initiatives delivered £61 million in cost reduction by end-2021
- Initiated Simplification initiatives to deliver a further c.£45 million of cost savings by end-2024

Responsible business highlights:
- Relaunched responsible business strategy, focused around key stakeholders
- Working towards a commitment to become net carbon zero

Financial performance highlights, continuing business only

£111.8bn +13%

Assets under management and administration ("AuMA")*

2021	£111.8bn
2020	£99.0bn

7.4p +42%

Adjusted diluted earnings per share*

2021	7.4p
2020	5.2p

£4.0bn +167%

Net flows*

2021	£4.0bn
2020	£1.5bn

£23m +76%

IFRS profit/(loss) after tax from continuing operations

2021	£23m
2020	£13m

£138m +28%

Adjusted profit before tax*

2021	£138m
2020	£108m

5.6p +22%

Recommended total dividend per share

2021	5.6p
2020	4.6p

Continuing operations.
Including contribution from Quilter International.

Notes:
All 2020 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 255. These measures are indicated with an asterisk: *

Focused on driving growth and delivering efficiency

As we move to our next stage of strategic delivery, Chief Executive Officer Paul Feeney together with Executive Committee members and change makers from across the business answer key questions to explain how Quilter will drive growth and deliver efficiency

How will you drive growth and efficiency?

Quilter is now a focused, modern, full-service wealth manager. The sale of Quilter International in November 2021 was the final stage in a multi-year transformation of the business. With strong foundations in place, we are now at an inflection point. Our strategic plan is focused on driving growth and efficiency.

This will be accelerated by:

1) leveraging the power of our new platform to increase flows across both our distribution channels;
2) managing a greater share of flows in our investment solutions;
3) returning to net growth in advisers and improving productivity;
4) delivering strong investment performance and relaunching WealthSelect, our new ESG-focused proposition;
5) embedding digital capabilities across the business; and
6) enhancing business efficiency through our Simplification programme.

Read more in Our strategy
page 22

Paul Feeney
Chief Executive Officer

Why have you moved to two new client reporting segments, Affluent and High Net Worth?

The creation of our two new segments better reflects how we manage the business and sharpens our client focus. It puts the client at the centre of all we do and enables us to provide a superior experience for them. For Quilter, it simplifies our operating model, providing further scope to drive operational efficiencies.

While the core proposition may differ slightly, each of our segments has the same philosophy: to gather flows from two strong distribution channels – through our own advisers and independent financial advisers, and manage an increasing proportion of those flows on our Platform and in our own investment solutions.

Read more in Our business model page 30

Steven Levin
Head of Affluent; Chief Executive Officer, Quilter Investment Platform and Quilter Investors

Stephen Gazard
Chief Executive Officer, Quilter Financial Planning

Andy McGlone
Head of High Net Worth; Chief Executive Officer, Quilter Cheviot and Quilter Private Client Advisers

What does being a responsible wealth manager mean to Quilter?

Being a responsible wealth manager means both investing responsibly for our clients and acting responsibly as a business, and is central to our strategy.

We are a leader in the provision of advice and investment solutions. ESG tools and metrics are being embedded within our propositions. We can do this because we operate right across the value chain.

We act responsibly by focusing on reducing our carbon footprint, acting and investing responsibly on behalf of our clients, and being a responsible, inclusive employer: attracting, developing and retaining great talent, and embracing diversity.

Read more in our Responsible Business report
page 39

Penny Cole, Tosin James-Odukoya, and Stewart Perry
Responsible Business Forum leaders

Embedding greater digitalisation across the business is a key pillar to our strategy. It will let customers engage and interact more closely with Quilter and their investments.

We plan to reinvest part of the proceeds from the sale of Quilter International in selected digital-based opportunities for longer-term revenue generation. These initiatives include building a hybrid advice capability – providing Quilter's services to a significant part of the UK population who do not have access to a financial adviser, facilitating a 'mobile first' approach for platform accessibility, and adopting workforce productivity solutions to allow advisers and the Platform to support more clients, more efficiently.

Read more in Our strategy
page 22

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How are you investing to service the generations of tomorrow?

Minoka Radhakrishnan
Head of Strategy & Corporate Finance

Hanlie Van Staden
Transformation Director

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How will you deliver the next stage of efficiency?

Our Optimisation plans, initiated in 2019, were always intended to be a multi-phase programme with more to follow once we completed the Platform Transformation Project.

Optimisation was about making Quilter more focused, more streamlined and efficient. Our new operating model unlocks opportunity for Simplification, allowing us to deliver greater operational efficiency while improving client experience. This will come through the large-scale decommissioning of parts of our inefficient legacy IT estate, greater automation and straight-through processing across the business, and simplifying Quilter's structure.

The programme will seek to reduce core expenses by around £45 million by end-2024.

Read more in Our strategy
page 22

Mark Satchel
Chief Financial Officer

Karin Cook
Chief Operating Officer

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What are the risks to achieving your financial targets?

We are confident in our ability to deliver our net flow and operating margin targets: to broaden and deepen our relationships with advisers, deliver best-in-class Platform services, achieve consistently good outcomes for clients, and deliver c.£45 million of cost savings by end-2024. With a large proportion of our revenues linked to AuMA and therefore the level of global markets, short-term performance will always be subject to market conditions. We are, however, confident in our plans to control all factors within our control and are resolutely focused on delivering growth and driving efficiency.

Read more in Risk page 66

Matt Burton
Chief Risk Officer

Chair's statement

Glyn Jones
Chair

2021 was another significant year for Quilter but also one for me personally. In October 2021, we announced that I planned to step down as Chair and as a Director of Quilter in 2022, once a successor is appointed. As such, given I expect this to be my last annual report letter to shareholders as Chair of Quilter, it seems appropriate to reflect on our longer-term journey as well as our more recent activity over the last year.

As I look back over my tenure as Chair, it is clear we have achieved a major transformation. Transforming what was Old Mutual Wealth from a subsidiary of a quoted FTSE-100 company, with a business mix largely reflecting historic decisions, to the strategically cohesive UK-centric wealth manager that Quilter is today has been a major achievement. This required a significant "managed separation" from our former parent, building a new Board and putting governance structures in place that were fit for purpose for a newly quoted PLC, and then listing the business on the London and Johannesburg Exchanges in June 2018.

Although a lot of hard work was required to get the Company to the point of Listing, we then had the task of reshaping and refocusing the business to ensure that it was best positioned to realise the potential from secular growth prospects within the UK wealth management market. This included undertaking three significant divestitures: Old Mutual Global Investors in 2018, Quilter Life Assurance in 2019 and Quilter International in 2021.

Together, these disposals have brought about a smaller but far simpler and more focused UK business. Disposals have generated gross cash of £1.5 billion of which around £1.0 billion will have been returned to shareholders since Listing by mid-2022, with a further £300 million up-streamed to our former parent pre-Listing. These actions have firmly established our capital discipline credentials as a quoted company.

But our journey as a listed company has not just been about selling businesses. The Board has also supported and encouraged the executive team as they focused on making the business more operationally efficient and delivered business-critical projects such as our Platform Transformation Programme. As Paul Feeney, our Chief Executive Officer, discusses further, our initial Optimisation plans which took £50 million of costs out of the business have been increased with a further £15 million of targeted cost saves and new Simplification plans to reduce operating costs by a further £45 million by the end of 2024. Since Listing, our executive team has also been significantly strengthened and our back-office functions overhauled to drive best practices.

At our 2021 Capital Markets Day in November 2021, we announced a reorganisation of the Company into two new operational segments, Affluent and High Net Worth. This brings greater clarity and focus to the business as it looks to capitalise on the opportunities we see ahead. Within each segment, we pursue a dual distribution strategy – own distribution based on our own restricted advisers and third-party distribution through our relationships with independent financial advisers.

Quilter International

As initially described in my 2020 letter to you, the Board conducted a strategic review of Quilter International which concluded with a proposal to divest the business. The sale completed in November 2021 and concluded the reshaping of our corporate perimeter. Gross proceeds of £481 million were received from the sale. After allowing for costs associated with the transaction and retained proceeds of £90 million to fund business simplification and investment, we intend to return the remaining c.£350 million to shareholders. £25 million will be returned through a contribution from Quilter International to the Quilter 2021 Full Year Dividend and £328 million through a capital return.

The Board has proposed to undertake the £328 million capital return through a 'B' share scheme accompanied by an Ordinary Share consolidation. The proposals will require regulatory engagement and shareholder agreement at a General Meeting which we plan to hold at the end of our Annual General Meeting in May 2022. Assuming these proposals are duly approved, the capital return is expected to conclude early in June 2022.

3.9p

+8%

Proposed final dividend

Shareholder returns and dividend

In 2021 Quilter's total shareholder return was broadly flat. While this performance was better than our pure platform peers, it was below the level achieved by our discretionary fund management peers and the UK market, with the FTSE-100 and FTSE-250 both delivering a total return of around 18%. However, we largely attribute this underperformance to the sale of Quilter International, which while short-term dilutive to our earnings, was absolutely the right thing to do from a strategic and financial perspective. Indeed, while the share price has been broadly flat over the year, the rating on our shares has increased with lower near-term earnings, post the sale of Quilter International, offset by a higher Price Earnings multiple on the smaller but faster growing business.

The £375 million Quilter Life Assurance share buyback programme which we announced with our 2019 full-year results continued over the course of the year. By the end of December 2021, £349 million of this programme had been completed. Since the year end, we have completed the remaining £26 million of buyback and this programme has now concluded. In aggregate, 264.1 million Quilter shares have been acquired, and cancelled, at an average price of 141.97 pence per share, thereby reducing our total share count by c.14% over the course of the programme.

The Board is pleased to recommend a Final Dividend of 3.9 pence for the 2021 financial year which, together with the Interim Dividend of 1.7 pence per share paid in September, takes the proposed Full Year Dividend to 5.6 pence. The pay-out ratio for 2021 was 51%. Following the revision to our target dividend pay-out range to 50%–70% of post-tax, post-interest adjusted profit, the 2021 dividend sits at the lower end of that new range. Subject to the operating environment remaining constructive, the Board expects future dividends to continue the progression up the target range. After excluding the component of the 2021 dividend that was effectively a return of capital from the Quilter International proceeds, the underlying dividend increase was 39%.

The dividend will be paid on 16 May 2022, subject to shareholder approval at our 2022 Annual General Meeting on 12 May 2022, to shareholders who are on the register on 8 April 2022.

Board

In terms of Chair succession, Ruth Markland, our Senior Independent Director, is chairing a newly constituted Sub-Committee of the Board Corporate Governance and Nominations Committee to identify and recommend to the Board an appropriate individual to be appointed as the next Chair of Quilter. Further announcements will be made as and when appropriate.

2021 saw two additions to the Board with Tazim Essani and Chris Samuel being appointed as Non-executive Directors in March 2021 and July 2021 respectively. Tazim's experience in senior executive roles at regulated financial services businesses has equipped her well to provide strategic guidance and constructive challenge to Quilter's leadership team. Chris is an experienced Non-executive Director and has chaired the Quilter Financial Planning Board, our financial advice business, with distinction for the past 18 months. He has considerable experience in financial services, particularly in the areas of investment and asset management. This experience has enabled him to provide challenge, advice and support to Quilter's management team on business performance and operational matters.

In January 2022, Rosie Harris who has been Chair of the Quilter Board Risk Committee since 2017, announced that she would not stand for re-election at the 2022 AGM as a recent external appointment had created practical difficulties for her attending Quilter meetings. We agreed with Rosie that she would step down from the Quilter Board effective 30 April 2022. A search for a successor to Rosie as Chair of the Board Risk Committee is under way.

We currently meet the Hampton-Alexander requirement for at least one third of the Board to be female and the Parker Review recommendation that all boards should have at least one ethnic minority Director. While we are content with the progress made in this area, we acknowledge that there is more to be done to drive greater diversity in our business at both Board and executive level.

Governance and culture

We recognise the importance of a healthy culture within a business to ensure successful delivery of strategic ambition. Your Board takes an active role in shaping Quilter's culture and is encouraged by our executive team's concerted efforts in 2021 to drive greater inclusion and diversity across the organisation.

Managing a business responsibly is key to an organisation's long-term success and for Quilter that includes being a responsible investor. We recognise the role of investors, along with other parts of the economy, in supporting the transition to a low carbon economy – vital for the long-term prosperity of us all. Quilter is taking a proactive approach to embedding 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 2021 have been broadly similar to 2020, albeit engagement over both years was almost entirely virtual. In early 2022, our Senior Independent Director, Ruth Markland, and I hosted a number of our largest shareholders in both the UK and South Africa covering topics including corporate governance, executive remuneration and Chair succession.

Conclusion

2021 was a year of significant progress for Quilter, a year in which we completed the reshaping of our corporate perimeter, have enhanced our customer propositions, delivered good profit growth and reorganised our business into two new segments. We are now at an inflection point where we can focus on organic growth and achieving strong profit growth from our simpler, more focused business.

While we started 2022 well, the terrible events unfolding in Ukraine and the re-emergence of significant geopolitical risk has created a great deal of uncertainty in the outlook for the year. Our model will continue to support our stakeholders through this period of uncertainty.

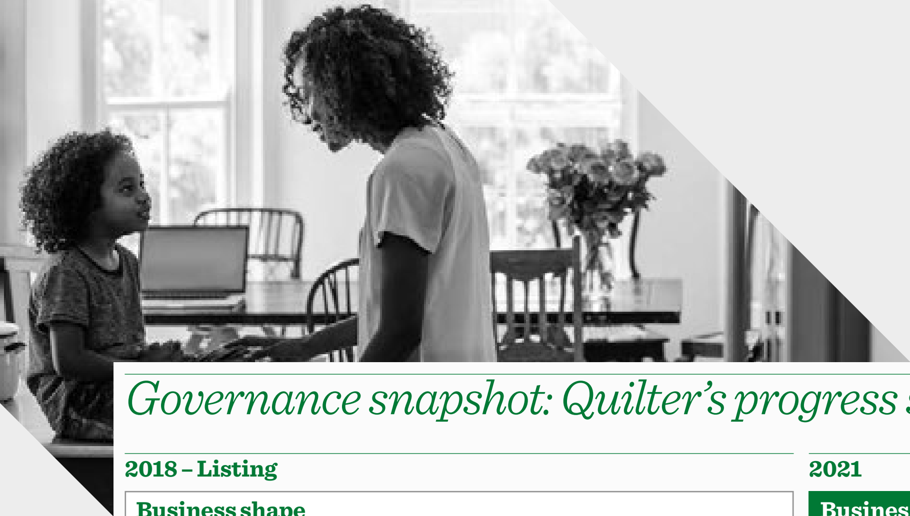
On behalf of the Board, I would like to thank our management team and all our colleagues for their effort, focus and commitment to achieving our goals in what has continued to be challenging operating conditions involving a combination of virtual and physical working environments. Thank you also to our shareholders for your continued support.

On a personal note, it has been a privilege to chair Quilter through a period of major change. Working with a strong Board alongside a hugely committed and able executive team led by Paul Feeney, we have made significant strides.

Whilst it will be sad for me to leave Quilter, I will leave a business which is now focused on the segments of the market where it has competitive advantage, is well positioned strategically, is building excellent momentum, and has clear and ambitious financial targets and business plans to continue to deliver good outcomes for stakeholders in the years ahead. I look forward to handing over the chairmanship of a strong business that is in great shape and I will certainly continue to maintain a close interest in Quilter's future progress.

Glyn P. Jones

Glyn Jones
Chair



Governance snapshot: Quilter's progress since Listing

2018 – Listing

Business shape
- Core-UK wealth manager
- Heritage life book in run-off (Quilter Life Assurance)
- International portfolio bond (Quilter International)
- Institutional single-strategy asset manager (OMGI)

Geographies
- UK, Isle of Man, Ireland, Europe, UAE, Hong Kong, Singapore, Latin America

Corporate restructuring
- Ongoing
- Siloed operations
- Platform Transformation Programme
- Acquiring advice businesses
- Quilter Investors build-out
- Quilter Cheviot IM cohort departures

Board composition

Gender		Ethnicity	
Female	37%	White	100%
Male	63%		

Share register

Johannesburg Stock Exchange	67%
London Stock Exchange	33%

2021

Business shape
- *Modern UK wealth manager*

Geographies
- *UK with small hubs in UAE, Ireland*

Corporate restructuring
- *Complete*
- *One-Quilter*
- *State-of-the-art Platform*
- *Repositioned advice business*
- *Developing next-generation proposition*
- *Stable IM base, building flow momentum*

Board composition

Gender		Ethnicity	
Female	36%	Asian-Indian	9%
Male	64%	White	91%

Share register

Johannesburg Stock Exchange	57%
London Stock Exchange	43%

£1.0bn

returned to shareholders since Listing (by mid-2022)

Quilter leadership

Our Executive Committee leads the execution of Quilter's strategy to drive growth and deliver efficiency.

Led by our Chief Executive Officer, Paul Feeney, they meet regularly to ensure the effective implementation of our business and customer strategies, the financial performance of the business, and the management of culture and risk.

Passionate about representing the voices of our people throughout the organisation and creating an environment that enables everyone to thrive and reach their full potential, Penny Cole was appointed Human Resources Director in September 2021. She now attends the Executive Committee to give our people the highest level of focus.

Full biographies can be found online at plc.quilter.com/about-us/quilter-leadership

1. **Paul Feeney**
Chief Executive Officer

2. **Mark Satchel**
Chief Financial Officer

3. **Matt Burton**
Chief Risk Officer

4. **Karin Cook**
Chief Operating Officer

5. **Steven Levin**
Head of Affluent;
Chief Executive Officer,
Quilter Investment Platform
& Quilter Investors

6. **Andy McGlone**
Head of High Net Worth;
Chief Executive Officer,
Quilter Cheviot & Quilter
Private Client Advisers

7. **Penny Cole**[1]
Human Resources Director

8. **Stephen Gazard**[1]
Chief Executive Officer,
Quilter Financial Planning

[1]Penny Cole and Stephen Gazard are not permanent members of the Executive Committee but attend meetings regularly.

Chief Executive Officer's statement

Paul Feeney
Chief Executive Officer

There were three significant corporate-defining moments for Quilter in 2021: completing our Platform Transformation Programme, completing the sale of Quilter International and the reorganisation of the business.

Execution
2021 was a year where the world began to adapt to a new normal, living with COVID as a permanent feature of our lives. This has meant blending homeworking with the traditional office environment, maintaining a high level of firm-wide communication and employee engagement while continuing to engage with our customers through whichever channels suit them best.

There were three significant corporate-defining moments for Quilter in 2021:

- completing our Platform Transformation Programme early in the year,
- completing the sale of Quilter International at the end of November, and
- the reorganisation of the business into new segments that we announced at our Capital Markets Day on 3 November.

