

# Our strategy



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

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

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

Our strategy will enable us to:

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

## Our four strategic pillars

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

Underpinned by

Our culture and commitment to responsible business

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

**Read more about our responsible business commitments, strategy and progress against our KPIs during the year**  
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## Strategic pillar 1: Delivering on customer outcomes

### Strategic objective:

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

### Related KPIs

- NCCF/opening AuMA
- Integrated net flows

### Other performance indicators

- Asset retention
- Investment performance
- Levels of upheld complaints

Asset retention

# 92%

### 2020 performance

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

### Focus for 2021

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

## Strategic pillar 2: Advice and Wealth Management growth

### Strategic objective:

#### Advice

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

#### Investment management

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

#### Related KPIs

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

#### Other performance indicators

- Adviser productivity

New advisers graduated from the Quilter Financial Adviser School

# 167

### 2020 performance

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

### Focus for 2021

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

## Strategic pillar 3: Wealth Platforms growth

### Strategic objective:

#### Investment Platform

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

#### International

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

#### Related KPIs

- Integrated net flows

#### Other performance indicators

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

Uplift in online account activation during 2020

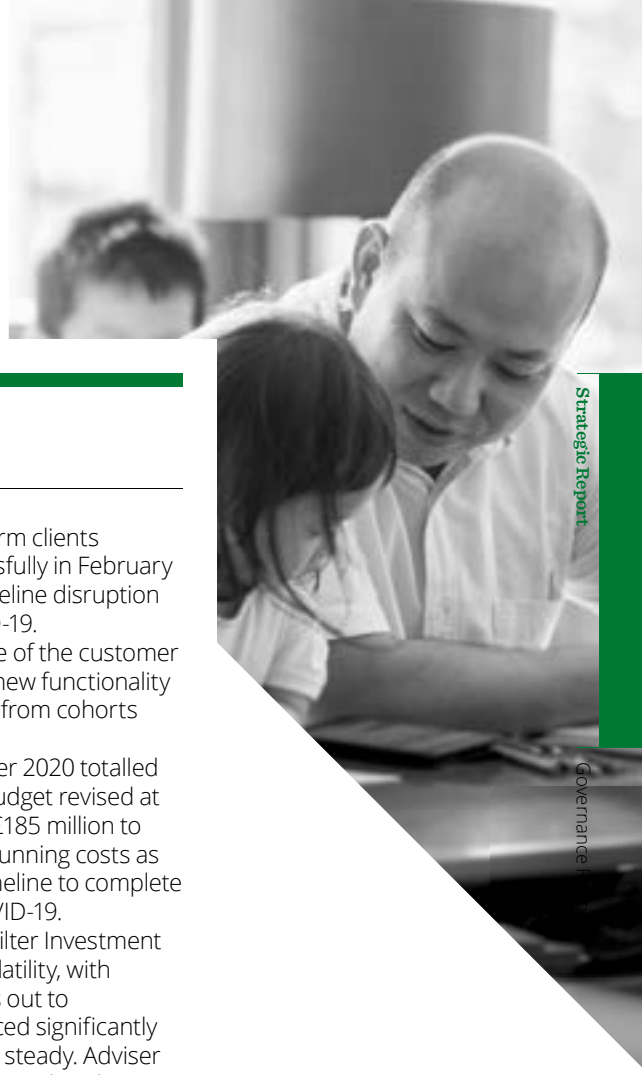
# 80%

### 2020 performance

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

### Focus for 2021

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





## Strategic pillar 4: Optimisation and efficiency

### Strategic objective:

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

### Related KPIs

- Operating margin
- Adjusted profit before tax

### Other performance indicators

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

Run-rate savings delivered to date

£46m

Operating margin

25%

### 2020 performance

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

### Focus for 2021

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

# Key performance indicators

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

## Updates to Key Performance Indicators in 2020

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

### Strategic pillars key:

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

\* See page 270 for alternative performance measures.

## Restricted financial planners (“RFPs”)

### Definition

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

### Link to strategy

2

### Performance in 2020

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

### Outlook for 2021

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

Restricted financial planners (“RFPs”)

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

## Investment managers (“IMs”)

### Definition

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

### Link to strategy

2

### Performance in 2020

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

### Outlook for 2021

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

Investment managers (“IMs”)

2020	169
2019	167
2018	155
2017	164
2016	158

## NCCF/Opening assets under management/administration (“AuMA”)\*

### Definition

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

### Link to strategy

1

### Performance in 2020

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

### Outlook for 2021

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

NCCF/Opening AuMA

2020	1%
2019	0%
2018	5%
2017	9%
2016	6%

## Integrated net inflows\*

### Definition

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

### Link to strategy

1, 2, 3

### Performance in 2020

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

### Outlook for 2021

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

Integrated net flows

2020	£2.3bn
2019	£2.6bn
2018	£4.7bn
2017	£5.2bn
2016	£2.2bn

## Adjusted profit before tax\*

### Definition

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

### Link to strategy

4

### Performance in 2020

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

### Outlook for 2021

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

Adjusted profit before tax

2020	£168m
2019	£182m
2018	£176m
2017	£143m
2016	£128m

■ Continuing operations.  
■ Including QLA.

## Operating margin\*

### Definition

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

### Link to strategy

# 4

### Performance in 2020

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

### Outlook for 2021

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

### Operating margin

2020	25%
2019	26% 29%
2018	26% 30%
2017	24% 29%
2016	25% 32%

■ Continuing operations.  
■ Including QLA.

## IFRS profit/(loss)

### Definition

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

### Link to remuneration



### Performance in 2020

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

### Outlook for 2021

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

### IFRS profit/loss

2020	£87m
2020	£89m
2019	£141m
2019	£(21)m
2018	£131m
2018	£66m

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

## Total shareholder return ("TSR")

### Definition

The difference between the opening and closing share price<sup>1</sup> over the period, plus any dividends paid during that period.

<sup>1</sup> Performance shown for QLT as traded on the London Stock Exchange.

### Link to remuneration



### Performance in 2020

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

### Total shareholder return

2020	(0.9)
2019	42%
2018	(11%)
2017	N/A
2016	N/A

IFRS profit/(loss) and TSR are linked to Executive Remuneration. For more information, see Directors' Remuneration Report on page 133.

\* See page 270 for alternative performance measures.