Together these events mark the culmination of a strategic journey we have been on since our Listing in June 2018 and which has made Quilter a UK-focused modern wealth manager. We now look forward to delivering on the opportunity we see before us and our 2021 results demonstrate excellent progress towards those goals.

Transformation
A year ago, I said that there were three strands to our strategic transformation agenda at Quilter:

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

We have made substantial progress on each of these goals during 2021. Taking each in turn:

We completed the migration of client and adviser relationships onto our new UK Platform in February 2021; a significant milestone. We rebranded the UK Platform to the Quilter Investment Platform in July and decommissioned our legacy platform at the end of the summer. I am delighted with the high levels of engagement and adoption we have enjoyed from both our own advisers (the Quilter channel) and independent advisers (the IFA channel). Notably, gross flows in the IFA channel were up significantly year-on-year (+63%) after a number of years of sequential declines. This growth is already having a beneficial impact on our operating momentum.

Secondly, making Quilter a simpler business, the sale of Quilter International has allowed us to simplify our operating model. We announced plans to reorganise our Company into two new segments, Affluent and High Net Worth, at our Capital Markets Day in November 2021. These segments are now focused on driving growth, improving efficiency and delivering good customer outcomes across their respective client bases.

Lastly, we delivered £61 million of cost savings from our Optimisation plans by end-2021 and are on track to deliver £65 million of total savings from this programme by mid-2022. These actions are already benefitting our operating margins. As well as simplifying our operating model, the sale of Quilter International will also allow us to deliver meaningful cost savings through eliminating legacy complexity in our IT infrastructure once the Transitional Service Agreement with the purchaser comes to an end. We announced a further £45 million of cost savings at our November Capital Markets Day which we expect to deliver by the end of 2024 as part of our goal to increase our operating margin to at least 25% and 30% by 2023 and 2025 respectively.

Operational delivery
We experienced substantial improvement in both gross and net flows year-on-year. Gross client flows into the business were around 35% higher at £13.2 billion. Net flows increased to £4.0 billion versus £1.5 billion in 2020. This reflected stable persistency in client assets across Quilter Cheviot and the Quilter Investment Platform. The overall level of flows in respect of Defined Benefit ("DB") to Defined Contribution pension transfers at £581 million were lower than 2020 (£862 million) and remain a modest amount of our overall business.

Overall AuMA balances increased by 13% over the course of the year with a closing balance of £111.8 billion at 31 December 2021 compared with £99.0 billion at 31 December 2020 on a continuing basis. Average AuMA, the principal driver of net management fee revenue, of £105.3 billion for the year, was 17% ahead of the 2020 level of £90.2 billion on a continuing business basis.

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

As I noted earlier, I was particularly pleased to see the sharp increase in flows of £9.0 billion gross (+58%) and £3.5 billion net (+133%) onto the Quilter Investment Platform during the year. Notably, we saw a near five-fold increase, to £1.7 billion, in net inflows from the IFA channel onto our new platform (2020: £0.4 billion), reflecting the good acceptance our new platform has received from the IFA community. I expect this momentum to continue to build as we begin to encourage new IFA firms to start using our new platform given the wider range of products we can offer, assets we can hold and quality of our service.

This time last year, we indicated that ahead of our new platform coming on stream, we wished to increasingly focus on the productivity of our own advisers and ensure greater alignment with the integrated Quilter proposition. As a result of this, we finished the year with a total of 1,623 Restricted Financial Planners net of departures. As targeted, we have also seen a meaningful step-up in productivity with Quilter advisers generating £2.3 million of Quilter channel gross flows per adviser in 2021, up from £1.8 million in 2020. We expect to return to growth in adviser numbers during 2022 as we complete the repositioning of our advice business. The pipeline of firms seeking to join our network remains good in a competitive market.

In our High Net Worth business, I was delighted with a near four-fold uplift in our net inflows to £1.1 billion. Our team of client-facing professionals are our key client relationship interface. This can be through an investment manager, a financial adviser or both. With the creation of the High Net Worth segment, 62 financial advisers moved from Quilter Financial Planning to work closely alongside Quilter Cheviot colleagues to create our High Net Worth segment and we expect to build on this number over time. We have continued to add to the investment team and our Investment Manager headcount increased to 170 at the end of 2021 from 169 in December 2020 after a few expected retirements during the year.

Our investment solutions continue to deliver good investment performance for clients. The medium- and long-term performance at Quilter Cheviot continued to outperform relevant ARC benchmarks, remaining first or second quartile, to the end of December 2021. Quilter Investors' multi-asset solutions performance was solid, with performance on the biggest range, Cirilium Active, remaining good over the longer term with all risk profiles having achieved returns ahead of their sector average since inception. The three-year performance metrics also improved meaningfully during the course of 2021. The Active and the Passive Blend WealthSelect portfolios continue to deliver strong performance over the longer term and have shown improved relative performance on a shorter-term basis. Over both three and five years, 12 out of 16 portfolios are in the top two quartiles.

Business performance

Total adjusted profit before tax, including a contribution of £50 million from Quilter International for the 11 months until completion, was £188 million.

On a continuing business basis, adjusted profit before tax for 2021 of £138 million, up 28% on 2020, a pleasing out-turn. Higher total net management fee of £500 million (2020: £446 million) reflected the higher average AuMA experienced in 2021, offset by a single basis point decline in revenue margins as a result of the mix shift in Quilter Investors and the strong performance of the Quilter Investment Platform which generates a lower revenue margin for us than the overall average. Other revenue of £118 million was unchanged on 2020 (£118 million) reflecting the reorganisation of our advice business.

We remain committed to achieving operating margins in excess of 25% and 30% in 2023 and 2025 respectively and have made good progress towards those goals in 2021. In 2020 our cost management initiatives partly protected the P&L from volatility in the external environment by delivering tactical cost reductions of c.£40 million through lower variable compensation costs, reduced marketing and development spend and other short-term initiatives. As expected, better market levels and operating conditions have allowed us to reverse around three quarters of those cost reductions during 2021, and while this contributed to a drag on operating margin expansion, we still delivered an improvement in the continuing business operating margin of three percentage points to 22% (2020: 19%), excluding Quilter International.

£138m +28%

Total adjusted profit before tax, continuing business

A 6% adjusted profit increase to £111 million (2020: £105 million) within our Affluent segment was more muted than the increase achieved by the High Net Worth segment, impacted by the anticipated reversal of the tactical cost savings implemented in 2020, more normal levels of annual incentive accruals and the impact of stranded costs following the sale of Quilter International. Within our High Net Worth segment, adjusted profit increased 44% to £56 million (2020: £39 million) reflecting our high-end advice business, Private Client Advisers, moving into profit as well as strong operating leverage with much faster income growth than cost growth in the discretionary fund management business. Head Office costs reduced to £29 million from £36 million, in line with the guidance we provided at the Capital Markets Day in November 2021.

Our IFRS profit after tax from continuing operations was £23 million, compared to a profit of £13 million in 2020. The difference between this measure and our adjusted 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. Business Transformation expenses will remain in 2022 reflecting the expenditure on our Optimisation and Simplification programmes and are expected to reduce substantially over the next three years.

Total Group adjusted diluted earnings per share of 10.4 pence, of which 3.0 pence is in respect of Quilter International, and increase of 22% (2020: 8.5 pence, of which 3.3 pence was in respect of Quilter International).

Adjusted diluted earnings per share from continuing operations increased to 7.4 pence (2020: 5.2 pence). We have targeted a mid-teens compound annual growth rate in EPS to 2025 from the 2020 base. The initial growth of 42% in 2021 off that base represents an excellent start against that metric, albeit that this year's progress has been supported by both a reduced share count due to the capital return programme and a lower than usual tax charge. On an IFRS basis, we delivered basic EPS from continuing operations of 1.4 pence versus of 0.8 pence per share for the comparable period of 2020 on the same basis. Period-end shares declined by 128 million as a result of our share buyback programme which completed in January 2022 and which reduced our overall share count by c.14% over the course of the programme.

Finally, the provision made in respect of certain DB to DC pension transfer advice provided by Lighthouse advisers prior to Quilter's acquisition of Lighthouse has increased by £7 million from the end-2020 level predominantly due to the identification of some instances of unsuitable DB transfer advice being given by Lighthouse advisers beyond that relating to former British Steel Pension Scheme members, which may have caused customers to sustain losses. We continue to work proactively with the FCA and the skilled person review relating to DB to DC pension transfers by Lighthouse to ensure good customer outcomes for the clients involved. Even though the advice to transfer these pensions predated Lighthouse transitioning to our systems and controls after our acquisition of Lighthouse, we will ensure that these clients are treated fairly, consistent with the FCA's requirements and our values.

Governance and culture

In October 2021, Glyn Jones informed the Board of his intention to retire as Chair of Quilter in 2022 once a successor is identified and appointed. Since taking up the role of Chair prior to our Listing, Glyn has not only built a Board of many talents but has provided wise and valuable counsel to both me and my executive team as we have reshaped Quilter over the last four years. We would not be where we are without him.

Creating an inclusive and diverse culture where all colleagues feel they can be themselves has always been a core tenet of our cultural agenda. We have remained focused on progressing our Inclusion and Diversity agenda, appointing a new Head of Inclusion and Diversity and launching our new cultural engagement programme, 'We-Rise', designed to engage colleagues with the next phase of our strategic journey. We have also continued to progress our workplace strategy with the successful re-opening of our refurbished Quilter House in Southampton our most significant achievement. As we have gradually reopened access to our offices, we have seen colleagues embrace the new flexible approach our workplace strategy was designed to encourage. Whilst we continue to be mindful of reminding colleagues of the importance of collaborating face to face at least a few days per week, our "new normal" should enable us to continue to rationalise our property estate over the coming years.

Quilter is committed to responsible investment and earlier this year we updated our matrix to incorporate ESG ratings and two specific ESG solutions.

Quilter is committed to responsible investment and earlier this year we updated our matrix for our restricted network advisers to incorporate ESG ratings and introduced two specific ESG solutions, one of which was our own Climate Assets fund managed by Quilter Cheviot. As a result, ascertaining clients' ESG preferences is now a core input into the advice process for our restricted advisers. Our investment teams incorporate ESG analysis into their investment processes. We continue to make good progress with ensuring all model portfolio holdings for equities and funds within Quilter Cheviot and Quilter Investors are appropriately evaluated against ESG metrics.

Climate change is undoubtedly one of the most significant challenges the world faces and tackling it is a responsibility of everyone. In 2021, we formalised our climate change strategy with the objective to reduce Quilter's contribution to climate change and support the transition to a low carbon economy. To achieve this ambition, we have developed a framework which is helping us to reduce our direct carbon footprint, embed climate considerations in our investment management and stewardship activity, offer clients climate-focused investment solutions and align with the Task Force on Climate-related Financial Disclosures. I am pleased with our progress on incorporating ESG considerations across our entire value chain: we are embedding ESG into our standard advice process to help clients invest according to their ESG preferences, and we are embedding ESG even more deeply into our standard investment management processes, both within our multi-asset investment solutions and our discretionary wealth management.

To provide clients and advisers with greater transparency, we have included ESG ratings for third-party funds available on our UK Platform. Upon this solid foundation we will enhance our approach to responsible investment further in 2022.

Outlook

We are pleased with our 2021 performance but we are facing difficult times with significant geopolitical tensions at the centre of all our concerns. Our hearts are with the people of Ukraine and their struggle puts the market volatility we face into an appropriate perspective. Up to the end of February, our year-to-date net inflows were comfortably ahead of the comparable period in 2021, although the conflict in Ukraine is likely to have a bearing on equity and bond markets, investor sentiment and inflation amongst other factors. While it remains too early to predict the impact or the likely duration of these events, it is at times like this that our advice-based model is particularly valued by customers providing support as they navigate through this period of uncertainty. In 2022, our focus remains on managing our business towards delivering the targets we set out at our Capital Markets Day last November. This includes targeting increasing flows to our Platform, particularly from third party advisers, product innovation and growth in our restricted adviser base.

Paul Feeney
Chief Executive Officer

Our markets

Quilter operates within markets offering structural growth potential: the advice industry, wealth management, and investment management, serving clients throughout the accumulation and decumulation phases of their lives. With differentiated business models at scale, such as Quilter's, there is scope to win market share despite the broader industry facing challenges such as constrained supply of financial advisers, fee pressure, the cost of regulation and ongoing regulatory and fiscal changes.

Quilter firmly believes the market dynamics, as detailed below, reaffirm the opportunity before us as the need for retirement saving continues through all market cycles. As we organise ourselves around our client segments, we see opportunity to grow with our customers and advisers, to enhance efficiency, enabled by technology, all while embodying our belief in responsible wealth management.

£1.8tn

Total market value[2]

Since 2015, the UK wealth market assets have grown by c.13%, 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.

Key trends

Large and growing market

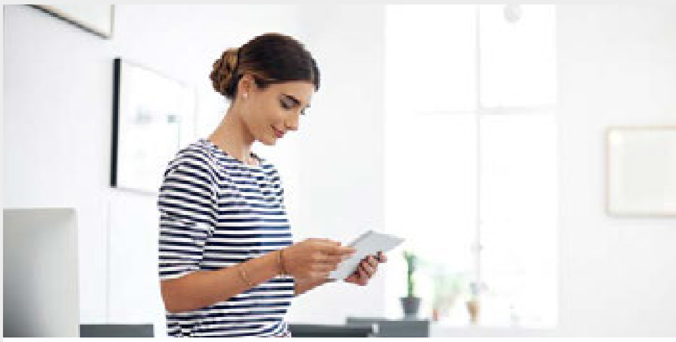
The UK wealth management market is the fifth largest in the world[1] and has delivered over 13% compound annual growth[2] in assets since 2015. While financial markets globally have been volatile in the early months of 2022, with continued tailwinds, the market is forecast to grow to between £2.2 and £2.5 trillion of assets by 2024[2]. The 'baby boomer' generation is a key customer demographic as they enter retirement, however intergenerational wealth transfer will support the sustainability of the industry. Building relationships with younger generations will be a key for the future.

UK wealth market forecast[2] AuMA (£tn)

2024e	£2.5tn
2015	£0.9tn

[1]Credit Suisse Global Wealth Databook 2021.
[2]Fundscape Platform report Q2'21, June 2021. Retail Advised Platform AuA, adding £144 billion St. James Place AuM. Compeer UK Wealth Management Report, 2021. Wealth managers and private banks, Boring Money Online Investing June 2021.

Global health pandemic disruption resulting in savings surge



The economic and social fallout from the COVID-19 pandemic disrupted many industries globally. The uncertainty increased the UK population's propensity to save, with those remaining in employment accumulating a significant amount of predominantly cash savings. The conversion of these assets into investable assets is expected to be a continued support for the UK wealth management industry in the near to medium term.

c.£200bn

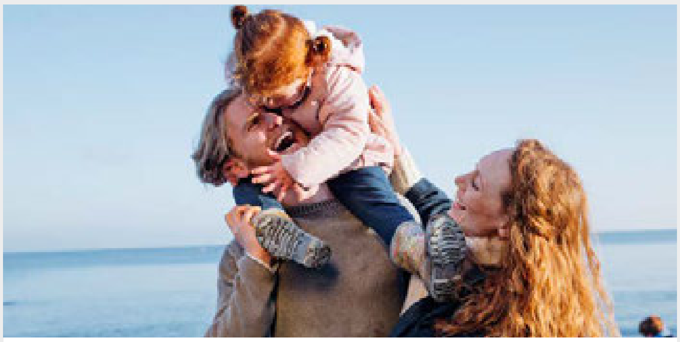
Estimated additional UK savings[3]

[3]Berenberg Diversified Financials research, November 2021.

Strong demand for advice delivered cost efficiently

The demand for trusted financial advice has never been stronger, driven by UK Pension Freedom, continually changing taxes, allowances and reforms, together with the market volatility and uncertainty following the COVID-19 pandemic. The shortage of advisers in the UK makes it difficult for those needing advice to access an adviser, often referred to as the 'advice gap'. This creates an opportunity for Quilter to bridge that gap by offering trusted face to face advice as well as digitally-enabled solutions which can help advisers more cost effectively service clients where it has previously been uneconomic.

Anytime-anywhere visibility of savings



Technology is present in all aspects of our lives and wealth management is no different. Clients expect digital access to their investment portfolios and a seamless experience through whichever channel they wish to be served.

Digital innovation across the industry can improve customer experience and outcomes while offering opportunities for businesses such as Quilter to support more clients, more efficiently.

Relevant investment solutions with consistently good customer outcomes

Investment management is highly competitive. In a world of lower asset returns and continuing market volatility, advisers are seeking to find the best value for their clients while delivering good investment outcomes through the cycle. Manufacturers of investment solutions, such as Quilter, who can provide products aligned to the advice process and which achieve consistently good investment performance can expect to attract strong flows.

The rise of ESG

ESG is the defining topic of our time and will be for the next decade and beyond. Evolving legislative and regulatory requirements, including the UK Government's Green Finance Strategy, mean ESG will become woven into the investment world's fabric.

In April 2021, Quilter surveyed 1,000 UK consumers (aged over 35 with at least £60,000 to invest) and found 78% make 'ethical' purchasing decisions at least some of the time, with 64% of customers with a financial adviser saying they had become more interested in responsible investment in the last two years. Consumer demand for responsible investment shows no sign of abating.

Our strategy

Three years on from our Listing and after transforming the business into a simpler, modern, full-service wealth manager, we have strong foundations on which to build the next phase of our strategy. This can be captured in the phrase 'Growth and Efficiency'.

Guided by our outlook of the wealth management industry, our strategy is focused on growing with our clients and advisers, enhancing the efficiency of our operations, increasing digitalisation across the business and embedding ESG in all we do. This will enable us to increase flows from our two main distribution channels, manage more of those flows in our investment solutions and become more efficient as we do it, delivering top-line growth and operating leverage.

Underpinning our priorities is an understanding that embodying a diverse and inclusive culture, where colleagues embrace our cultural values of being pioneering, dependable and stronger together 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

1. Grow with our clients and advisers

2. Enhance efficiency

3. Embed digital

4. Be the responsible wealth manager

Read about how we track our strategic progress in Our key performance indicators
page 26

Principal risks and uncertainties
page 69

Our strategy

1. Grow with our clients and advisers

Strategic objective:
Aligning our expertise and resources around the needs of our advisers and two client segments. Evolving our proposition to deliver a relevant service offering and good customer outcomes.

KPIs:
- Number of clients
- Net flows as percentage of opening AuMA
- Number of Restricted Financial Planners
- Number of discretionary investment managers

Other performance indicators:
- Asset persistency

2021 performance:
- 3% increase in total client numbers and households served.
- 36% year-on-year increase in gross sales and 167% increase in net inflows as multi-year transformation initiatives drove momentum in a return to business growth.
- Strong performance from the new Platform and Quilter Cheviot during the year coupled with stable retention.
- Net decline in RFPs as initiatives to refocus and reposition advice business led to a modest number of departures.
- Strong improvement in gross flows per adviser.
- 104 new advisers graduated from the Quilter Financial Adviser School.
- Net addition of one investment manager after a small number of expected retirements during the year.

Focus in 2022:
- Grow adviser numbers and continue to drive productivity.
- Integrate Quilter Private Client Advisers' advice force into High Net Worth proposition.
- Build upon 2021's Platform growth, attracting new advisers and clients with broader propositions.
- Relaunch WealthSelect.
- Work towards delivering High Net Worth discretionary portfolio service on Quilter Platform, broadening distribution of investment solutions.

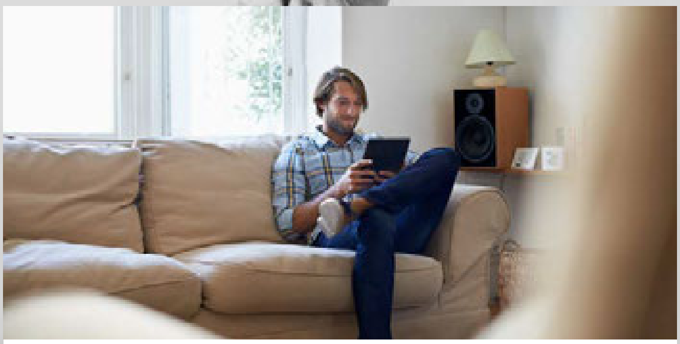
2. Enhance efficiency

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 end-2024.

KPIs:
- Operating margin
- Adjusted profit before tax
- IFRS profit/(loss)
- Total shareholder return

2021 performance:
- Three percentage point improvement in the operating margin, making good progress towards our 2023 and 2025 targets of at least 25% and 30%+, respectively.
- Delivered £11 million savings in the year from Optimisation programme when compared to the original 2018 cost base, with full-year run-rate of £15 million and £61 million total run-rate across the programme to date.
- Sold Quilter International enabling reorganisation of the business around two core client segments: Affluent and High Net Worth.
- Set out plans to deliver c.£45 million cost savings by end-2024, commencing 2022, as part of second phase of cost savings which we call 'Simplification'.

Focus in 2022:
- Mobilising Simplification efficiency initiatives including decommissioning part of legacy IT infrastructure, embedding greater automation and straight-through processing across the business, and simplifying Quilter's structure.
- Continue to support employee engagement through the transition period.



3. Embed digital

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

KPIs:
- Number of unique visits to Quilter websites
- Number of online portal customer registrations
- Customer app log-ins – to follow in 2022
- Hybrid/telephone-advised customer numbers – to follow in 2022

2021 performance:
- Successfully completed Platform Transformation Programme, laying foundations for further digital enhancements of the client and back-office experience.
- Launched e-delivery of client reporting in High Net Worth segment.
- The number of visits to our websites and online portal registrations are a solid base from which to build as we drive forward our single domain website strategy and encourage engagement with our online customer portals.

Focus in 2022:
- Building hybrid advice offering in the Affluent segment.
- Launching mobile app of Affluent Online Customer centre.
- Enhancing client and adviser portals in High Net Worth segment.
- Delivering single domain website strategy to facilitate online customer journeys.

4. Be the responsible wealth manager

Strategic objective:
Acting and investing responsibly, being a leading responsible wealth manager. Being a responsible employer, attracting, developing and retaining great talent, embracing inclusivity.

KPIs:
- UN PRI rating
- Female representation in senior leadership
- Ethnic minority representation in senior leadership
- Scope 1 and 2 greenhouse gas emissions
- Number of young people supported by the Quilter Foundation

Read our Responsible Business report for more detail
page 39

2021 performance:
- Refreshed responsible wealth manager framework, strategy and governance, focused around key stakeholders.
- Commenced delivery of responsible investment considerations into the advice process and investment propositions.
- Launched Quilter Cheviot 'Positive Change' strategy.
- Established target to reduce Scope 1 and Scope 2 greenhouse gas emissions by 80% by 2030.
- Developed first climate disclosures aligned to TCFD.
- Formulated five pillar inclusion and diversity strategy.
- The Quilter Foundation renewed its partnership with financial education charity MyBnk, committing £500,000 to its programmes over the next three years.

Focus in 2022:
- Launching a refresh of our Affluent managed portfolio service, WealthSelect, which will include responsible and sustainable investment options, as well as further developing our suite of responsible investment strategies.
- Roll out of inclusion and diversity strategy.
- Developing a Climate Action Plan for our operations and investments to support the Paris Agreement objectives.

Key performance indicators

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

Updates to KPIs in 2021
Alongside the launch for our new strategic objectives, focused on delivering growth and driving efficiency, we refreshed and expanded our KPIs to better monitor progress towards our strategic objectives.

Historical data for financial-based KPIs have been rebased to exclude contributions from Quilter International, which was sold on 30 November 2021.

Strategic pillars key:
1. Grow with our clients and advisers
2. Enhance efficiency
3. Embed digital
4. Be the responsible wealth manager

*See page 255 for alternative performance measures.

Client numbers

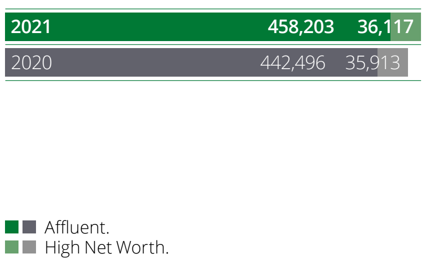
Definition
Affluent client numbers are identified as individuals, or corporate or trust entities actively engaged with the Quilter Investment Platform. High Net Worth clients are based on the number of households or client units served by Quilter Cheviot.

Link to strategic priority
1

2021 performance:
- The Affluent segment attracted strong growth in clients of 4% driven by the new Platform's ability to meet a broader range of client needs.
- The number of households served by the High Net Worth segment experienced muted total growth as UK lockdowns hindered abilities to meet new clients. The Quilter channel saw pleasing growth of 12%.

Outlook for 2022:
- Grow the number of clients served as we meet the needs of our advisers and clients, and evolve our proposition to deliver good service and customer outcomes.

Client numbers



*Net flows 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, discretely from market movements.

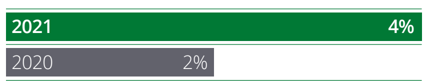
Link to strategic priority
1

Link to remuneration
✓

2021 performance:
- Net flows/opening AuMA increased two percentage points in 2021.
- Substantial improvement in net flows year-on-year.
- Strong performance from the new Quilter Investment Platform with £3.5 billion of net inflows (£1.5 billion in 2020).
- Improvement in gross flows in Quilter Cheviot, particularly from existing clients as market confidence improved.
- Improved asset retention.

Outlook for 2022:
- Target net flow growth of at least 6% of opening AuMA over the medium term, with a higher percentage growth rate expected from the Quilter Investment Platform.

Net flows as a percentage of opening AuMA



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.

Link to strategic priority
1

2021 performance:
- During 2021, we placed focus on the productivity of our own advisers to ensure greater alignment with the integrated Quilter proposition. Of the total 1,623 Restricted Financial Planners as at the end of 31 December 2021, 1,563 were in the Affluent Segment, and 60 in the High Net Worth segment.
- 100 Restricted Financial Planners were recruited in 2021, but the net effect of repositioning initiatives resulted in December 2021's total number closing lower than December 2020 outturn.

Outlook for 2022:
- With repositioning initiatives complete, focused on return to net growth in the number of RFPs, supporting further improvement in RFP productivity.

Number of Restricted Financial Planners

	Affluent	High Net Worth
2021	1,563	60
2020	1,765	77

Affluent.
High Net Worth.

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.

Link to strategic priority
1

2021 performance:
- Net growth in discretionary investment managers was flat year on year due to a small number of expected retirements.

Outlook for 2022:
- Progress towards our target c.200 discretionary investment managers as we broaden and deepen our integrated proposition across the UK.

Number of discretionary investment managers

2021	170
2020	169

*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.

Link to strategic priority
2

Link to remuneration
✓

2021 performance:
- The Group's operating margin improved by 3% during the year as a result of the increase in revenue due to higher average Group AuMA, partially offset by higher expenses driven by increases in FSCS levies and higher variable compensation.

Outlook for 2022:
- Optimisation plans and business simplification initiatives remain on track to deliver planned cost savings which, together with revenue growth, will underpin targetted operating margin improvements at least 25% by 2023 and 30%+ by 2025.

Operating margin

2021	22%
2020	19%

*Adjusted profit before tax**

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

Link to strategic priority

2

2021 performance:
- Adjusted profit before tax was £138 million, up 28% from 2020, driven by higher net fee revenue supported by improved net flows and positive market movements despite a mix-driven decline in revenue margins in Quilter Investors and Quilter Investment Platform.
- Optimisation savings were offset by cost headwinds from the unwind of tactical cost saves, higher regulatory costs and regulatory levies.

Outlook for 2022:
- Progress towards our target to more than double adjusted profit before tax by 2025 from the 2020 base.

Adjusted profit before tax

IFRS profit/(loss)

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 134 of the Remuneration report.

Link to strategic priority

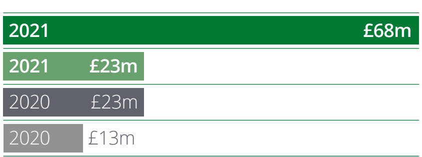
2

Link to remuneration

2021 performance:
- The Group's IFRS profit after tax from continuing operations was £23 million, compared to a profit of £13 million for 2020. The increase in profit is attributable to favourable equity market movements throughout the year resulted in higher AuMA.

Outlook for 2022:
- IFRS profit after tax from continuing operations can vary significantly year-on-year depending on the change in policyholder tax. Excluding policyholder tax, IFRS profit is likely to increase as spend on Optimisation and PTP declines with the delivery of the Optimisation programme and the new UK Platform, respectively.

IFRS profit/(loss)



IFRS profit on a continuing basis (excluding amortisation, policyholder tax adjustments, business disposal impacts and one-off items).
IFRS profit after tax from continuing operations.

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.

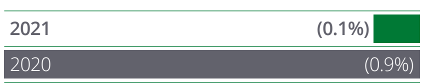
Link to strategic priority

2

Link to remuneration

2021 performance:
- Total shareholder return was broadly flat on 2020's outturn, below the level achieved by the FTSE-100 and FTSE-250 indices (18%, respectively).
- Performance was largely attributed to the sale of Quilter International and its short-term dilution to earnings.
- While Quilter's share price was broadly flat over the year, this was offset by a higher Price/Earnings multiple on the smaller but faster growing business.

Total shareholder return



Number of unique visits to Quilter websites

Definition

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

Link to strategic priority

3

2021 performance:

- As a new KPI, the number recorded forms a solid base from which to grow as we focus on digital communications and branding.

Outlook for 2022:

- Increase the number of unique visits to the Quilter websites as we deliver our single-domain website strategy, simplifying and enhancing digital communication channels.

Number of unique visits to Quilter websites

Number of online portal customer registrations

Definition

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

Link to strategic priority

3

2021 performance:

- As a new KPI, the number recorded forms a solid base from which to grow as we focus on evolving our digital communications and encourage engagement with our online customer portals.

Outlook for 2022:

- Grow the number of online portal customer registrations as we improve our digital communication channels and work towards launching the Quilter app.

Number of online portal customer registrations

■ Quilter Investment Platform.
■ Quilter Cheviot.

KPIs linked to strategic objective 4: Be the responsible wealth manager

Detail on our progress on the following KPIs can be found in the Responsible Business section of this report, on page 41.

- UN PRI rating.
- Female representation in senior leadership.
- Ethnic minority representation in senior leadership.
- Scope 1 and 2 greenhouse gas emissions.
- Number of young people supported by the Quilter Foundation.

Clearly differentiated to help drive value creation

A differentiated model with clear benefits to all stakeholders

Quilter is a full-service wealth manager, well positioned in an industry benefiting 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 breadth 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 offer good customer outcomes through the cycle.

The benefits of our model

- Our dual advice channels (our own advisers and independent financial advisers (IFAs)) give us greater breath and 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 namely the 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, passionate 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.

A simpler business, organised around our clients

At our Capital Markets Day in November 2021 we announced a new client-centric segmentation which reflects the way the business is managed and puts the customer at the heart of everything we do.

Our new business segmentation comprises:
- **Affluent** which encompasses Quilter Financial Planning, the Quilter Investment Platform, and our investment solutions business, Quilter Investors; and
- **High Net Worth,** which includes our discretionary fund manager, Quilter Cheviot and Quilter Private Client Advisers.

The way we service our clients and the operating model we use is the same for both segments. We have two client segments because the core proposition differs slightly for each. Affluent serves a greater number of clients and is a single-expert proposition: clients have a single point of contact – either one of our advisers or their own third-party IFA – plus a more unitised investment portfolio approach. High Net Worth clients value a more bespoke discretionary-managed proposition. High Net Worth has a dual expert approach: an adviser – either one of our private client advisers or a client's own IFA – plus an investment manager.

Both our segments have the same philosophy: gather flows from two strong distribution channels, and increasingly manage those flows in our own investment solutions.

Steven Levin
Affluent Segment

Andy McGlone
High Net Worth Segment

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 investible assets

Affluent

c.£50,000+ of investible 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

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

...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.

Our two distribution channels allow for a client to come to us through a Quilter adviser, an independent adviser, or invest directly.

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

The value we create for our stakeholders

Combining the resources available to us with our strengths through our unique business model means we meet the needs of our advisers and clients. It also enables us to deliver value for our broader stakeholders.

Advisers

Our technical and cultural experience in advice management means we can help advisers to manage and grow their business.

Customers

We help create secure financial futures. Our purchasing power and cross-segment expertise enable us to provide high-quality advice, products and services at competitive prices.

Colleagues

We create an inclusive workplace that enables colleagues to thrive.

Communities

We are helping improve financial capability and tackling wellbeing and employment barriers in our communities, while reducing the environmental impact of our business.

Regulators

Our unbundled model, focused on client choice and good customer outcomes, delivers on our regulators' expectations by providing financial solutions to customers in a responsible, risk-managed manner.

Shareholders

We have significant earnings growth potential from scale benefits and operating leverage, generating long-term sustainable returns.

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, would be most likely to promote the success of Quilter for the benefit of shareholders as a whole. In doing so, Quilter Directors must have regard, amongst other things, to the factors set out below:

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

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

The Board is clear that engaging, consulting and making decisions balancing the needs, interests and expectations of our key stakeholders is critical to Quilter achieving its purpose of helping create prosperity for the generations of today and tomorrow. On occasions these competing stakeholder views can be contradictory and it is the Board's role to navigate these complexities to achieve long-term success. The Board has a comprehensive stakeholder engagement programme and seeks to act in the best interests of the Group, and to be fair and balanced in its approach. In addition to direct engagement with our stakeholders, papers submitted to our Boards and Board Committees across the Group identify for their consideration where stakeholders could be impacted by the proposals. At all times, the Boards remain focused on ensuring good customer outcomes. Some of the ways the Quilter Board engages with our stakeholders, including some examples of how our Board has considered stakeholders when it made key strategic decisions in 2021, can be read on page 85.

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 and our investment platform.
Colleagues	All of our 3,056 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.
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 such as the Central Bank of Ireland.

Advisers

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

How does the Board engage with advisers?
- The Chief Executive Officer regularly briefs the Quilter Board on key issues impacting all advisers.
- The Customer Reports scrutinised by the Quilter Board and the Board Risk Committee provide key insights on how effectively and safely Quilter is supporting advisers in serving customers.
- Paul Matthews, who serves on the Quilter Financial Planning Board, engages regularly with advisers to understand their perspectives and priorities and reports to the Board on his interactions.
- The Board Risk Committee and the Board regularly receive updates on the quality of the service provided to advisers following the implementation of the Group's new investment platform.
- During 2021, at the Board's request, management started a programme of communications and interactions with Quilter Financial Planning's advisers to deepen the cultural alignment between Quilter and Quilter Financial Planning's advisers. The data and feedback from these initiatives will continue to be reported to the Board.

What was the result of that engagement?
- Given the challenges of implementing a new investment platform during the pandemic, the Board encouraged management to prioritise the maintenance of a good quality service to existing advisers over the desire to introduce new advisers to the new investment platform.
- As a result of the feedback on adviser sentiment provided to the Board from the Chief Executive, the Board endorsed management's proposed programme of activities to deepen further the Group's relationships with its own advisers, including making it easier for advisers to do business with Quilter.

Colleagues

Our colleagues expect Quilter to:
- Create a values-led culture that is open, welcoming and inclusive.
- Invest in the development of its people and its technology so that its people can deliver great service to its customers.
- Offer an attractive reward structure and a compelling colleague proposition.
- Listen to ideas, suggestions and concerns, and take action as appropriate.

How does the Board engage with colleagues?
- By designating Tazim Essani as an additional Non-executive Director, alongside Paul Matthews, with responsibility for ensuring the views of our workforce are conveyed to the Board.
- By the designated Non-executive Directors for workforce engagement attending meetings of the Quilter Employee Forum and other informal meetings with employees and the broader workforce and reporting to the Quilter Board on the insights they gain from those interactions.
- Meeting regularly with individuals identified as future senior leaders.
- Receiving regular reports from the HR Director on the Group's People and Culture.
- Executive Directors engaging directly with colleagues across the business.

What was the result of this engagement?
- Following the People and Culture presentation to the Board in May 2021, the Board noted that there had been a small decline in employee engagement, as measured by the regular colleague Peakon surveys. This was a result of the significant volume of change in the business and the challenges created by an extended period of remote working. As a result, the Board requested that management share its plans for reinvigorating employee engagement. The Board was briefed on the "We Rise" employee communications programme, designed to support employees through a period of significant change by ensuring colleagues fully understand what the Quilter strategy means for them and how they contribute to Quilter's success.
- The Board fully supports management's plans to improve the diversity and inclusion of the organisation, and the launch of an Action Plan built on five strategic pillars.
- In January 2022 the Board received a briefing from an external speaker on diversity and inclusion to ensure it is able to effectively oversee the Group's efforts to drive its diversity and inclusion agenda.
- Further details of employee engagement can be found on pages 88 and 89.

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 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 to become the responsible wealth manager.

What was the result of this engagement?
- Colleagues contributed to community volunteering and raised £100,000 to support the work of the Quilter Foundation. This included financial literacy, our young carers campaign and a Local Community Fund.
- Eight charities benefited from grants, enabling support for 12,606 young people.
- Supported the Disaster Emergencies Committee (DEC) Afghanistan Crisis Appeal.
- Published a climate change statement that formally supports the objectives of the Paris Agreement, whilst committing to formalise climate targets in 2022.

How does the Board engage with its suppliers?
- Building on the positive feedback from 2020, we held our second supplier summit in September 2021. The summit provided a great opportunity for a number of our critical and important suppliers to hear direct from our executive team on the Quilter strategy, for which they play an important part in its success, our values and our priorities, including our ambitions in relation to ESG and responsible investing. Climate change and emissions reduction is an area we will engage with our suppliers on during 2022.

What was the result of this engagement?
- Ongoing dialogue has helped ensure the supply chain has remained resilient, with no attributable degradation in service to our customers observed.

12,606
young people supported

8
charities benefiting from grants made

Customers

Customers expect Quilter to:
- Provide excellent customer 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.

How does the Board engage with customers?
- The Board receives 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.
- All Board 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 Risk Officer on the progress of customer remediation in relation to historic advice on DB to DC pension transfers to ensure affected customers are receiving fair recompense.
- The Board Remuneration Committee receives reports on how well the business has served its customers as part of the executive score card that drives the remuneration of our senior executive team.

What was the result of that engagement?
- The impact on customers was specifically relevant to the following major Board decisions:
  - to reorganise the business into two customer focused business segments;
  - to prioritise maintaining the quality of service provided by our new investment platform to customers over the acquisition of new customers;
  - the approach taken to the provision of compensation to customers impacted by historic DB to DC pension transfer advice; and
  - the sale of Quilter International. Further details on the sale of Quilter International can be found on pages 86 and 87.

Investors

Our investors expect Quilter to:
- Adopt and deliver a strategy that creates long-term shareholder value, delivering sustainable and growing capital returns to shareholders.
- Have a resilient business model that generates long-term sustainable returns for shareholders and reliable returns for debt investors.
- Maintain a robust corporate governance framework.
- Maintain financial strength.
- Balance the need to manage its environmental and societal impact.

How does the Board engage with its investors:
- Maintaining regular and constructive dialogue with investors.
- Providing updates on the Group's trading and financial performance and conducting 186 meetings with shareholders, debt holders and prospective investors.
- Holding a Capital Markets Day in November 2021.
- Ensuring private shareholders receive excellent support from our registrars.
- Holding an Annual General Meeting that is as accessible as possible.
- Consulting with our shareholders on their preferred route for the distribution of the proceeds of the sale of Quilter International.
- Extensively consulting with major shareholders on the proposed new Directors' Remuneration Policy.

What was the result of this engagement?
- As set out at its 2021 Capital Markets Day, Quilter's strategy, organisational structure and financial targets are all focused on delivering growth and efficiency.
- Following the completion of the sale of the Quilter International business on 30 November 2021, the Board is recommending a capital return of £328 million to shareholders and will retain £90 million to fund the Group's Simplification programme.
- Further details of the sale of the Quilter International business can be found in the governance case study on pages 86 and 87.

£328m

proposed return of capital to shareholders in 2022

£90m

funding for the Group's Simplification programme and selected revenue investments

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 risks 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.

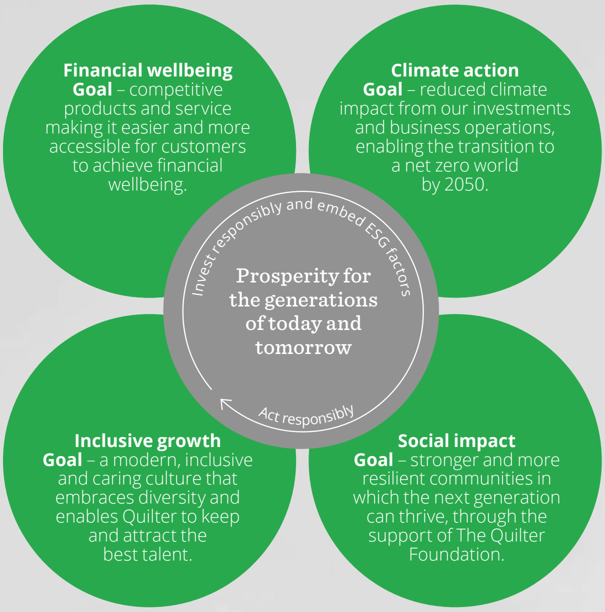
How does the Board engage with the Group's regulators?
- Transparent and open regulatory relationships are fundamentally important and Quilter engages regularly with its main regulators to ensure business is conducted in line with their expectations and the evolving regulatory framework.
- The Board Risk Committee receives quarterly reports on the status of material regulatory relationships and matters under discussion.
- Routinely shares Board and relevant Committee meeting papers with our main regulators.
- There is a programme of meetings between our main UK regulators and the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Group Chair and Chairs of our Board Committees. Key matters discussed in 2021 include future strategy and plans for the Group, customer outcomes, diversity, governance and operational resilience, including the Group's continued response to COVID-19.

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 2021, specifically in relation to:
  - the sale of Quilter International and the return of the net proceeds to shareholders; and
  - the implementation of the Group's new investment platform to ensure customers continue to receive a high-quality service despite the transition.
- The Board Corporate Governance and Nominations Committee carefully considered the discussion paper issued by the FCA, the PRA and the Bank of England in relation to diversity and inclusion in the financial services sector and endorsed the Group's efforts to gather a broader range of data on the diversity of the Group's workforce, executive and Board so future activities to enhance diversity are based on robust information.
- Quilter worked closely with its regulators in relation to the conduct of past business reviews and the provision of compensation to customers who received unsuitable advice which led to them sustaining losses 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.

Responsible business

Investing for the generations of tomorrow

Becoming the responsible wealth manager



Our purpose is to create prosperity for the generations of today and tomorrow. It's this which drives our ambition to be a responsible wealth manager, an ambition which sits as one of the four pillars of our business strategy. Our purpose is a symbol of our commitment to act and invest responsibly, for our customers, colleagues and society more broadly.

Ultimately, we are committed to providing our customers with the information, choice and confidence to invest for a sustainable future. We believe we are well positioned to do this as a full-service wealth manager which offers investments, advice and platform services.

Acting and investing responsibly

Acting and investing responsibly are fundamental to how we deliver value for our customers, colleagues and society more broadly.

- 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 throughout our financial advice, investment platform and investment management.

We refer to these terms through this section of the report to highlight both contribute to delivering value for our stakeholders.

Our evolving responsible wealth manager framework

Building on our first responsible business strategy introduced in 2018 (the Shared Prosperity Plan) we evolved our approach in 2021 by introducing the Responsible Wealth Manager framework. Our framework outlines four priorities:

1. Enable customers to experience financial wellbeing.
2. Drive inclusive growth for our colleagues.
3. Take climate action for our environment.
4. Create positive social impact in our communities.

Outlined on the next page are the key performance indicators for 2021. In 2022 we will review key performance indicators and targets for each of the priority areas, including how we will align our business operations and investments with the Paris Agreement and efforts to reach global net zero greenhouse gas emissions by 2050.

Governance

Ultimate responsibility for environmental and social matters – captured in the responsible wealth manager framework – resides with the Quilter plc Board, who have delegated oversight to the Board Corporate Governance and Nominations Committee.

Responsibility for the responsible wealth manager strategy is delegated to the Quilter CEO, who is supported by the Executive Committee in discharging his responsibilities. The CEO and Executive Committee are supported by the Responsible Investment Steering Group, which provides executive oversight, direction and monitoring of the responsible wealth manager strategy and is chaired by the CEO. Day-to-day responsibility for the development and delivery of the responsible wealth manager strategy is delegated to the Responsible Wealth Manager Working Group.

Review of our responsible wealth manager strategy and performance is conducted at least annually by the Quilter Executive Committee, and regularly throughout the year by the Responsible Investment Steering Committee.

Key performance indicators

To measure our responsible wealth manager performance, we consider a range of non-financial metrics most relevant for our stakeholders. Outlined below are the key performance indicators for 2021, which are under review and due to be updated in 2022.

Further reporting and performance data relevant to our responsible wealth manager strategy and our stakeholders can be found on pages 42 to 54.

Advisers / Customers

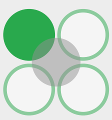
Customer asset retention (%)

2021	93%
2020	91%
2019	88%
2018	91%

Number of restricted financial planners ("RFPs")

2021	1,623
2020	1,842
2019	1,799
2018	1,621

Responsible wealth manager pillar



Colleagues

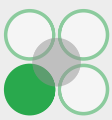
Female representation in Senior Leadership Community (%)

2021	36%
2020	35%
2019	32%
2018	33%

Ethnic minority group representation in Senior Leadership Community (%)

2021	5%
2020	2%

Responsible wealth manager pillar



Communities / Environment

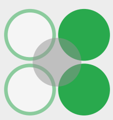
Scope 1 and 2 greenhouse gas emissions (tCO_2e)

2021	2,520
2020	2,705
2019	4,042
2018	3,672

Total number of young people supported by the Quilter Foundation

2021	12,606
2020	11,496
2019	13,098
2018	6,529

Responsible wealth manager pillar



Advisers | Customers

Responsible wealth manager pillar
Financial wellbeing

Key performance indicators

Customer asset retention

93%

(2020: 92%)

Number of restricted financial planners (“RFPs”)

1,623

(2020: 1,842)

We aim to help customers achieve their goals and experience financial wellbeing, now and in the future. We will achieve this by providing competitive products and service that makes financial advice and investing easier and more accessible.

Highlights 2021

Concluded safe migration of customer assets to our new platform

Improved processes in recording, monitoring and evaluation of customers in vulnerable circumstances

Commenced integration of responsible investment considerations into the financial advice process for customers

Launched ‘Positive Change’ investment strategy with ESG considerations as a key driver of investment decisions

Acting responsibly

Customer service and engagement
Through the extended pandemic customer service teams have continued to work in a hybrid/remote manner, ensuring service continuity and support for customers and their advisers. Quilter Investment Platform’s platform migration concluded in the first quarter, providing significant enhancements to customers in terms of increased platform functionality, flexibility and choice. The business invested heavily in the design and testing of its communications to ensure that customers felt fully informed and reassured during the transition of their investments. Some service challenges did arise following the migration, exacerbated by increased business volumes and a peak of COVID-19 infections amongst service centre staff, but action plans were swiftly mobilised to restore service levels.

The business as a whole has invested effort and resources to more comprehensively collect and act up on customer feedback. Quilter’s Trust Pilot score as at January 2022 was 3.9/5.0 with an average score across all reviews received in 2021 of 4.58/5.00. Satisfaction and Net Promoter Scores across our platform business dipped slightly during the mid year, a general trend reflected by servicing firms more widely. This recovered in the second half of the year with feedback from customers’ call centre interactions ending in a strong position at the end of the year. The option of providing video feedback is now available to platform customers, offering a fresh way to learn and improve the way we respond to our customers’ reactions. In our high net worth advice business, insights from customers are fed into the end-to-end advice journey improvement plan and Financial Planners have direct access to insights in order to take prompt action where customer expectations have not been fully met. Quilter Cheviot completed a wide sample of customer insights in 2021, receiving above peer group recognition for Net Promoter Score.

In 2022 the business is working with 'Investor In Customers', a strategic customer experience organisation that supports firms to understand how well they meet their customers' needs, build moments of delight and develop trust and customer loyalty. Coupled with this, across the business, greater focus has been placed on the collection and interpretation of customer experience-related measures which are reported weekly, monthly and quarterly to customer governance forums.

A culture of long-term relationships and client engagement remained key throughout the year. Quilter Cheviot launched a hub and engagement programme to support 'women in investing', helping to identify and debate the issues and barriers that female investors may encounter, and assisting advisers to feel better equipped to engage prospective female clients. Meet the Portfolio Manager live virtual events attracted strong customer participation, and Quilter Cheviot's 250 anniversary in-person client events began prior to further social restrictions being enforced to recognise, engage and deepen relationships.

Insight and research helps to keep Quilter in touch with customer needs and helps us to continually build out our propositions. In 2021 a number of focused research programmes were conducted, including customers' perceptions of receiving remote financial advice, attitudes towards sustainable investing, how the extended lockdown has impacted ability to save and invest and the sentiments of the baby boomer generation towards intergenerational wealth planning.

Proposition

With the platform migration complete, strategic initiatives focused on deepening the value of Quilter's integrated proposition and experience for customers. Specific initiatives included improvements in the identification and servicing of 'vulnerable customers', broadening the flagship 'WealthSelect' proposition with greater customer personalisation options and adding Quilter Cheviot capability to the Collective Retirement Account. In line with the FCA's Retirement Outcomes Review (PS19/21), we introduced investment pathways for non-advised customers that are not comfortable to make their own investment decisions via our pension drawdown product, the Collective Retirement Account ("CRA").

The Quilter Investors core range of multi-asset portfolios delivered positive returns within their respective risk bands throughout the year. The Quilter Investors 2021 Assessment of Value Report also outlines how our funds continue to provide value, with the majority delivering against their investment objectives over five years. Significant progress was made on the expansion of our flagship WealthSelect managed portfolio service, with the project due to complete in the first half of 2022. The enhancements will allow advisers to deliver a more personalised service to a wide range of customers, including the ability to accommodate various levels of responsible investment preferences through the introduction of 32 new responsible and sustainable portfolios.

The transition of Quilter Private Client Advisers to Quilter Cheviot completed successfully in the first half of 2021, marking a major strategic improvement to our proposition and experience for high net worth clients. Meanwhile, Quilter Cheviot portfolios are benchmarked against Asset Risk Consultants ("ARC") Private Client Indices ("PCI"), which is a peer group comparison tool designed to help clients understand the performance generated by our investment managers. Our portfolios continued to perform well against the ARC PCI. Quilter Cheviot also enhanced its Managed Portfolio Service ("MPS") with the introduction of eight new funds providing a lower cost option for clients whilst expanding investment opportunities for available for those invested in the MPS.

Supporting vulnerable customers

During 2021 our strong focus on vulnerable customers continued, with the FCA's Financial Lives report stating that post COVID, the number of vulnerable adults in the UK has risen to 53% of UK adult population. There were a number of initiatives across the board to improve identification and servicing of vulnerable customers, both in light of the pandemic and the FCA publishing its Finalised Guidance for firms on the treatment of vulnerable customers. A programme of work took place to identify potential gaps emerging, including via customer research, which resulted in further improvement to recording, monitoring and evaluation of vulnerable customers – which will ultimately lead to enhanced management information and even greater consideration of customers in vulnerable circumstances in the future. Quilter continues to engage with industry bodies, such as The Investment and Savings Alliance, so as to ensure learnings from the industry are shared for the benefit of consumers.

Consumer advocacy

During 2021, we led public calls for the UK government to protect clients and consumers more widely against the threat of online financial scams. This included campaigning for the Online Safety Bill to be expanded to include fraud and economic crime, which the government has since confirmed it will do.

We also led calls for the government to make changes to the draft Finance Bill to reduce the risk of heightened pension transfer scam activity surrounding the increase in the normal minimum pension age. Following this campaigning, the government confirmed in November 2021 that it had retrospectively closed the transfer window in order to reduce the risk of scams.

Supporting financial advisers

Launched during in 2020 during the early stages of the COVID-19 pandemic, we continued to offer the financial adviser community access to the 'There for You Hub', providing advisers with free access to resources and tools to support client conversations. We also continued to provide free mental health and wellbeing support through the extension of our colleague wellbeing initiative – 'Thrive'.

Customer policies

Product governance

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) and 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.

Ultimate ownership for Product Governance resides with the Quilter plc Board. The relevant Business Oversight Board has responsibility for setting product strategy and ensuring product governance is effective. The Boards delegate execution of product strategy and operational responsibility to the business CEOs.

Marketing and communications

Our Product Governance Policy outlines minimum marketing and communications requirements for Quilter Group functions and subsidiaries. Marketing material issued 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 overseen by a Group Data Protection Officer ("GDPO") with the support of a formal committee, the Quilter Privacy Forum. The Board Technology and Operations Committee, chaired by independent Non-executive Director, Moira Kilcoyne, oversees Quilter's IT strategy, including our approach to information and data security. At an executive management level, the Group Chief Operating Officer is responsible for IT strategy and is supported by the Chief Information Security Officer ("CISO") and team, with input also from the GDPO and Data Guardians embedded in our businesses. All colleagues and full-time contractors are required to complete mandatory annual training on data privacy and IT security.

A culture focused on long-term relationships and client engagement remained key to delivering good outcomes throughout 2021.

Investing responsibly

Advice

Quilter Financial Planning made good progress in integrating responsible investment considerations into its advice process, as demand for responsible investment growth amongst clients continued to gain pace. Two new responsible investment dedicated investment solutions (including Quilter Cheviot's Climate Assets Fund) have been added to the Quilter Financial Planning Matrix alongside visibility of Square Mile ESG ratings for all funds. Training for advisers on Responsible Investing in the advice process was conducted in early 2021.

Platform

We continued to provide Morningstar ESG risk ratings for funds on our platform, providing advisers and customers an insight into how companies manage financially material ESG risks. Furthermore, advisers and customers can access a growing number of dedicated responsible investment funds.

When selecting the underlying investment solutions for our Investment Pathways for non-advised customers, we consider whether the underlying groups have signed up to initiatives such as the UN Principles for Responsible Investment and the UK Stewardship Code. Additionally, we monitor those solutions that do apply explicit ESG criteria and take this into consideration as part of the regular reviews of our pathway solutions.

Investments

We continued to evolve our responsible investment processes within Quilter Cheviot and Quilter Investors to deliver positive customer outcomes and products and strategies that meet their requirements. Our focus has been on strengthening the integration of Environmental, Social and Governance (ESG) factors within our investment processes and building on our active ownership work through our stewardship activity including voting and engaging with our underlying investments, be they companies or funds.

Quilter was one of the first signatories to the Financial Reporting Council ("FRC") enhanced UK Stewardship Code and we continued to add to our existing range of dedicated responsible investment solutions with the launch of the Positive Change range, building on the Climate Assets Fund and Strategy.

We will launch further strategies including a new responsible and sustainable managed portfolio service in 2022. From 2022 we will be incorporating customers' responsible investment preferences within the advice process.

See page 50-52 for more detail on our approach to responsible investment.

Colleagues

Key performance indicators

Female representation in Senior Leadership Community

36%

(2020: 35%)

Ethnic minority group representation in Senior Leadership Community

5%

(2020: 2%)

We aim to build a modern and inclusive culture that embraces diversity, attracts and retains the best talent and enables our colleagues to thrive.

Highlights 2021

Launched the Quilter Career Framework

Rolled out two new talent development programmes for experienced leaders and aspiring managers

Created new five pillar inclusion and diversity strategy focused on near-term action and improvement

Enhanced diversity data transparency and disclosures

Acting responsibly

Talent management and development

The success of our business relies on recruiting and retaining the very best talent. As part of our Group-wide annual talent and succession process, 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 (e.g. through training, recruitment etc.) Skill requirements are anticipated by considering skills required to deliver on our strategic priorities, and assess the extent to which these skills exist within the business.

The Quilter Career Framework ("CF") was launched in 2021, to organise all the roles that exist across Quilter, into a single and consistent structure. The CF sets out the skills and capabilities, across all Quilter-defined Job Families and Job Levels, which are needed to deliver our business strategy.

In 2021 we partnered with Future Talent, a leading education and learning platform, to create two new 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 had 63 and 60 colleagues enrolled on these programmes, respectively.

All colleagues can access training and development, including degree programmes and relevant professional qualifications where relevant to their role and development needs. All colleagues also have access to our Degreed learning platform, which enables colleagues to upskill and learn on demand, when it suits them. In 2021, 3,155 colleagues engaged with Degreed, a 40% increase compared with 2020, whilst 308,000 learning items were completed, a 620% increase compared with the previous year.

Colleague engagement

We continuously seek the views of our colleagues through the Workday Peakon Employee Voice tool. Through this tool we survey colleagues on a weekly basis, which provides senior leaders and managers real-time insights and feedback from colleagues. Our overall engagement score of 7.0 out of 10 was 0.4 lower than in the previous year and behind the 'True Benchmark' of 7.6 out of 10. Furthermore, our score for colleagues 'recommending Quilter as a good place to work' was 7.2 out of 10, a 0.4 decrease compared with 2020 and behind the industry benchmark.

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 decisions making.

The impact of business restructuring and investment in technology, such as the automation of some roles in our Quilter Investment Platform business, have negatively impacted employee sentiment as we progress through change. To address this feedback, our People Transformation Programme, We Rise, has been implemented to engage and support our people through organisational change and development. In addition, continued COVID-19 restrictions and remote working have impacted some segments of our employee population more than others, particularly our younger people.

We encourage colleague involvement in Quilter's success through our Save as You Earn ("SAYE") share scheme, providing all permanent colleagues the opportunity to benefit from Quilter's performance.

Our culture

Health and wellbeing

Through our Thrive programme, we continue to provide all colleagues with access to tools and expert guidance on how to manage and improve mental, physical and financial health, including free online counselling services through Spill, a specialist provider of online mental health support.

We also seek to improve awareness and understanding of mental health issues across our industry, and continue to support the 'Time to Change' campaign to end mental health discrimination, led by Mind and Rethink Mental Illness. All colleagues can benefit from Quilter's private healthcare scheme, which provides cover for treatment of a wide range of healthcare issues, including hospital treatment, serious illnesses and mental health.

As a provider of financial advice, we also recognise the connection between money and mental health. We offer a range of financial education and advice support for all colleagues, covering issues such as managing money, addressing debts or planning for the future (including retirement).

Our inclusion and diversity strategy focuses on five pillars: inclusive leadership, transparency and disclosure, culture contribution, practice and process transformation, and investing in future generations.

Inclusion and diversity

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 dependents, or physical or mental disability. We are committed to continuing the employment of, and for arranging training for, employees who have become disabled while employed by Quilter. We select candidates for interview, career development and promotion based on their skills, qualifications, experience and potential.

Paul Matthews and Tazim Essani are the designated Non-executive Directors for employee engagement, which includes inclusion and diversity. At the management level, the Chief Executive Officer is the executive sponsor for inclusion and diversity, and chairs the Inclusion and Diversity Steering Committee.

Our inclusion and diversity strategy focuses on five key pillars: inclusive leadership; transparency and disclosure; culture contribution; practice and process transformation; and investing in future generations. We focused on improving colleague diversity data to help us better understand our colleague community and the key areas for improvement. Whilst we have 100% response rate for gender, we improved the response rate on ethnicity from 81% to 83%. A full break down of ethnic group representation can be found on page 47 (opposite).

We are committed to increasing female representation in our Senior Leadership Community, within a range of 38-43% by the end of 2023. As at 31 December 2021, we achieved 36% female representation. We continue to pursue our target to increase ethnic diversity in our Senior Leadership Community to 5% by the end of 2023. As at 31 December 2021, we reached 5% ethnic minority group representation in the Senior Leadership Community, up from 2% in 2020. Our focus on diversity and inclusion has supported a higher completion rate for diversity data which has contributed to the reported increase and we remain committed to increasing representation of ethnically diverse colleagues across all levels of our organisation, particularly within our Senior Leadership Community.

The median gender pay gap in 2021 was 29%, compared with 30% in the previous year. Overall, the slight shift in both the mean and median pay gaps is positive and in keeping with the general trend of recent years. The median ethnicity pay gap remained static year-on-year at 4%. However, our gender and ethnicity bonus gaps worsened in 2021. The median gender bonus gap increased to 53% from 39% in 2020, whilst the median ethnicity bonus gap also increased to 38%, from 15% in the previous year.

The worsening of our bonus gaps are mostly influenced by the vesting of long-term incentive awards and deferred incentive awards which vested in March 2021, both of which are linked to legacy bonus pools and the demographics of the organisation in previous years. Inevitably this has increased the gaps given that 2020 incentives paid in March 2021, which are captured in the same reporting period, were significantly lower than prior years due to the impact of the COVID-19 pandemic on the business. Going forward, we will continue to closely monitor our pay gaps and the effect of management action in reducing them over time.

We remained an active supporter of public initiatives promoting inclusion and diversity, such as LGBT Great, a collaboration aiming to be a catalyst for LGBT+ inclusion within the investment industry and championed by our Chief Operating Officer, Karin Cook. In 2021 we also became a signatory of the Halo Code, a commitment to protect colleagues who come to work with natural hair and protective hairstyles associated with their racial, ethnic and cultural identities.

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 (2021: £11.05 per hour for London and £9.90 per hour outside of London) calculated annually by the Living Wage Foundation, and this is a voluntarily initiative.

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

Gender diversity

Executive management

	Male	Female
2021	5 (83%)	1 (17%)
2020	5 (83%)	1(17%)

Senior Leadership Community

	Male	Female
2021	62 (64%)	35 (36%)
2020	89 (65%)	47 (35%)

All colleagues

	Male	Female
2021	1,719 (55%)	1,380 (45%)
2020	2,317 (54%)	1,964 (46%)

Latest UK Census (2011) benchmark

	Male	Female
2011	49%	51%

■ Male ■ Female

Gender pay gap and representation

Gender pay data	2021	2020
Mean hourly pay gap	33%	34%
Median hourly pay gap	29%	30%
Mean bonus gap	72%	65%
Median bonus gap	53%	39%
Female colleagues receiving a bonus	92%	86%
Male colleagues receiving a bonus	91%	84%

Ethnicity pay gap and representation

Ethnicity pay data	2021	2020
Mean hourly pay gap	15%	13%
Median hourly pay gap	4%	4%
Mean bonus gap	44%	33%
Median bonus gap	38%	15%
Colleagues from an ethnic minority group receiving a bonus	87%	79%
White colleagues receiving a bonus	92%	86%

Ethnic group representation

Ethnic group representation	Asian[1] %	Black[2] %	Mixed[3] %	White[4] %	Other[5] %	N/A[6] %
Executive management	0%	0%	0%	100%	0%	0%
Senior Leadership Community	1%	1%	2%	93%	0%	2%
All colleagues	5%	2%	1%	88%	1%	2%
Latest UK Census (2011) benchmark	7.5%	3.3%	2.2%	86%	1%	–

[1]Colleagues who identified as belonging to one of the following ethnic groups: Bangladeshi, Chinese, Indian, Pakistani or Asian other.
[2]Colleagues who identified as belonging to one of the following ethnic groups: Black African, Black Caribbean, Black other.
[3]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.
[4]Colleagues who identified as belonging to one of the following ethnic groups: White British. White Irish, White Gypsy/Traveller, White other.
[5]Colleagues who identified as belonging to one of the following ethnic groups: Arab, Any other.
[6] Colleagues who responded but opted not to disclose their ethnic group.

Communities Environment

Responsible wealth manager pillar
Climate action
Social impact

Key performance indicators

Scope 1 & 2 greenhouse gas emissions (tCO_2e)	Number of young people supported by the Quilter Foundation
2,520 (2020: 2,717)	12,606 (2020: 11,496)

We aim to reduce the environmental impact of our business and investments, support climate action and play a positive role in society.

Highlights 2021

Set target to reduce Scope 1 & 2 greenhouse gas emissions by 80% by 2030, from a 2020 baseline

Enhanced governance and management of climate-related risks

Developed first stand-alone climate disclosure aligned with the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations

Committed £500,000 to improve financial literacy through financial education for young people

Climate change

Climate change is one of the most significant global challenges that we, our customers, and our future customers face both today, and in the decades to come. The scientific consensus is clear: human activity is driving climate change and immediate action is required. To avoid the worst impacts of climate change, the Intergovernmental Panel on Climate Change has identified the need to keep global temperature increases well below 2 degrees Celsius, above pre-industrial levels, with a focus on 1.5 degrees Celsius.

We believe the world is in a transitional state as a result of climate change, and our business is committed to adapting and responding to meet the challenges and opportunities presented. In 2021, we have focused our efforts on developing a comprehensive approach to Climate Action aligned with sector best practice. Our activities are focused on reducing our impact and advancing sustainable investment to support transition to a low carbon economy.

Our Climate Action Plan

Climate action is a key pillar of activity within our ambition to become a leader in Responsible Wealth Management. We are developing a Climate Action plan, which will outline how we align our operations, value chain and investments across the Quilter Group with science-based targets. We are following guidance for financial institutions from the Science Based Targets initiative ("SBTi") and the Investor Agenda to shape our strategy, as well as identifying other opportunities where we can influence positive change.

In addition to developing our Climate Action plan, we are taking steps to manage our exposure to climate-related risks and opportunities across our services, to monitor our impact on the environment, and to strengthen our resilience to future climate change. In 2021, we undertook a programme of work to enhance how we integrate ESG factors, including climate-related considerations, within our investment processes. We also embedded the consideration of identified climate-related risks into our Enterprise Risk Management Framework and conducted our first climate-related scenario analysis exercise in 2021, designed to explore the potential outcomes of climate change on our business and our customers.

Climate action in our operations

To understand the impact we have on the environment, we measure our Scope 1 and Scope 2 greenhouse gas emissions. In 2021, we enhanced our ability to estimate our operational Scope 3 emissions (excluding investments) which cover the impact of our purchased goods and services, employee commuting and the estimated energy use of employees working from home. We measure and disclose our emissions in line with the GHG Reporting Protocol, as shown opposite.

We have set near-term reduction targets aligned with the Science Based Targets initiative emissions reduction criteria. We have a target to reduce our Scope 1 and Scope 2 greenhouse gas emissions by 80% by 2030, from a 2020 baseline. Our existing workplace strategy has and will continue to help to drive down the majority of our Scope 1 and 2 emissions in line with our near-term targets. This considers our office footprint, renewable energy transition and enhanced energy efficiency within our buildings.

Our estimated Scope 3 emissions from purchased goods and services account for most of our operational emissions and are outside of our direct control. In 2022, we will develop plans to engage with our suppliers to enhance data quality and use our influence to encourage emissions reductions aligned with a science-based trajectory. We will also consider how our climate-related target should be integrated into the procurement process going forward.

Scope 3 emissions from employee commuting and working from home are also key considerations. In 2022 we will create plans to engage colleagues on our emissions reduction journey, which will consider information on reducing their personal carbon footprint and aligned benefits, such as electric vehicle ("EV") lease schemes.

Our operational impact in 2021

Our total Scope 1 and Scope 2 emissions continued to follow the downward trend of recent years, falling 7% in 2021 compared with 2020. The decrease in emissions was driven mainly by reduced energy use and energy efficiency in our offices. However, the reduction is more subdued than anticipated due to a significant increase in our Scope 1 emissions, driven by a refrigerant leak associated with air conditioning units at our largest office, accounting for 509 tCO_2e. As part of our Workplace Strategy, these air conditioning units will be replaced in 2022, which we expect will significantly reduce the risk and impact of further refrigerant leaks going forward.

Since 2018, we have prioritised the procurement of energy for all our offices from renewable sources. All of the buildings we control now run on renewable energy tariffs.

Greenhouse gas emissions and energy use data

Greenhouse gas emissions as at 31 December	2021 tCO_2e	2020 tCO_2e
Scope 1 emissions	898	307
Scope 2 (location-based) emissions	1,622	2,410
Scope 2 (market-based) emissions	1,120	1,819
Total Scope 1 & 2 emissions	**2,520**	**2,717**
Scope 3 emissions (excluding investments)	25,513	23,904
Total operational emissions	**28,034**	**26,621**
Operational carbon intensity (tCO_2e per FTE)	**7.38**	**6.08**

Streamlined Energy and Carbon Reporting (SECR)	2021 kWh	2020 kWh
Global energy use	9,716,029	12,159,853
UK energy use	9,395,654	11,794,568

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

- **Scope 1** (Direct GHG) These are emissions from sources that are owned or controlled by an organisation. This includes fuel combustion on site e.g. gas boilers, fleet vehicles and air-conditioning leaks.
- **Scope 2** (Energy – Indirect GHG) These are emissions from the consumption of purchased electricity, steam, or other sources of energy (e.g. chilled water) generated upstream from the organisation. For purchased electricity, organisations are required to report Scope 2 emissions according to a 'location-based' method and a 'market-based' method (see below):
  - **Scope 2 – Location-Based** This reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data).
  - **Scope 2 – Market-Based** This reflects emissions from electricity that organisations have purposefully chosen and therefore includes where they may have renewable energy contracts in place or generate their own energy.
- **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).

Greenhouse gas emissions

Scope 1	**3%**
Scope 2	**6%**
Scope 3 (excluding investments)	**91%**

Scope 1 and Scope 2 emissions followed downward trend of recent years, decreasing 7% in 2021 compared with the previous year.

Climate action in our investments

The Science Based Targets initiative ("SBTi") provides detailed guidance and requirements around setting compliant climate impact reduction targets for investments and our Climate Action plan will put us on a new trajectory to align our investments with these requirements. We have already incorporated Environmental, Social and Governance ("ESG") factors, including those related to climate change, into our investment decision making processes and stewardship activities. Our Climate Action plan will detail our current status regarding SBTi Coverage and Temperature Ratings of in-scope investments, our near-term goals to enhance this in line with SBTi requirements, and the action we will take to do so.

We are assessing how we can align our investment strategies and products to drive a reduction in emissions across the real economy and reviewing our policies to ensure our practices align with these. As an industry, we still have some challenges to overcome, and we are identifying collaborative opportunities across sector-led initiatives to ensure we are part of a unified approach to reach global net zero.

The impact of our investment activities

We use Weighted Average Carbon Intensity ("WACI") metrics to measure the impacts of our portfolios and strategies on the climate, within our investment management businesses. The WACI is the key metric recommended for disclosure by the TCFD. The metric represents a strategy's or portfolio's exposure to carbon-intensive companies. It provides information on the level of Scope 1 and Scope 2 carbon emissions within an investment portfolio (or model) against the revenue produced by the portfolio (or model) and is expressed in tons of carbon dioxide ("tCO_2e") per $ million of revenue.

WACI, alongside other metrics and qualitative information used within our ESG-dashboards, is also used to monitor our exposure to climate-related market risk within the portfolios that we manage.

More detail is provided in our TCFD Statement on page 54 and standalone 2021 TCFD report, which can be found online: plc.quilter.com/investor-relations/annual-report

Stewardship plays an important role in our approach to managing ESG-related risks and opportunities responsibly.

Investing responsibly

Being an active owner

Stewardship plays an important role in our approach to managing ESG-related risks and opportunities responsibly. We believe that for the majority of our strategies an approach of engagement rather than divestment is the most appropriate action to take. Engagement is an important tool within our responsible investment approach. By engagement, we mean speaking directly to companies, funds and investment trusts about the issues that concern us and understanding their general approach to material ESG issues. This can be at Board or executive level. Engagements can be reactive or proactive in nature.

As an example, taking an approach of simply divesting from holdings with a higher carbon intensity could result in these subsequently being held by investors who do not place any importance on transitioning to a lower-carbon economy. In such a scenario, those investments will not have an incentive to change their behaviour, and this could impede a transition to a lower-carbon economy. Additionally, there is the paradox that some companies that have high carbon intensity are focused on developing solutions for a lower-carbon world.

The UK Stewardship Code 2020 sets out the expectations of how investors manage money on behalf of customers, as well as 12 principles for asset managers. The Code is overseen by the Financial Reporting Council ("FRC") which is the independent regulator which supervises financial reporting, accounting and audit, and corporate governance in the UK. We were delighted to be in the first wave of signatories for the new Code in 2021.

In 2021 we increased our involvement in collaborative engagements. These are undertaken with other investors and can be a powerful tool to drive change. Examples of these include leading a collaborative engagement with executive recruitment firms on board diversity in the UK and an engagement on conflict minerals within the semi-conductor supply chain.

More detail can be found online in our Stewardship report:
plc.quilter.com/responsible-business/reports-policies-and-statements/

Within our direct equity holdings, we extended our voting universe in mid-2021 to incorporate discretionary holdings within the US and European markets in addition to the existing UK universe. This means that we now vote on nearly all of our assets where we hold voting rights. The exception is generally where share-blocking is in place.

ESG integration

The consideration of Environmental, Social and Governance factors has been integrated within our investment processes. This is the explicit and systematic inclusion of ESG issues in investment analysis and decisions – to better manage risks and improve returns. This approach combines qualitative and quantitative analysis as well as engagement with companies and the third-party funds that we invest in. Proprietary quantitative ESG dashboards have been developed to meet the specific requirements of the end user using multiple data sources. These have helped inform the qualitative assessments of investments and engagement remains an important component of our approach.

Exclusions

In 2021 Quilter continued to apply ethical exclusions to investment portfolios when instructed by the client within its discretionary portfolio service managed by Quilter Cheviot. We also maintained our firm-wide exclusion on controversial weapons. We do not knowingly invest in securities (equity or debt) of listed companies involved in the manufacture, development or trade in anti-personnel mines or cluster munitions.

For indirect holdings via active third-party funds, we also expect that managers avoid cluster munitions and anti-personnel mines. As such we have undertaken an engagement process with our managers asking for an attestation letter.

Responsible and sustainable investment solutions

We provide, and are in the process of expanding, sustainable investment solutions intended to help our customers invest in line with their values. The Quilter Cheviot Climate Assets Fund, launched over ten years ago, excludes fossil fuels and invests mainly in listed equity on a sustainable thematic basis. Building on this, Quilter Cheviot launched the Positive Change Strategy, which is a funds based approach, which considers ESG considerations as a key driver of investment selection and excludes pure coal companies.

In H1 2022, we intend to launch two new sets of managed portfolios run by Quilter Investors and made available on our platform. The 'Responsible' range will invest with third-party managers we identify as leaders in ESG integration, whilst the 'Sustainable' range will invest a substantial portion of its assets in funds that target explicit sustainable outcomes.

Our thematic priorities

We have identified a number of sustainable thematic priorities that we believe are particularly material. These incorporate climate change, people & human rights, and water.

Climate change

This can include clean energy and technology (and conversely thermal coal and fossil fuels) as well as reforestation/deforestation (palm oil and palm plantations) and emerging natural climate solutions. This includes understanding companies' net zero ambitions as well as decarbonisation plans.

UN Sustainable Development Goal (SDG) alignment:

People & human rights

Covers issues such as human rights in employment in areas such as decent work and pay, human rights in the supply chain, and health and safety. This also encompasses diversity and inclusion, incorporating issues such as gender equality but also broader diversity themes.

SDG Alignment:

Water

This incorporates such areas as access to clean water for communities, clean oceans and water pollution (including recycling). In addition, this also encompasses water stress and intensity (particularly caused or impacted by corporates), water usage and responsible consumption/production.

SDG Alignment:

These themes influence work undertaken within Quilter Cheviot and Quilter Investors as well as our priorities as Quilter more broadly.

For example, as part of the climate change theme we joined the IIGCC (Institutional Investors' Group on Climate Change), commenced a thematic engagement with our highest emitting direct equity holdings, voted on climate-related resolutions at AGMs and have incorporated carbon metrics into our quantitative assessments of investments.

Education and training

A large number of our research and investment professionals undertook the CFA ESG qualification as well as various courses and session on ESG integration training and Responsible Investment more generally.

Industry engagement and advocacy

We have contributed to a number of FCA consultations on responsible and sustainable investment issues. While we have broadly been in support of the content, we have offered suggestions of refinements in each case and have sought opinion across Quilter to ensure that different customer types are represented within the feedback process.

Acting responsibly

Community investment and the Quilter Foundation

Creating a positive impact in our communities is a core part of our purpose and ambition to be the responsible wealth manager. We give back to our communities in a variety of ways, including through our charity – the Quilter Foundation – and by enabling colleagues to support causes close to their heart through our matched funding programme and paid volunteering allowance.

The Quilter Foundation is the focal point of Quilter's community investment agenda, and its mission is to empower the next generation through three thematic priorities: financial education, employment and wellbeing. During the year the Quilter Foundation enabled our charity partners to provide vital support to 12,606 young people in our communities. Since launching in 2018 the foundation has made grants totalling £2.6 million to carefully selected charity partners, with our support reaching over 31,000 young people.

Improving financial literacy

According to the Money and Pensions Service ('MAPS'), Before the COVID-19 pandemic 11.5 million UK adults had less than £100 in savings to fall back on in the case of an emergency, whilst 22 million did not know enough to plan for their retirement. Nearly 9 million of us are in serious debt (MAPS). Whilst there are a number of factors outside an individual's control that could contribute to poor financial wellbeing, we believe financial literacy is critical to help people feel confident about money, manage changes to their financial circumstances and ultimately build a secure financial future. As our money habits are formed around the age of seven, every child in the UK should be supported to develop the skills and behaviours necessary to navigate critical financial decisions in later life, starting at primary school.

Since 2015 we have funded initiatives that seek to provide young people between the ages of 7 and 25 with a meaningful financial education. In 2021 our funding of the leading financial education charity, MyBnk, helped them to delivered financial education to 6,336 young people near our main office locations in Hampshire and London. Over the last three years, our funding enabled MyBnk to reach 23,532 young people. We committed a further £500,000 to support key MyBnk programmes over the next three years, with a renewed focus on prioritising young people in disadvantaged circumstances, including care leavers at the most risk of homelessness.

We continued to play a leading role in the financial education space as a co-founding supporter of the Centre for Financial Capability, which is an evolution of the Kickstart Money initiative supported by a ground-breaking coalition of 20 financial services firms. In July 2021, the Centre for Financial Capability sponsored a report by the All-Party Parliamentary Group on Financial Education for Young People, backed by its 150 parliamentary members. The report called for high-quality and effective financial education for every primary child by 2030.

Empowering young people into employment

Secure and fulfilling employment underpins long-term financial security and overall life satisfaction. In 2019 we committed £450,000 to three leading employment charities – Safe New Futures, School of Hard Knocks and Street League – working in Southampton, London and Birmingham, communities in which we have a major physical presence. The funding enables our charity partners to deliver employment and skills development programmes to young people aged 16-25 at risk of long-term unemployment, enabling them to build confidence and key employment skills and provide connections to the insights and experiences of Quilter mentors and volunteers. Ultimately, the aim is to empower young people to move into employment, education or training. In 2021, our funding helped 160 young people, with 93 moving into employment, education or training, whilst 116 reported an increase in confidence due to their participation in the programme. A total of 303 young people have been supported since the funding started in 2019, with 174 moving into employment, education or training and 223 reporting increased confidence.

Helping young carers improve their wellbeing

One in four people in the UK will experience a mental health condition and certain groups of young people are at higher risk of poor mental health and wellbeing than others, including young carers who provide vital support to family and loved ones with long-term physical and mental health issues. In 2018 we initiated a £1 million grant and fundraising campaign with Carers Trust, The Mix and Crossroads Care to help improve the mental health and wellbeing of young carers across the UK and Isle of Man. In 2021, our funding directly supported 839 young carers, with positive outcomes including young carers reporting increased confidence in the future, reduced isolation and resilience.

Additionally, The Mix – an online self-help portal specifically for young people – worked collaboratively with Carers Trust to build a 'Young Carers Hub' with tailored content and access to support. The Mix estimates over 168,000 visits by young carers in 2021, with over 5,000 directly supported through content, discussions boards and The Mix helpline. The three-year campaign ended in September 2021 having directly supported over 2,000 young carers. As our headline campaign partner, we provided Carers Trust with an additional £135,000 to sustain the progress made over the three years, which includes funding for increased political campaigning and policy engagement on behalf of young carers.

Responding to disasters and emergencies

Through our relationship with the National Emergencies Trust ("NET") and the Disasters Emergency Committee ("DEC") we are positioned to respond rapidly to domestic and international emergencies. In response to the humanitarian crisis in Afghanistan towards the end of 2021, the Quilter Foundation donated £50,000 to the DEC's Afghanistan Crisis Appeal, supporting the DEC to provide vital support to millions facing starvation.

Responsible business practices

Our Code of Conduct

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

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 robust control environment in place including the following policies: 1) Anti-Money Laundering and Counter Terrorist Financing Policy, 2) Anti-bribery and Corruption Policy, 3) Fraud Prevention Policy. All colleagues are required to complete mandatory training on these topics annually to ensure that understand their role in preventing financial crime, bribery and corruption.

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 rights policy has been shaped by internationally recognised principles, laws and conventions such as the International Bill of Human Rights, The International Labour Organization conventions, the UN Guiding Principles on Business and Human Rights, the UN Global Compact, The Modern Slavery Act 2015, The Human Rights Act 1998 and the Equality Act 2010. Our human resource and supplier policies and processes prohibit 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 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 2021. 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. An example of this is our ongoing campaign for better protection for customers at risk of online investment scams (see page 43 for more information on this). Quilter is also a member of several industry trade bodies in the UK, including the Investment Association (IA), Personal Investment and Financial Advice Association (PIMFA), the Association of British Insurers (ABI) and The Savings and Investment Association (TISA).

Task Force on Climate-related Financial Disclosures statement

For reporting periods starting 1 January 2021, the FCA requires listed companies, such as Quilter plc, to include a statement of compliance with the TCFD's recommendations and recommended disclosures within their Annual Report. 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 '2021 TCFD report' can be found online at: plc.quilter.com/investor-relations/annual-report. This is our first TCFD-aligned report and we have made progress in understanding and measuring our exposure to climate-related risks and opportunities, but we are still at an early stage. We expect to build on and develop these disclosures in future years.

See below for a summary of the TCFD recommended requirements, our disclosures and where in the standalone 2021 TCFD report they can be found:

Theme	TCFD Recommended disclosure	Our disclosure	Read more in TCFD report
Governance	– Describe the board's oversight of climate-related risks and opportunities. – Describe management's role in assessing and managing climate-related risks and opportunities.	– We have presented the governance structure for Board oversight and management of climate-related risks and opportunities. – We have described recent relevant recent activities performed by the Board and senior management.	Page 8
Strategy	– Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term. – Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning. – Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	– 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. – Our first Quilter-wide climate-related scenario analysis exercise, which explored our long-term resilience to three potential climate scenarios, is described.	Page 12
Risk management	– Describe the organization's processes for identifying and assessing climate-related risks. – Describe the organization's processes for managing climate-related risks. – Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	– 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.	Page 22
Metrics and targets	– Disclose the metrics used by the organization to assess climate-related risks and opportunities In line with its strategy and risk management process. – Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions, and the related risks. – Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	– We use greenhouse gas emission metrics to assess, monitor, and manage our exposure to reputational climate-related risks. – We have disclosed our Scope 1 and Scope 2 greenhouse gas emissions and estimated our Scope 3 (excluding investments) greenhouse gas emissions. – We have a target to reduce our Scope 1 and Scope 2 greenhouse gas emissions by 80% by 2030, from a 2020 baseline. – We are working with an external partner to develop Science Based Targets for emissions reductions in our wider value chain and investments.	Page 31

Non-financial information statement

The Responsible Business report from page 39 to 54 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 53
Business model	Page 30-33
Employees	Page 45-47
Environmental matters	Page 48-52; and 54
Human rights	Page 53
Non-financial KPIs	Page 41
Principal risks	Page 69-72
Social matters	Page 42-44; 45-47; and 50-53

Financial review

Mark Satchel
Chief Financial Officer

Review of financial performance

In this section, review of financial performance, unless indicated otherwise, all results are presented excluding Quilter International in both the current year and prior year comparative.

Overview

The Group's financial performance for the year was strong, attributed to the recovery in the equity markets over the period, good net inflows and continued focus on expense control. The FTSE-100 index recorded its best year since 2016 as UK stocks recovered from the pandemic shock of 2020 and ended the period up 14% on closing 2020 levels. The MSCI World index (GBP) was up 21% on the 2020 closing index value. The Group's AuMA ended the year at £111.8 billion, a 13% increase from the opening position at the start of 2021, resulting from £8.8 billion of positive market movements and net inflows of £4.0 billion, predominantly driven by Quilter Investment Platform.

Alternative Performance Measures ("APMs")

We assess our financial performance using a variety of measures including APMs, as explained further on pages 255 to 258. In the headings and tables presented, these measures are indicated with an asterisk: *.

Net inflows were £4.0 billion for the year (2020: £1.5 billion), delivering strong gross flows and net inflows across both segments. The Group experienced higher gross flows and net inflows in 2021 primarily due to the full launch of the new Quilter Investment Platform in February 2021 and increased adviser activity thereafter. Net flows as a percentage of opening AuMA was 4% (2020: 2%), representing pleasing progress towards our 6% target.

- **The Affluent segment** recorded net inflows of £2.9 billion, up 142% on the prior year (2020: £1.2 billion) due to record net inflows in Quilter Investment Platform of £3.5 billion (2020: £1.5 billion), partially offset by net reductions of £0.6 billion in assets managed by Quilter Investors on third-party platforms in relation to legacy and closed books of business. Gross flows were significantly ahead of prior year with increased adviser activity following the final platform migration in February 2021 which supported the increase in sales. Quilter Investment Platform's gross outflows during the year were higher than 2020 due to a return to more normal levels of inter-platform switches as COVID-19 uncertainty subsided. Within the Quilter distribution channel, improved activity levels and investor sentiment drove the increase in net inflows from £1.3 billion in 2020 to £2.0 billion. Net inflows to Quilter Investors was £0.5 billion for the year, up 67% (2020: £0.3 billion), driven by a decrease in gross outflows from Cirilium Active of £0.8 billion due to improved fund performance, offset by reduced gross flows to Cirilium Passive, Cirilium Blend and the Income range.

Key financial highlights

Quilter highlights from continuing operations[1]	2021	2020
Assets and flows		
AuMA* (£bn)[2]	111.8	99.0
Of which Affluent	83.1	73.7
Of which High Net Worth	28.7	25.3
Gross flows* (£bn)[2]	13.2	9.9
Of which Affluent	10.5	7.7
Of which High Net Worth	2.7	2.2
Net inflows* (£bn)[2]	4.0	1.5
Of which Affluent	2.9	1.2
Of which High Net Worth	1.1	0.3
Net inflows/opening AuMA*[2]	4%	2%
Gross flows per adviser* (£m)[2,3]	2.3	1.8
Asset retention*[2]	91%	91%
Profit and loss		
IFRS profit/(loss) before tax from continuing operations attributable to equity holders* (£m)[2]	12	(27)
IFRS profit after tax from continuing operations (£m)	23	13
Adjusted profit before tax* (£m)[2]	138	108
Operating margin*[2]	22%	19%
Revenue margin* (bps)[2]	48	49
Return on equity*[2]	8.3%	5.5%
Adjusted diluted EPS* from continuing operations (pence)[2]	7.4	5.2
Basic earnings per share from continuing operations (pence)	1.4	0.8
Non-financial		
Restricted Financial Planners ("RFPs") in Affluent segment[4]	1,563	1,765
Discretionary Investment Managers in High Net Worth segment[4]	170	169
Quilter Private Client RFPs in High Net Worth segment[4]	60	77

[1]Continuing operations represent Quilter Group, excluding the results of Quilter International. Adjusted profit before tax for Quilter International in 2021 was £50 million (2020: £60 million). Adjusted diluted EPS for Quilter International in 2021 was 3.0 pence per share (2020: 3.3 pence per share).
[2]Alternative Performance Measures ("APMs") are detailed and defined on pages 255 to 258.
[3]Gross flows per adviser is a measure of the value created by our Quilter distribution channel.
[4]Closing headcount as at 31 December.

£138m

+28%

Adjusted profit before tax*

- **The High Net Worth segment** attracted net inflows of £1.1 billion, an increase of 267% on the prior year (2020: £0.3 billion), driven by a significant improvement in gross flows in Quilter Cheviot, particularly from existing clients as market confidence improved, promoting higher levels of activity after the market uncertainty arising from COVID-19 in 2020. Gross flows in Quilter Cheviot from direct clients and those advised by independent financial advisers increased by 33% to £2.2 billion in 2021, while the gross flows originating from our own advisers remained constant at £462 million for the year. Persistency for the High Net Worth segment marginally improved in 2021 compared to 2020.

Quilter channel gross flows per advisor* was £2.3 million for the year (2020: £1.8 million) with average gross flows per adviser increasing across both Quilter Investors and Quilter Investment Platform, while gross flows to Quilter Cheviot was broadly in line with the prior year. Gross flows to the Affluent segment delivered a 25% improvement between years, with an increase of £0.7 billion resulting from the full launch of the new platform in February 2021 and the impact of COVID-19 on the 2020 comparative.

The Group's AuMA ended the year at £111.8 billion, a 13% increase from the opening position at the start of 2021. Affluent's AuMA was £83.1 billion, up 13% on prior year (2020: £73.7 billion). The Affluent segment contributed 31% of AuMA into Quilter solutions, in line with the prior year. High Net Worth's AuM of £28.7 billion, increased by 13% in the year (2020: £25.3 billion), primarily the result of positive market movements and net inflows of £1.1 billion. All the assets in this segment are managed in Quilter solutions. In total, 49% of total AuMA is managed in Quilter solutions across the Group.

£4.0bn +167%

Net flows*

The Group's revenue margin* of 48 bps was 1 bp lower than the prior year (2020: 49 bps). Quilter Investors' revenue margin decreased to 52 bps (2020: 53 bps) due to the increased AuM concentration in lower revenue margin products. Within Quilter Investment Platform the revenue margin decreased by 2 bps to 27 bps, due to the reprice that was implemented in April 2020, an uplift in assets year-on-year arising from higher market levels which contributes incremental revenue at lower pricing tiers, and expected lower margins on net inflows, notably from restricted advisers which contribute to the Quilter distribution channel. Gross outflows were predominantly from older, higher margin channels. Quilter Cheviot's revenue margin decreased by 1 bp to 71 bps, primarily due to lower commission and contract charges and the impact of tiered fee structures on higher average AuM.

Adjusted profit before tax increased by 28% to £138 million, primarily due to increases in revenue generated from higher average AuMA levels across the Group. Operating expenses in 2021 of £480 million were 5% higher than the prior year largely driven by increases in FSCS levies and variable compensation. The Group's operating margin increased to 22% (2020: 19%) driven by the increases in revenue of 10%, partially offset by a 5% rise in operating expenses in the year.

The Group's IFRS profit after tax from continuing operations was £23 million, compared to a profit of £13 million for 2020. The increase in profit is attributable to favourable equity market movements throughout the year resulting in higher average AuMA.

Adjusted diluted earnings per share increased 42% above that of the previous year at 7.4 pence (2020: 5.2 pence).

7.4p +42%

Adjusted diluted earnings per share*

Financial performance by segment

Financial performance from continuing operations and Quilter International 2021 (£m)	Affluent	High Net Worth	Head Office	Continuing operations	Discontinued operations	Total Group
Net management fee*	311	189	–	500	89	589
Other revenue*	95	23	–	118	6	124
Total net fee revenue*	406	212	–	618	95	713
Operating expenses*	(295)	(156)	(29)	(480)	(45)	(525)
Adjusted profit before tax*	111	56	(29)	138	50	188
Tax				(13)	–	(13)
Adjusted profit after tax*				125	50	175
Operating margin (%)*	27%	26%		22%	53%	26%
Revenue margin (bps)*	40	71		48	n/a	48

Financial performance from continuing operations and Quilter International 2020 (£m)	Affluent	High Net Worth	Head Office	Continuing operations	Discontinued operations	Total Group
Net management fee*	278	168	–	446	106	552
Other revenue*	92	25	1	118	12	130
Total net fee revenue*	370	193	1	564	118	682
Operating expenses*	(265)	(154)	(37)	(456)	(58)	(514)
Adjusted profit before tax*	105	39	(36)	108	60	168
Tax				(15)	(1)	(16)
Adjusted profit after tax*				93	59	152
Operating margin (%)*	28%	20%		19%	51%	25%
Revenue margin (bps)*	42	72		49	n/a	51

The Group's financial performance for the year was strong, attributed to the recovery in the equity markets over the period, good net inflows and continued focus on expense control.

Total net fee revenue*

The Group's total net fee revenue on a continuing basis increased by 10% to £618 million (2020: £564 million) due to higher average Group AuMA of £105.3 billion (2020: £90.2 billion), resulting from the positive equity market performance and net inflows. The blended revenue margin for the Group, calculated with reference to net management fees, decreased by 1 bp to 48 bps.

Total net fee revenue for Affluent was £406 million, up 10% from the prior year (2020: £370 million), principally due to the impact of higher levels of assets with average AuMA increasing by £11.6 billion to £78.5 billion in 2021. This was partially offset by the impact on revenues of the shift to lower margin products in Quilter Investors, continuing the trend of new business margins being lower than the existing back book rates, an increase in the proportion of assets from the Quilter distribution channel, and the Quilter Investment Platform repricing implemented in April 2020. Other revenue predominantly reflects revenue generated from the provision of advice within Quilter Financial Planning. Within the revenue generated by advice, recurring and fixed fees increased year on year, while initial fees were at similar levels to those of 2020.

Total net fee revenue in High Net Worth increased by 10% during the year to £212 million (2020: £193 million), principally due to greater levels of average AuM, which increased by 15% over the year to £26.8 billion (2020: £23.3 billion), partially offset by an expected reduction in commission revenue as the proportion of clients on fee-only propositions continues to increase. This resulted in a 12% increase in net management fees to £189 million (2020: £168 million). Other revenue, reflecting revenue generated from Quilter Private Client Advisers, was at a similar level to that of the prior year.

Operating expenses*

Operating expenses from continuing operations have increased by £24 million to £480 million (2020: £456 million). In 2021, the Group incurred £4 million of additional FSCS levy and regulatory costs compared to the prior year and higher variable compensation costs of £25 million as a result of improved business performance in 2021. The higher variable compensation cost in 2021 was predominantly incurred in the Affluent segment which had been the area of the business more heavily impacted by the reduced variable compensation in 2020. In addition, included within operating expenses are £10 million of costs previously incurred by Quilter International in 2020. These costs have been included in 2021 in the cost base of the continuing business as the costs do not transfer to Quilter International on sale. The majority of these costs have also been attributed to the Affluent segment in 2021.

	2021		2020	
Operating expense split (£m)	**Continuing operations**	**As a percentage of revenues**	**Continuing operations**	**As a percentage of revenues**
Support staff costs	127		126	
Operations	27		35	
Technology	42		30	
Property	31		43	
Other base costs[1]	25		28	
Sub-total base costs	252	41%	262	46%
Revenue-generating staff base costs	83	13%	86	15%
Variable staff compensation	80	13%	55	10%
Other variable costs[2]	36	6%	26	5%
Sub-total variable costs	199	32%	167	30%
Regulatory/ professional indemnity costs	29	5%	27	5%
Operating expenses*	**480**	**78%**	**456**	**81%**

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

Support staff costs have increased by 1% to £127 million (2020: £126 million) driven by incremental hiring to support ongoing controls remediation in Quilter Financial Planning offset by continued savings realised from Optimisation activities. The prior year included one-off costs relating to the initial COVID-19 response.

Operations costs have decreased by 23% to £27 million (2020: £35 million). The key factor for the reduction is the launch of the new platform resulting in some operational activities being outsourced to a third-party provider (FNZ), the costs of which are reported in other variable costs.

Technology costs have increased by 40% to £42 million (2020: £30 million). Technology costs have increased in the short term as a result of the sale of Quilter International in 2021 leaving a portion of previously shared costs to be borne by the continuing business. These increases were partially offset by the continuing Optimisation activities focusing on consolidation and decommissioning of the technology estate.

Property costs have decreased by 28% to £31 million (2020: £43 million) principally the result of a reduction in London property costs as the dual running costs for Head Office experienced in 2020 were eliminated as planned.

Other base costs have remained stable at £25 million (2020: £28 million) where discretionary spend has remained subdued as the pandemic continued throughout 2021.

Revenue-generating staff base costs have decreased by 3% to £83 million (2020: £86 million) principally driven by Optimisation activity in Quilter Financial Planning focused on adviser productivity.

Variable staff compensation increased by 45% to £80 million (2020: £55 million) reflecting the improved business performance in 2021 compared to 2020 and the impact of COVID-19 on variable remuneration following the equity market falls experienced during the prior year.

Other variable costs increased by 38% to £36 million (2020: £26 million) principally due to the recognition of operating expenses associated with the new platform and the resultant outsourcing of the operations capabilities and IT support requirements during the year.

Regulatory and insurance costs have increased by 7% to £29 million (2020: £27 million), largely driven by the increased FSCS levy of £4 million.

Taxation
The effective tax rate ("ETR") on adjusted profit before tax for the Group's continuing operations was 9% (2020: 14%). The Group's ETR is lower than the UK corporation tax rate of 19% principally due to the change in the UK corporation tax rate from 19% to 25% effective from 1 April 2023 which resulted in a rebase in the Group's deferred tax assets and liabilities. This had a net positive impact to the tax expense as a consequence of the Group currently being in a net deferred tax asset position.

The Group's IFRS income tax expense on continuing operations was a charge of £62 million for the period ended 31 December 2021, compared to a credit of £4 million for the prior period. The income tax expense or credit can vary significantly between periods as a consequence of market volatility and the impact market movements have on policyholder tax. The recognition of the income received from policyholders (which is included within the Group's IFRS revenue) to fund the policyholder tax liability can vary in timing to the recognition of the corresponding policyholder tax expense, creating volatility to the Group's IFRS profit or loss before tax attributable to equity holders. In addition, the IFRS income tax credit for the period ended 31 December 2020 included first-time recognition of a deferred tax asset in relation to accrued interest expense. An adjustment is made to adjusted profit before tax to remove these distortions, as explained further on page 62 and in note 7(b) to the consolidated financial statements.

Earnings Per Share ("EPS")
Basic EPS for 2021 was 9.4 pence (2020: 5.0 pence). Basic EPS is based on the Group's IFRS profit (including both continuing and discontinued operations). For 2021, the basic EPS relating to continuing business was 1.4 pence (2020: 0.8 pence), and 8.0 pence relates to discontinued operations (2020: 4.2 pence). Discontinued operations include profit attributable to Quilter International and the gain recognised on sale. The average number of shares in issue used for the basic EPS calculation was 1,644 million (2020: 1,760 million), after the deduction of own shares held in Employee Benefit Trusts ("EBTs") and consolidated funds of 77 million (2020: 82 million). The reduction in the number of shares in issue in the period is due to the share buyback programme, which commenced in 2020. During the year ended 31 December 2021, a total of 128.1 million shares (2020: 118.3 million) have been bought and cancelled by Quilter plc.

The average number of shares in issue used for the diluted EPS calculation was 1,683 million (2020: 1,797 million). This includes the dilutive effect of shares and options awarded to employees under share-based payment arrangements of 39 million (2020: 37 million). The dilutive effect of share awards has continued to increase due to additional shares held in the EBT's being released to employees pursuant to employee share schemes.

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. The new policy will become effective after our 2021 final dividend is paid. The Board has recommended a final dividend of 3.9 pence per share taking the total dividend declared for 2021 to 5.6 pence per share which equates to a pay-out of 51% of the post-tax adjusted profit (i.e. based on the current dividend policy) and 53.5% of the post-tax post-interest adjusted profit (i.e. based on the new dividend policy).

Optimisation
The Optimisation programme has delivered further efficiencies and improvements in operational performance for the Group through greater technology utilisation, integration and simplification activity. In 2021, we successfully deployed Phase 1 of our new finance, HR and procurement modules as part of our general ledger consolidation and modernisation activity, with Phase 2 (final) delivery of technical releases and efficiencies in 2022. We continue to consolidate our technology estate and in particular our data centre, telephony and data reporting solutions. In Quilter Financial Planning, the streamlining and improvement in productivity of the business, which will continue in 2022, has delivered cost savings during the year.

The Group delivered £11 million of sustainable cost savings in 2021 against the 2018 cost base, with £15 million of annualised run-rate benefit. With the addition of benefits arising from prior years, the total run-rate delivered is £61 million and associated implementation costs since inception are £81 million. The Optimisation programme remains on track to deliver its target of annualised run-rate cost savings of £65 million by mid-2022, with an anticipated total associated delivery cost of up to £91 million, and includes anticipated governance, support and further severance costs through to completion of the programme.

Business simplification
The business simplification programme is anticipated to reduce operating costs by around £45 million by the end of 2024 on a run-rate basis, with costs to achieve expected to be £55 million. The programme will focus on the decommissioning of our legacy IT estate, efficiencies and automation in our operational areas and simplification of Quilter's structures as we organise ourselves to support our two segments, Affluent and High Net Worth. Implementation of the first tranche of savings is already underway.

Lighthouse DB pension transfer advice provision

As reported in the Group's 2020 Annual Report, a provision has been recognised in relation to a number of complaints received about DB to DC pension transfer advice that was provided by Lighthouse advisers prior to our acquisition of Lighthouse which may have been unsuitable and caused customers to sustain losses, and results to date from the skilled person review into historical DB to DC pension transfer advice provided by Lighthouse prior Lighthouse transitioning to our systems and controls following our acquisition of Lighthouse.

A total provision of £29 million (31 December 2020: £28 million) has been calculated for the potential redress of British Steel Pension Scheme cases and other DB to DC pension transfer cases which are subject to the skilled person review. This includes anticipated costs of legal and professional fees associated with the redress activity. The provision was increased by £7 million during 2021, which has been recognised within expenses of the Group (and excluded from adjusted profit before tax), in order to include the results to date of a review of certain non-British Steel Pension Scheme member advice that is included within the skilled person review. Redress on British Steel Pension Scheme cases of £4 million and professional fees of £2 million have been paid during the year. Subject to FCA confirmation, we anticipate the skilled person review will conclude during 2022.

The final costs of redress will depend on the final number of cases where advice is found to be unsuitable and where customers have suffered losses and will also depend on the specific calculations for each case, to be performed by the skilled person, and are also impacted by market movements and other parameters affecting the defined contribution scheme asset. Final redress costs are therefore exposed to volatility from these movements which may result in final settlement costs varying from the amounts currently provided.

Reconciliation of adjusted profit before tax* to IFRS profit

Adjusted profit before tax for the Group on a continuing basis was £138 million (2020: £108 million).

IFRS accounting standards require £10 million of costs (2020: £17 million), previously reported as part of Quilter International, to be disclosed within continuing operations, as these costs did not transfer to Utmost Group on completion. Adjusted profit before tax is presented both before and after the reallocation of these costs in this report. These costs are expected to be incurred in 2022 to provide services to Utmost Group under the Transitional Services Agreement, with corresponding income to cover these costs.

Reconciliation of adjusted profit before tax to IFRS profit/(loss) after tax	For the year ended 31 December 2021			For the year ended 31 December 2020		
£m	Continuing operations	Discontinued operations[1]	Total	Continuing operations	Discontinued operations[1]	Total
High Net Worth	56	–	56	39	–	39
Affluent	111	50	161	105	60	165
Head Office	(29)	–	(29)	(36)	–	(36)
Adjusted profit before tax*	138	50	188	108	60	168
Reallocation of Quilter International costs	(10)	10	–	(17)	17	–
Adjusted profit before tax after reallocation*	128	60	188	91	77	168
Adjusting for the following:						
Impact of acquisition and disposal related accounting	(41)	–	(41)	(42)	–	(42)
Profit on business disposals	2	90	92	–	(1)	(1)
Business transformation costs	(51)	(19)	(70)	(70)	–	(70)
Managed Separation costs	(2)	–	(2)	–	–	–
Finance costs	(10)	–	(10)	(10)	–	(10)
Policyholder tax adjustments	(7)	–	(7)	9	–	9
Customer remediation	(7)	–	(7)	(5)	–	(5)
Total adjusting items before tax	(116)	71	(45)	(118)	(1)	(119)
Profit/(loss) before tax attributable to equity holders*	12	131	143	(27)	76	49
Tax attributable to policyholder returns	73	–	73	36	–	36
Income tax (expense)/credit	(62)	–	(62)	4	(1)	3
Profit/(loss) after tax[2]	23	131	154	13	75	88

[1]Discontinued operations includes the results of Quilter International.
[2]IFRS profit/(loss) after tax.

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 181 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.

The profit on business disposals of £92 million (2020: loss of £1 million) includes the recognised profit on disposal of £89 million in relation to the sale of Quilter International to Utmost Group on 30 November 2021.

Business transformation costs of £70 million in 2021 (2020: £70 million) include £28 million (2020: £38 million) incurred on the UK Platform Transformation Programme with total lifetime costs of the programme at £202 million, and £22 million of costs (2020: £33 million) in relation to the Optimisation programme. The £19 million under discontinued operations represents the costs still to be incurred in decommissioning systems required to provide transitional services to Utmost Group and the ongoing management required during the TSA period.

Policyholder tax adjustments were a debit of £7 million for 2021 (2020: credit of £9 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/(loss) before tax attributable to equity holders.

The customer remediation adjustment of £7 million in 2021 relates to a redress provision on advice in Lighthouse as part of the ongoing skilled person review as explained earlier in the Financial review. £5 million recognised in 2020 related solely to the impact of post-acquisition market movements on the British Steel complaints provision relating to Lighthouse.

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 on continuing business of 76% of adjusted profit after tax over 2021 (2020: 78%, restated for continuing business only following the disposal of Quilter International).

Review of financial position

Capital and liquidity

Solvency II

The Group's Solvency II surplus is £1,030 million at 31 December 2021 (31 December 2020: £1,021 million), representing a Solvency II ratio of 275% (31 December 2020: 217%). The Solvency II information for the year to 31 December 2021 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 £62 million (31 December 2020: £61 million).

Group pro forma capital (£m)	At 31 December 2021[1]	At 31 December 2020[2]
Own funds	1,617	1,897
Solvency capital requirement ("SCR")	587	876
Solvency II surplus	1,030	1,021
Solvency II coverage ratio	275%	217%

[1]Filing of annual regulatory reporting forms due 20 May 2022.
[2]As disclosed in the Group Solvency and Financial Condition Report for 2020.

The 58 percentage point increase in the Group Solvency II ratio from the 31 December 2020 position is primarily due to the capital movements associated with the sale of Quilter International, the £197 million share repurchase programme and the net profit recognised in the period. The SCR reduced in 2021 as a consequence of the sale of Quilter International completing on 30 November 2021.

The Board believes that the Group Solvency II surplus includes sufficient free cash and capital to complete all committed strategic investments. Quilter expects to continue to maintain a solvency position significantly in excess of its internal target in the near term as a consequence of the surplus capital intended to be returned to shareholders arising from the sale of Quilter International.

On 30 November 2021, the Group completed the sale of Quilter International to Utmost Group for consideration of £481 million. The Board is proposing a capital return of £328 million from the proceeds by way of a B share issue and redemption followed by a share consolidation, subject to regulatory engagement and shareholder approval.

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 2021	At 31 December 2020
Tier 1[1]	1,412	1,688
Tier 2[2]	205	209
Total Group Solvency II own funds	1,617	1,897

[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 241% of the Group SCR of £587 million. Tier 1 capital represents 87% of Group Solvency II own funds. Tier 2 capital represents 13% of Group Solvency II own funds and 20% of the Group surplus.

Dividend

The Board has recommended a final dividend of 3.9 pence per share at a total cost of £62 million. Subject to shareholder approval, the recommended final dividend will be paid on 16 May 2022 to shareholders on the UK and South African share registers on 8 April 2022. For shareholders on our South African share register a dividend of 78.25993 South African cents per share will be paid on 16 May 2022, using an exchange rate of 20.06665. This will bring the dividend for the full year to 5.6 pence per share (2020: 4.6 pence per share).

Capital return

The Board is proposing 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 accompanied by a share consolidation, with this subject to regulatory engagement and shareholder approval at a General Meeting on 12 May 2022.

Subject to shareholder approval, B shares will be issued to shareholders on 23 May 2022. The B shares are expected to be redeemed for 20 pence per share on 24 May 2022. For shareholders on our South African share register, the B shares will be redeemed for 401.33300 South African cents per share on 24 May 2022, using an exchange rate of 20.06665, the average rate achieved on 7 and 8 March 2022, the two days immediately preceding the announcement of the capital return.

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 will differ markedly from those disclosed in the statutory statement of cash flows, which comprises flows from the entire Quilter plc Group including policyholder movements.

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

£m	2021	2020
Opening cash at holding companies at 1 January	517	815
Single Strategy business sale – (warranty)/ deferred consideration	(2)	7
Quilter International sale proceeds	481	–
Share repurchase and Odd-lot offer	(197)	(198)
Costs of disposal	–	(24)
Dividends paid	(89)	(81)
Net capital movements	193	(296)
Head Office costs and Optimisation programme funding	(74)	(74)
Interest costs	(9)	(9)
Net operational movements	(83)	(83)
Cash remittances from subsidiaries	184	170
Net capital contributions, loan repayments and investments	(53)	(94)
Other net movements	(2)	5
Internal capital and strategic investments	129	81
Closing cash at holding companies at end of period	756	517

Net capital movements

Net capital movements in the year were an inflow of £193 million. This includes £481 million of proceeds from the sale of Quilter International, offset by £197 million relating to the share repurchase programme dividend payments made to shareholders of £61 million in May 2021 and £28 million in September 2021, and £2 million of costs relating to the disposal of the Single Strategy business in line with expectations. The costs associated with the disposal of Quilter International will be incurred, in cash terms, in 2022.

Net operational movements

Net operational movements were an outflow of £83 million for the period and include £74 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.

Internal capital and strategic investments

The net inflow of £129 million is principally due to £184 million of cash remittances from the trading businesses, partially offset by £53 million of net capital contributions made to support business operational activities, and the Platform Transformation Programme.

Balance sheet

Summary balance sheet (£m)	At 31 December 2021	At 31 December 2020		
	Total Group	Continuing operations	Discontinued operations	Total Group
Assets				
Financial investments	47,565	41,670	21,604	63,274
Contract costs	9	5	408	413
Cash and cash equivalents	2,064	1,782	139	1,921
Goodwill and intangible assets	457	504	52	556
Trade, other receivables and other assets	381	430	271	701
Other assets	264	309	198	507
Total assets	50,740	44,700	22,672	67,372
Equity	1,739	1,553	325	1,878
Liabilities				
Investment contract liabilities	41,071	35,591	21,816	57,407
Third-party interests in consolidated funds	6,898	6,513	–	6,513
Contract liabilities	–	1	378	379
Borrowings – sub-ordinated debt	199	199	–	199
Lease liabilities	100	108	12	120
Trade, other payables and other liabilities	484	543	129	672
Other liabilities	249	192	12	204
Total liabilities	49,001	43,147	22,347	65,494
Total equity and liabilities	50,740	44,700	22,672	67,372

Financial investments excluding the impact of consolidated funds increased by £5,895 million from £41,670 million at 31 December 2020 to £47,565 million at 31 December 2021, due to an increase in net inflows and positive market performance predominantly driven by the recovery in the financial markets in 2021. A corresponding increase is reflected in investment contract liabilities, with the main difference between the two being the impact of consolidated funds, which resulted in a £415 million reduction in financial investments since 31 December 2020 (as a result of certain funds no longer being subject to consolidation at 31 December 2021).

Cash and cash equivalents of £2,064 million increased by £282 million from £1,782 million at 31 December 2020, primarily due to receipt of £481 million of sales proceeds following the sale of Quilter International on 30 November 2021, together with inflows from pre-tax profits partially offset by £197 million cash consideration for the share buyback programme and £89 million of dividend paid.

Goodwill and intangible assets decreased by £47 million since 31 December 2020, principally due to the amortisation of intangible assets.

Mark Satchel
Chief Financial Officer

Risk review

Effective risk management is key as Quilter embarks on the next phase of its story.

Introduction

Quilter is at an inflection point, having delivered its post-Listing three-year objectives of simplifying the business through disinvestment of non-core businesses, completing the Platform Transformation Programme; and reducing cost and complexity through the delivery of the Optimisation initiatives.

The next phase of Quilter's journey is now beginning, with the business being reorganised into its new Affluent and High Net Worth client segments, to facilitate the further development of client-tailored propositions. Growth and efficiency are central to the future vision for the business, with increasing digitisation, and a commitment to being the responsible wealth manager by applying ESG principles, in everything we do.

This 'gear shift' brings with it a changed risk profile as the strategic focus on innovation brings with it new opportunities and also risks to execution. Customers place their trust in Quilter to help deliver their financial futures, and delivery of strong customer outcomes in all of Quilter's client propositions will be key in the success of Quilter's next phase.

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

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

Matt Burton
Chief Risk Officer

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 ensure fair 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 need	Quilter will at all times operate a robust control environment
Owner: 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-of-the-house 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 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 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 Capital Requirement Directive ("CRD") and other applicable prudential regulations. Following the sale of Quilter International, Quilter is no longer subject to insurance prudential requirements of overseas regulators.

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 Assessment Process ("ICAAP") into our risk management framework. Quilter's ORSA and ICAAP are comprehensive risk processes which set out how risks are managed and how risks might change over time as we execute our strategy and respond to developing situations. From 1 January 2022, Quilter is subject to the Investment Firms Prudential Regime, which replaces the CRD. In line with the new regime, the ICAAP will be replaced with the Internal Capital and Risk Assessment ("ICARA") process, on a Group basis.

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

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. During 2021, we replaced our legacy operational risk system with a new Software as a Service ("SAAS") solution, which provides a modern platform for effective operational risk management.

Environmental, Social and Governance ("ESG") risks

Quilter takes its responsibilities to the environment and society seriously, with responsible business at the heart of Quilter's strategy. The Risk taxonomy has been updated to reflect climate risk aspects, and the Risk Function will be placing increased focus on ESG risk management, including ensuring that Quilter is clear on its commitments, and has appropriate arrangements in place to support the achievement of ESG commitments.

Remuneration and reward

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

Risk-based planning

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

Risk profile

2021 has been a year of gradual and incremental recovery from the COVID-19 pandemic conditions. Key success in 2021, against this backdrop included, completion of the platform transformation programme, the completion of activities associated with the Optimisation plans and the sale of Quilter International. Much of this activity has removed complexity, including legacy technology, and has had the impact of reducing the associated risk profile.

Quilter continues to work with the FCA's appointed skilled person to address historic DB to DC pension transfer advice provided by Lighthouse advisers to British Steel Pension Scheme ("BSPS") members and some other pension transfer cases. Quilter is committed to ensuring fair outcomes for impacted customers who have received unsuitable advice and suffered losses, and a provision of £29 million is held in respect of delivering the remediation and redress programme to these customers. Quilter Financial Planning is also undertaking control environment enhancement programme to ensure a strong and modern control infrastructure supports the delivery of suitable financial advice.

Quilter enters 2022 in a new phase of its development, with a focus on propositional development, digitisation and embedding ESG within the business. Accordingly the risk profile has shifted towards the risks associated with strategic delivery against this ambition. Global concern on the longer-term impact of climate change continues to mount, with an increasing demand on all firms, including financial services firms, to play their part in achieving net zero carbon emissions. More recently the evolving Ukraine crisis is likely to have far reaching social, economic, and political implications in both the medium and long term.

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 Board.

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

The table below sets out Quilter's principal risks and uncertainties, including Executive Committee member ownership and key mitigants being implemented by management. The risk trend noted is the residual risk trend (risk after the application of mitigants) during 2021.

During the year we have removed Investment Management risk, given a relative reduction in risks associated with investment management activities as supporting control frameworks have been enhanced. We have added new risks related to Strategic Delivery and Climate Strategy, given the increased impact of both of these risks to Quilter during 2021.

Business and strategic risks

Economic environment	2021 risk trend:	Mitigation:
Quilter's principal revenue streams are asset value related and as such Quilter is exposed to the condition of global economic markets. Whilst market conditions generally stabilised during 2021 from the COVID-19 pandemic, the evolving Ukraine crisis is having an impact on the economic environment resulting in short term market volatility. Volatility in debt, equity and currency markets may adversely impact customer investment portfolios which in turn impacts Quilter's ability to generate fee-based revenue.	Stable → **Risk owner:** Chief Financial Officer	**2021 activity** – 2021 economic scenario testing at Group and subsidiary level. – The share buy-back programme was performed in tranches, to enable Board consideration of market conditions prior to execution. **Planned and ongoing activity** – Stress and scenario analysis, including in respect of market shocks. – Ongoing enhanced monitoring of market and liquidity risk exposures.

Business financial performance	2021 risk trend:	Mitigation:
While the direct impact of the pandemic on business performance moderated during 2021, consequential impacts including inflationary pressures and an increase in the cost of living could impact customers' ability to invest and therefore investment inflows. The Russian invasion of Ukraine creates increasing economic and political uncertainty which could impact consumer confidence. The potential for tax increases as well as direct inflationary impacts could result in adverse cost impacts for Quilter, acting as headwinds to our 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.	Stable → **Risk owner:** Chief Financial Officer	**2021 activity** – Continued 2021 in-year cost focus, with favourable out-turn against plan achieved. – Longer-term expense targets established aligned to the strategic Simplification programme. **Planned and ongoing activity** – Propositional activity under Quilter's new segment model to drive revenue growth, including Wealth Select+.

Business and strategic risks continued

Strategic delivery (new for 2021)

Quilter has embarked on an ambitious strategy focused on growth and efficiency, while increasing digitisation and embedding ESG wherever possible. Achieving this ambition will require the operation of a robust strategic delivery framework, and investment in capabilities. As we are now embarking on our next strategic phase and with the ambitious programme of work needed to deliver it, we are further increasing our focus in this area. Any failure to deliver on the strategic delivery programme, could expose the Group to competitive risks and impact Quilter's franchise value.

2021 risk trend:

Not applicable

Risk owner:

Chief Executive Officer

Mitigation:

2021 activity
- Sale of Quilter International, and realisation of the post-Listing objective of becoming a modern UK wealth manager.
- Establishment of the Simplification programme and identification of strategic initiatives.

Planned and ongoing activity
- Full mobilisation of activities to support delivery against Quilter's new strategic objectives.

Change execution

Quilter continues to be subject to change execution risk given an ongoing programme of material change projects, although the maturing of Quilter's change execution capabilities, and the successful completion of a number of key projects in 2021, including the Platform Transformation Programme, has reduced the impact of this risk. The effective embedding of new technology and process across Quilter is key for the next phase. Any loss of focus on change execution disciplines could impact the delivery of the intended benefits, and risk disruption to continuing operations and the control environment.

2021 risk trend:

Reducing

Risk owner:

Chief Operating Officer

Mitigation:

2021 activity
- Successful final PTP migration.
- Successful implementation of Workday as a strategic platform for HR and Finance activities.

Planned and ongoing activity
- Active management and prioritisation of the change portfolio.
- Enhanced executive oversight and change assurance.
- Disciplined programme and portfolio governance arrangements.

Climate strategy (new for 2021)

Quilter takes its responsibility to the environment seriously, and is determined to play its part in reducing climate impacts. In order to do this, Quilter must develop and deliver an achievable, coherent, comprehensive and robust long-term climate strategy to manage climate related financial and non-financial risks. Failure to do so would result in Quilter being unable to meet regulatory and other stakeholder expectations, and fulfil our strategic priority to become the responsible wealth manager.

2021 risk trend:

Not applicable

Risk owner:

Chief Executive Officer

Mitigation:

2021 activity
- Climate Risk Appetite statement development.
- Implementation of climate change scenario testing.
- Implementation of the required TCFD statement in this document, and the associated TCFD report.

Planned and ongoing activity
- Further development of Quilter's climate change strategy including specifying targets.

Operational and regulatory risks

Advice

Quilter's financial advice services are subject to fundamental regulatory conduct requirements to assure suitability of advisory recommendations. This risk remains elevated and stable, as Quilter continues to address historic DB to DC transfer advice shortcomings of the acquired Lighthouse Group, as announced by Quilter in 2020. Remediation programmes are ongoing to ensure impacted customers receive fair outcomes and to ensure robustness of the control framework to support the ongoing delivery of suitable advice. 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.

2021 risk trend: Stable

Risk owner: Chief Executive Officer, Quilter Financial Planning

Mitigation:

2021 activity
- Ongoing remediation exercise to address historic defined benefit pension transfer advice provided by Lighthouse to British Steel Pension scheme members and some other pension transfer cases, with a total provision of £29 million held to fund the exercise and resultant redress to these customers.
- Ongoing programme of work to enhance the control environment that supports the delivery of suitable advice in the Quilter Financial Planning business.

Planned and ongoing activity
- Completion of defined benefit remediation activity.
- Further uplifts of controls in operational processes supporting the delivery of suitable of advice.

Information technology

Quilter's business is dependent on its technology infrastructure and applications to perform necessary business functions. Much of Quilter's legacy IT estate is currently being replaced, by cloud-based applications, thereby reducing internal complexity. Nevertheless, a range of legacy applications are still supported, including the technology platform underpinning the divested Quilter International business, which will be supported until 2023 under a Transitional Services Agreement. Failure to manage technology risk could have a material adverse impact on Quilter's business, resilience capabilities, operations, financial condition and reputation.

2021 risk trend: Stable

Risk owner: Chief Operating Officer

Mitigation:

2021 activity
- Technology transformation programmes across Quilter have achieved retirement of many legacy systems, with their replacement by modern cloud-hosted systems.
- Retired systems include legacy UK Platform technology, and supporting systems in HR, Finance and Risk.

Planned and ongoing activity
- Technology transformation continues, with further system retirements.
- Active systems monitoring.
- Technology policy and standards compliance arrangements.

Information security

Quilter's business, by its nature, requires it to store, retrieve, evaluate and utilise customer and Company data and information, some of which is highly sensitive. Quilter and its service providers are subject to the risk of information security breaches from parties with criminal or malicious intent. Should intrusion detection and anti-penetration processes not anticipate, prevent or mitigate a network failure or disruption, it may have a material adverse effect on Quilter's customers, business, financial condition, operations and reputation.

2021 risk trend: Stable

Risk owner: Chief Operating Officer

Mitigation:

2021 activity
- Completion of most elements of the Information Security Improvement Programme, which has delivered uplifted controls, processes and tools.
- Cyber attack framework implementation.

Planned and ongoing activity
- Evolution of the information security framework in the context of a cloud-based third-party application ecosystem.
- Cyber threat defences and monitoring.
- Information Security Policy and standards and associated compliance arrangements.

Operational and regulatory risks continued

People	2021 risk trend:	Mitigation:
Quilter relies on its talent to deliver its service to customers. People risk has remained heightened during the pandemic as Quilter's people have adapted to new ways of working during a period of significant change. Delivery of Quilter's ambitious new strategic objectives will require particular skills and competencies to be successful, including in digital and ESG-related competencies. 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.	Stable **Risk owner:** HR Director	**2021 activity** – Launch of HR Transformation plan. – Implementation of Workday HR to enhance HR related process. **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'.

Third-party	2021 risk trend:	Mitigation:
Quilter procures certain services from third parties, which has increased given the significant business process and technology outsourcing to FNZ and the deployment of multiple new cloud-based technologies. If Quilter does not effectively oversee its third-party providers, they do not perform as anticipated, or Quilter experiences technological or other problems with a third party, Quilter may experience operational difficulties, increased costs and loss of business, potential customer detriment and damage to its reputation.	Stable **Risk owner:** Chief Operating Officer	**2021 activity** – Maturing of the Third-Party Risk Management arrangements, including systemisation of controls within the Coupa procurement system. – Centralisation of supplier management teams to facilitate consistency of approach. **Planned and ongoing activity** – Continued evolution of oversight approach, including optimising for cloud-based applications. – Third-Party Risk Management Framework and associated policy and standards compliance arrangements.

Operational resilience	2021 risk trend:	Mitigation:
Quilter provides important services for its customers, and its ability to maintain these services during unforeseen events is key. The continuing COVID-19 pandemic has provided comfort on Quilter's ability to operate in a severe operational resilience scenario. Any failures in Quilter's preparation for, or response to, sudden disruptions could compromise the maintenance of important business services, resulting in the potential for customer detriment, financial loss, damage to reputation or regulatory sanction.	Stable **Risk owner:** Chief Operating Officer	**2021 activity** – Preparation for the March 2022 implementation of the enhanced UK operational resilience requirements, including identification of Important Business Services. – Business disruption exercises, including a scenario of significant service failure by a strategic supplier. **Planned and ongoing activity** – Business Continuity and Crisis Management Policy and related policy compliance arrangements. – Systemised inventories of processes and dependencies. – Resilience plans and resilience testing.

Regulatory	2021 risk trend:	Mitigation:
Quilter is subject to regulation in the UK by the PRA and the FCA, and following the sale of Quilter International, by a now reduced number of other regulators internationally. 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.	Reducing **Risk owner:** Chief Risk Officer	**2021 activity** – Reduced exposure to international regulatory regimes through sale of Quilter International. – Close engagement with regulators on regulatory developments including in respect of the FCA's Consumer Duty proposals. **Planned and ongoing activity** – Compliance monitoring programme. – Regulatory engagement management. – Regulatory horizon scanning. – Staff training and staff awareness programmes. – Regulatory Compliance Policy, as associated policy compliance arrangements.

Emerging risk radar

Emerging risk radar

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

Near term

Cyber threat developments
Evolving sophisticated cyber criminality presents a persistent threat of attack, capable of compromising the continuity of operations, or the security and integrity of information.

Margin pressure
Increasing market pressures may require provision of services at a lower overall cost to customers to remain competitive.

Economic outlook and geopolitical risk
In addition to the severe humanitarian and geopolitical impacts, the Russian invasion of Ukraine has led to increased economic uncertainty, market volatility and energy shocks in Europe which could threaten global economies emerging from two years of pandemic. In the UK, increased energy prices could compound pre-existing inflationary pressures, which could impact on consumer confidence and ability to save and invest. A prolonged period of market downturn, reduction in consumer confidence and inflationary pressures could materially impact on Quilter's business performance. Additionally, further escalation of the conflict in Ukraine could increase the threat of cyber attacks, for example aimed at critical UK infrastructure in retaliation for economic sanctions.

Medium term

Disruptive competition and technology
There is a continued trend of merger and acquisition activity in the asset management sector, which is increasing competition and accelerating technological advances. This could mean competitors grow in scale and acquire skills and technology, accelerating their digital capabilities and having the potential to erode Quilter's market share.

Climate change – disorderly transition to net zero
Accelerating action towards the goals of the Paris Agreement was a key goal of the COP26 climate change conference in Glasgow in November 2021. Securing global net zero emissions by mid-century is a stretching demand. 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. Given current industry-wide data limitations and evolving guidance in this area, careful consideration will also need to be given to the risk of unintentionally conveying misleading information about our environmental soundness, or about the environmental soundness of our products and services.

Political changes and taxation
Restoration of public finances after the pandemic may require further changes to the tax regime, in addition to the rises in UK National Insurance that have been announced. These could include direct taxes on wealth or changes to pension tax relief for high earners. Tax changes affecting customers' wealth and ability to save could impact Quilter's investment flows and assets under advice and administration.

Longer term

Generational shifts
The UK's ageing population, combined with the rapid growth in the total value of UK household wealth over the last 20 years, is causing shifts in generational wealth accumulation. A significant proportion of this 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. A further intergenerational trend is the transfer of risk from institutions (employers, the state and financial service providers) to individuals, for example as seen in the pension industry. These trends present opportunities for Quilter of increased demand for wealth management and advice services, but Quilter will also need to strategically adapt to changing future customer needs.

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 69 to 72.

Further information on the Directors' review of Risk and internal control can be found on pages 104 to 107.

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

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

The Board's assessment included reviews of capital and liquidity and an assessment of the principal risks over the three-year planning period, which included the impact of COVID-19. A large portion of the Group's revenue is correlated to the Group's AuMA, which can move materially when there is significant volatility in global financial markets, as was experienced in 2020 with the impact of the COVID-19 pandemic.

Appropriate aspects of the strategic plan are stress-tested under the ORSA and ICAAP reviews to understand and help set capital and other requirements. The stress tests considered include a broad range of scenarios, including economic and market shocks of up to 40% falls in equity markets, mass lapse events, new business growth scenarios and severe business interruption, equivalent to 1-in-50 and 1-in-200 year events. In all severe but plausible adverse tests, sufficient capital and liquidity were available after management actions, demonstrating the Group's resilience to adverse conditions. Management actions included the cessation of dividend payments in the most extreme scenarios, as well as actions to reduce costs, which included reductions in variable compensation costs, discretionary spend, and staff recruitment freezes, similar to the tactical cost savings 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 below the market falls experienced during the first half of 2020 with no foreseeable market recovery.

The Board has further considered potential scenario outcomes for the overall costs associated with client redress in relation to Defined Benefit transfer advice in Quilter Financial Planning. The outcome of the analysis confirmed that under the potential scenario outcomes modelled Quilter is expected to remain profitable in all future years over the plan period and that free cash is projected to remain above internal long-term target levels set by reference to the Group's risk appetite at all points during the projection period.

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

The Strategic Report, on pages 1 to 75, 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 69 to 72.

Conclusion on viability

Considering the Group's current capital and trading position, its principal risks, and remaining three-year period of the strategic plan, with due consideration of the impact of the COVID-19 pandemic, the Board has 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 2024.

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 9 March 2022.

Glyn P. Jones

Glyn Jones
Chair
On behalf of the Board